



To survive the current crisis, your nonprofit needs multiple revenue sources

One of the strongest predictors of a not-for-profit's long-term survival is multiple revenue streams. Many organizations with only one or two found that out the hard way when they failed during the 2008 recession. The same is likely to be true for nonprofits that do — or don't — survive the current novel coronavirus (COVID-19) crisis.

Road map to diversification

Financially stable nonprofits have a good mix of revenue sources, with no one source accounting for more than 25% or 30% of the budget. If you aren't there, take steps to achieve the proper mix:

Perform and present your initial evaluation. Your board should evaluate current revenue streams as well as future plans and associated expenses. You can help board members understand the benefits of diversification by presenting them with multiple scenarios where costs are compared to revenues with and without current revenue sources. Nudge reluctant directors to embrace greater diversification by showing them how eliminating a revenue stream could jeopardize your mission.

Determine additional revenue sources. Consider a wide range of potential sources, weighing the pros and cons of each, including implications for staffing and other resources, accounting processes, unrelated business income taxes and your organization's exempt status. In addition, assess how well aligned potential sources are with your mission. For example, has that foundation grant you're thinking about pursuing ever been awarded to another nonprofit serving your population? Does the company that has proposed a joint venture engage in practices that don't jibe with your nonprofit's values.

Develop strategies for each new source. You don't want to put all your eggs in one basket, but you also don't want to depend on too many "baskets," because each new revenue stream will require its own strategy. Executing too many implementation plans can strain resources. Therefore, each plan should include initial and ongoing budgets, as well as any new systems, procedures and marketing campaigns that will be needed. It also should have a timeline.

Review and adjust as necessary. Take the time at the end of every month — don't wait until year end — to closely review each revenue source. Is it living up to expectations? Is it costing more than expected or falling short of revenue projections?

Patience is crucial

The current pandemic environment has curtailed everything from major gifts to corporate giving, fundraising events to individual donations and foundation grants, so your nonprofit is likely hurting even if you have multiple revenue sources. But as society and the economy begin to recover, look for ways to make your organization more resilient. Diversification is an excellent way to do it. Contact us.

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