

Strategy Guide: Where to find “Operating Funds”

This strategy guide was requested by a reader

Often grants come with strings attached. And one of the most common strings is “Thou Shalt Not Use This For Operating Funds.”

This does a couple things. First, it puts the non-profit or agency in a place where they have the funds to buy food for the hungry (for example) but perhaps no money to pay the person to buy it. Or, in a more likely scenario, a large agency can pay someone to buy the food, but can't get funds for a bookkeeper.

So where do you find the money for “operating funds?”

Plugging the gap with grants

Look around for foundations that are willing to give to operating expenses. I sit on the distribution committee of the Greater Tacoma Community Foundation, and we consider operating fund requests, where the non-profit is essentially just asking for money to help them do their good work. Some foundations will do this, so spend some time looking for them.

Plugging the gap with donations from individuals

First, I hope you will use the blueprint laid out in the *The Little Book of Gold* for cultivating relationships with donors:

- Start with the board and staff
- Then to those closest to you (volunteers, members, friends, etc)
- Use an annual event to find new potential donors and start moving them closer as well

If you do this correctly, these donors—especially the board members—should not be putting restrictions on their gifts. Define your pitch as something outside of yourself, and show that your agency is ideally suited to address it. Donors will give to you because you are good at fixing a problem they care about. Yes, they are giving to you, but if you start making yourself the focus, and not your mission—what you actually do—the donor won't be as interested.

That said, there are ways to ask for operating expenses in your annual appeal. “Keeping the theater open every weekend is an expensive job! Did you know that the museum's electricity bill alone costs \$1,000 a month?” ... “It costs more than \$100 to clean every square foot of a contaminated beach.” These are ways that you can ask for operating funds. Note that you're not actually saying you're going to spend their money on the electric bill. You're just saying that you have high expenses and that the donors can support you so that you can pay them.

Plugging the gap with earned revenue

Really think creatively and constructively about whether there is a business opportunity for your agency or non-profit that would both fulfill your mission and also bring in earned revenue that could help you offset your operating costs.

In his book *Mission-Based Management*, author Peter C. Brinckerhoff gives an example of a non-profit that helps people with developmental disabilities to be self-sufficient. That non-profit could start a business of say, landscaping or farming that would not only fulfill their mission—in that they are providing an opportunity for the people they serve to get work experience—but they are also creating an additional revenue stream that will help their bottom line.

Plugging the gap with interest

Do what you can to make yourself available to planned gifts. You might be surprised what comes up. A million dollar endowment kicks back roughly \$50,000 annually. That can go a long ways toward operating expenses ... if you can find a donor willing to start you out with that endowment.