



# Stopping *Income Leaks*

by Beth Raps

In the last few years of fundraising consulting to small and medium-sized grassroots organizations, I've noticed more and more ways my clients could be saving money. In fact, I've noticed that my clients might not need me at all if they tried some basic money-saving ideas. Sometimes I feel like saying, "Show me your budget and I'll tell you what your mission is." Though that's a bit bald, it does seem to me that where you put your budget shows where your mouth is. As a consultant, my job is to help amplify my clients' "mouth," their voices. This often demands not just fundraising, but re-examining fund spending.

## *Leaks of Omission vs. Leaks of Commission*

With due apologies to the Church, the simplest way to start looking for income leaks is to think in terms of what Catholics call "sins of commission" and "sins of omission." What are you doing that results in money lost? What are you not doing that results in money lost?

Let's start with commission leaks because these are often easier to see. Once you begin seeing what you are doing, it's easier to see what you aren't doing.

## *Leaks of Commission*

These leaks occur when you give something valuable away for free or for far too little: paid staff time, specialized knowledge in the form of information based on your experience or expertise, use of space, services, products, etc.

For example, an organization produces a publication but doesn't pass its true costs on in their price for the publication. They subsidize not just paid staff hours needed to produce it, but even the printing and the postage! Or they send out copies of a report to anyone who requests it—for free.

Or an organization spends not just hours, but what eventually amounts to days on the phone helping urgently needy people find services they need or responding to questions from organizations who are doing similar work, but never asks for anything in return—not a donation, not a

pledge, not a membership, not a subscription, not an advertisement in a newsletter, not an in-kind donation in return, not even a newsletter exchange!

I see two potential objections to what I'm suggesting, two reasons these decisions are not questioned more often. The first comes from the external debate in society contesting nonprofits' rights to tax exemptions and other benefits, including decreased postal rates, if we start "acting like businesses." The second is internal. It comes from our feeling that we are here to serve—whether it's those who don't have enough money to pay for our services, products, information, etc. or those who are colleagues or peers in the struggle.

First, the external objection—acting like businesses. If valuing our work is "acting like a business," then I contend that business metaphors are being allowed to control our minds. Businesses exist to make profits; we exist to fulfill our missions. We cannot fulfill them if we are less than extremely creative about how we spend and raise money. I am not suggesting making a profit on what we do. I am suggesting organizations deal with the real costs involved in doing what we do, and who should pay them.

We have no problem asking people to give us money to help us continue to do what we do that is valuable. This we call fundraising. But what we must realize is that it is also all right to pass the costs of what we offer on to the people who want it. One way is to consider asking for a gift, a pledge, a membership, etc. whenever you are asked to give something away—in short, use the request for information, publications, or staff time as an opportunity to fundraise.

Now for the internal objection, that we serve people with little or no money. How can we in good conscience ask them to support us? We can't. But think again about the rationales we use when we fundraise from those we don't serve directly. You've begun thinking along these lines already if your organization has approached donors or board members who were not among the people you serve directly. These people have another kind of stake in what we are doing—they want to see our services continue because

they believe that the problems we are trying to solve need attention. This is the way you build allies and develop the power base you will need to become ever stronger.

So perhaps there is an opportunity to broaden your base of support even beyond those you have traditionally gone to. To do so, you may need help figuring out 1) what you offer of value to others beyond your direct constituents; 2) who these “others” are; and 3) what to ask of them in exchange for what they receive.

Take a thoughtful and creative pause from your day-to-day work. Invite several people from your organization, including a combination of staff, volunteers, and board members, to a meeting with someone who does marketing, preferably someone who believes in what you do. Ask this person to structure the meeting to help you see what you already offer that would be or is of value to new constituencies. Notice that I am not suggesting you institute any new program, or produce any new thing to sell to these new people.

You can also team up with another nonprofit who knows your organization well, respects your work, and whose work you respect. Trade times in which you identify what your organization offers of value and what theirs does. Then talk about who else might benefit or does benefit from it beyond the people you are now serving if those you’re serving have no or little money.

The third way to do this is simply to notice who asks for and uses what you offer beyond your direct constituents. Ask staff and volunteers to keep logs of how they use their time. If you are like some folks in my experience, you may be chagrined to find you are giving away time and stuff to people and organizations who could easily afford to pay or contribute to you for it! In fact, you may decide you’re not serving enough of the folks you really meant to, and refocus your work accordingly.

## *Leaks of Omission*

Once we understand commission leaks, leaks of omission look very similar. Where committing an income leak means actively giving something away for free or too little, omitting an income leak is simply more passively failing to question an expense. For example, what about that new Web site? or that board meeting expenses line item you’ve never asked board members to contribute to covering?

Looking more closely, ask why do you have a Web site? Who are you trying to reach? Who are you reaching? How do you know? What is the response rate, and what is the response? Are you getting the responses you want? Refuse to be snowed by technophilic arguments that amount to keeping up with the virtual Joneses. A targeted outreach approach often builds your organization better than a scatter-shot one.

What about board meeting expenses? If you have a class-diverse board, what keeps you from asking board

members to contribute as much as each is able to travel, food, and lodging for meetings? This means acknowledging that different members have different abilities to pay. If this is new, you want to go about it carefully; it is even more delicate politically than looking critically at the Internet, if such a thing were possible.

For other leaks of omission, hold a staff/volunteer brainstorming session in which people feel free to question the expenses side of your annual budget. (This assumes that everyone in your organization a) has a copy of your budget, b) can read it, and c) feels safe questioning it. If these factors are not true, attend to them immediately.) You may be surprised at your own collective creativity in locating income leaks of omission.

In the second phase of this process, bring a list of top vote-getters to your board with recommendations for paring them down. This allows board members their own time to examine the budget critically and to see that you are serious about saving money, not just about asking them to raise it.

## *A Questionnaire with Some Suggestions*

This questionnaire is structured around budget categories common to most organizations. Most anything our organizations do results in an expenditure, unless it is staffed by volunteers, with supplies and expenses donated or in-kind. This questionnaire presents the chance to examine each of these expenditure categories.

**Personnel:** Using logs staff have kept for a month (if possible), is personnel time used in your highest priority areas? In other words, do you spend time doing what you most believe you should be doing? What about your volunteers? Note that benefits such as sick leave, vacation time, health insurance are not in question. In fact, use time you can save by doing this process to help staff see they should take the time off stated in their job descriptions!

**Printing:** Easy questions: Have you solicited in-kind donations for larger jobs? Have you considered trading advertising (in a publication or program-book or on a big banner at an event, etc.) for printing or graphic design services? Harder questions: How could you print less? Does what you print serve your priority purposes, your mission? Does it get read? Do people who use what you print help you pay for it?

**Phone:** Because they are so detailed, phone bills are a good indicator of how staff time is used and can supplement the staff logs suggested above or serve as a reality check. The questions here: Who are staff and volunteers calling? Why? How much would be saved if callers were not helped ad infinitum but were told up front that every half-hour conversation actually costs your organization \$\_\_\_\_? What would happen if you requested something in return for what amounts to consulting by phone?

**Postage:** Can you have postage donated for larger mailings? Traded for advertising as with printing or graphic design? When was the last time you purged your publication mailing lists? Asked for subscriptions, or donations to cover your costs? Can mailings be shorter, articles more succinct, fewer, more strategic, and save both postage and printing costs?

**Travel/Meetings:** If you are travelling to give something of value, such as a speech or workshop, are you asking for reimbursement? If you're told this isn't possible, do you ask that monies be raised to support your coming? If your organization pays for you to give something away of value, are you certain it benefits the constituents you exist to benefit? If you are travelling to participate in a meeting or attend a conference, have you as an organization identified when and whether these are good expenditures, based on your program priorities and mission?

**Memberships/Subscriptions/Donations to Other Organizations:** If you join other organizations or subscribe to their publications: have you as an organization identified when and whether these are good expenditures, based on your program priorities and mission? How have these decisions been made? Should they be re-examined? Who benefits from these expenditures?

**Rent:** Can you obtain donated space? Can you sublet some

of your space? Have you asked groups who use your space to help pay for your costs? Or to make some other contribution to your organization's ability to keep having space they use? Can you buy a space? Have you considered what such a capital campaign might do to build your organization beyond simply purchasing you space?

**Insurance:** Get a "second opinion" periodically by shopping around, and keeping up with laws on what you have to have.

**Supplies:** Seeing what you can obtain donated in-kind is the main strategy here. But also: Do you really need Post-Its? Do staff use scrap paper? (Do you recycle?) Do folks take home pens, paper, make copies, etc. without realizing just how much on average per person your organization spends on supplies?

For all of these items and issues, it is often best to point them out in a meeting with everyone concerned, and with everyone in possession of a copy of your budget. Put in the context of a clear need not only to raise money, but to save money, this can be an eye-opening and motivating experience. **GFJ**

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