



SUSTAINABILITY IDEAS

Product Mix and Services

- Understand your asset mix and its economic implications. The fully loaded cost of administering each product can be much higher than the traditional fees charged
- Develop a clear understanding among board and staff about the purpose and operation of each “product” and how it adds value to the community
- Learn how to say “no”; learn how to explain why you have to say “no”
- Develop “products” that work; for example, put time limits on non-productive funds
- Prioritize some products for growth, while maintaining or de-emphasizing others
- Consider a major overhaul of scholarships. This could include more designated funds, online application process, and transaction-based fees.
- Prioritization may slow asset growth but contributes to controlling costs and focuses staff efforts on high priority growth areas
- Leadership efforts are important, but the business model of these efforts needs to be considered

Fund Management

- *Raise fund minimums or establish minimum fees or services for products*
 - Many CFs hold a large number of small funds with low asset values and low fees
 - Increase minimums to establish a fund. Can be different minimums for different types of funds depending of complexity of administration
 - Establish a minimum fee. Can be different for each fund type.
 - Establish a minimum grant size – every transaction costs money
 - Grandfather in existing funds but change policies for new funds
 - Standardization of systems – every exception takes more time
- *Understand the economics of your pass-through and endowed funds*
 - Donor behavior and fund economics can vary significantly for endowed versus pass through funds
- *Spend time cultivating large funds*
 - Large funds make a dramatic difference to a product’s economics and to the Foundation
 - Foundations cultivate small funds in the hopes of a larger gift or bequest, however, they must carefully consider the potential of many small funds to realize this hope
- *Provide alternative ways to involve small donors*
 - For example, promote one or two specific field of interest funds or leadership funds which are open to small donors or experiment with a membership model

Revenue Sources

- *Increase fees and tighten the pricing tiers*
 - In general, emerging foundations need to have higher fees than larger, more established CFs in order to improve sustainability prospects
 - Consider a higher fee on the unrestricted funds to support community leadership
- *Diversify the fee structure to include other types of fees beyond asset fees*
 - Foundations should consider different pricing structures, particularly for enhanced services or high volume funds, which more closely align with the cost drivers for the fund. Community project funds can have an entirely different fee structure.
- *Cultivate alternative sources of revenue*
 - It is essential to get creative beyond administrative fees to support growth and leadership
 - Build or increase your administrative endowment; you can use not only the earnings but depending upon your policies maybe some of the growth.
 - Identify unrestricted or advised funds donors who might "invest" in the foundation operations while it is seeking sustainability.
 - Evaluate funds that have the best possibility for immediate growth, such as agency or designated endowments that benefit from multiple donors. Board members and other donors may not know of an agency's endowment and would be delighted to contribute.

Operational Changes

- Review your grant process; can you eliminate steps or reduce paperwork? (see projectstreamline.org for great materials on this topic)
- Review your event activities to evaluate whether the net income is worth the time and expenses involved; money saved is like more revenue.
- Consider the costs of newsletters and other marketing efforts that don't have measurable results. Even electronic messages take staff time.
- Evaluate your services to current donors. 75% of gifts to Indiana community foundations in 2011 went into existing funds. These are likely existing donors.

Structural Changes

- Consider entering into an affiliation or alliance
- Shared space with other nonprofits
- Combined back office

Additional Thoughts on Sustainability

- Community engagement and community leadership activities, while important, do not typically produce revenue for a community foundation
- Most strategic plans and asset development plans address what more you will do more of. A sustainability plan must address what you will do less of.

It all adds up – a small change implemented rigorously over time can make a big difference