University of Nevada, Reno

Strategic Considerations for Sustaining Nonprofit Organizations

A thesis submitted in partial fulfillment
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by

Sami Baldock

Dr. Yvonne Stedham, Thesis Advisor

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Sami Baldock

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____
Yvonne Stedham, Ph.D. International Business, Faculty Mentor

____
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Abstract

This thesis provides strategic considerations related to the internal and external environments of a domestic, U.S.-based, small to medium size nonprofit organization. Specifically, the nature and importance of a nonprofit organization's mission statement, the board responsibilities and relationship to the staff, volunteer base, marketing, fundraising, and individual donors are addressed. By implementing these strategies, a nonprofit organization's management will be able to ensure the organization's effectiveness and sustainability, which is extremely important in this current recessionary period for the United States of America.

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1.0 Introduction

1.1 Background Information

For the purpose of this thesis, I will be focusing my research on nonprofit organizations that are classified as 501(c)(3) charitable entities, headquartered and operated solely within the United States of America. I will be providing strategic insight into six areas of a nonprofit organization, covering both the organization's internal and external environments. The goal of this thesis is to provide the reader with the knowledge and understanding fundamental to maintain an already established, small to medium size, domestic nonprofit organization through the use and implementation of the recommended strategies.

In order to fully appreciate the relevance of using the strategies presented in this thesis, it is crucial that the reader clearly understand what a nonprofit organization is. What are the characteristics of nonprofit organizations and what types are classified by the Internal Revenue Service? What are the roles of nonprofit organizations in American society? Finally, what are their comparative advantages in relation to the government and private sectors?

1.1.1 Definition of the Third Sector

Nonprofit organizations represent what is known as the third sector, also referred to as the voluntary sector in the United States. These organizations are neither part of the private sector (private profit sector), nor the public sector (basic public services controlled by the state). The organizations within the private sector are focused on the bottom line profit and paying their shareholders, whereas nonprofits tend to reinvest all of their revenues back into the organization to continue operations. The third sector is unique in that it is able to supply the advocacy efforts of its constituents and directly provide a good and/or service that the private sector fails to supply and the public sector is unable or unwilling to provide (Brinkerhoff, Smith and Teegen 10-11).

The third sector bridges the gap in specific issue areas that the other sectors cannot fulfill. Essentially, these organizations are quite different from the private and public sectors in terms of their mission, practices, overall values, incentives, use of the market, performance measures, accountability, and redistribution of revenues (Doh 212).

1.1.2 Definition of a Nonprofit Organization

Nonprofit organizations (NPOs) are established to provide a specific service to the public. They are nongovernmental entities that are classified as charitable, or not-for-profit, institutions under federal and state law. Although there are many different types of nonprofit organizations: public charities, private foundations, social welfare organizations, religious organizations, etc., they all share similar characteristics, namely: a public service mission, not-for-profit financial and organizational structure, and tax-exemption (Wolf 21).

1.1.2.1 Characteristics of a Nonprofit Organization

Roles of Nonprofit Organizations

Nonprofit organizations provide the following five main roles in society: the service role, advocacy role, expressive role, community-building role and value guardian role.

The service role means that the nonprofit itself is a provider of services that are often left unaddressed. Some examples of these services include hospital care, higher education, cultural and social services, community development, emergency aid, etc. Due to the not-for-profit nature of these organizations, they are more inclined to serve those that are truly needy without a hidden agenda. In addition, nonprofits are able to identify and deliver services to their constituents, with a higher quality of service and generally at a lower cost as a result of their access to volunteers. Additionally, they are often much more flexible and adaptive than governmental agencies. In 2002, nonprofits in the U.S. made up 90% of orchestras and operas, 80% of the individual and family services agencies, 70% of foreign disaster assistance, 50% of the nation's hospital, 46% of higher education institutions, 33% of the health clinics, 30% of daycare centers and 25% of nursing homes (Salamon 9).

The advocacy role is central to the purpose of nonprofit organizations. These groups bring public attention to issues within the community and around the world, giving a voice to a variety of social, political, and environmental concerns. By bringing public attention to these issues and rallying support to change the problem, nonprofits are able to push for change. The ability to do unlimited amounts of research and use that research to educate and inform the community is very unique to the nonprofit sector. In this sense, a nonprofit is acting as a watchdog or agent of accountability, making sure that others do what they have promised and publicizing those that fall short of their promises (Salamon 10).

The expressive role is a contribution to the cultural aspect of humanity, through artistic, social, cultural, ethnic, religious and recreational venues, such as: opera clubs, book clubs, museums, churches, etc. (Salamon 10).

The community-building role connects individuals that are involved in the organizations and teaches them to form standard norms of cooperation. This role also helps develop leaders within a community and promotes citizen participation (Salamon 11).

Finally, the value guardian role allows individuals to not only promote their own well-being, but also the well-being of others in their community (Salamon 11). For example, Big Brothers Big Sisters not only helps improved the lives of underprivileged teens, but also has positive effects on the mentor and the community as a whole.

Comparative Advantages of Nonprofit Organizations

Nonprofit organizations have very specific comparative advantages that often allow the organizations to function more efficiently and effectively than many government and private sector institutions when providing a humanitarian service to the public. These comparative advantages include "filling the gap", being more trustworthy and reliable than public institutions, offering flexibility and innovation, the ability to mobilize volunteers, and being able to identify the needs of the community.

NPOs tend to fill the gaps that are left behind by both the government sector and the private sector. Often times, the government fails to address pressing social issues due to a number of reasons, including: a heavy time constraint, monetary and budget constraint, a lack of knowledge and information about the issues, and a general absence of the need to act immediately, if at all. In addition, due to small overhead costs and lower paid salaries within the third sector, projects are also at a lower cost than government could afford (Fernando and Heston 195). On the flipside, the private sector often does not address these issues because there is little to no profit in serving such a public cause. Thus, the unique ability of nonprofits to identify and research very specific causes within a local community, and then to spend time and money in order to correct and/or ratify the issue are distinctly different from the government and private sectors. For this reason, nonprofits are seen as having an advantage in "filling in the gap" (Brinkerhoff, Smith and Teegen 62).

NPOs are seen as trustworthy. Whereas the government is often seen as a sector of personal agendas and hidden motives, the nonprofit sector is viewed as a more holistic, honest provider of necessary services. In this sense, NPOs are able to provide services to the public while maintaining a sense of trust, which further promotes its constituents to use and consume its goods and/or services (Brinkerhoff, Smith and Teegen 62).

Nonprofits are extremely flexible and innovative due to their smaller size, volunteer base, passionate staff, and relatively cost-effective budgets. This makes NPOs more adaptable and sensitive to local conditions (Fernando and Heston 196).

Due to their grassroots nature, many nonprofits are more easily able to mobilize community volunteers to help with their local programs and projects. Having a structure based on a grassroots movement allows the organization to act in a bottom-up, participatory manner (Fernando and Heston 195).

Finally, since these organizations are so well-connected to the community, it is also easier for nonprofits to understand and identify the needs of their community because they are able to directly research these problems (i.e. soup kitchen, homeless shelter, etc.) (Fernando and Heston 195).

Internal Revenue Service Tax Status

The term “nonprofit organization” is very broad; in fact, it summarizes many different types of organizations into one umbrella definition. There are many different types of organizations that fall under the general term of “nonprofit organization” in the United States. To determine which nonprofits I will be discussing within this thesis, it is important to understand the classification of the 26 types of nonprofit organizations in section 501(c) of the United States Internal Revenue Code measured by the Internal Revenue Service (IRS). These specific types of nonprofits are shown in *Appendix A: Table 1*.

For the purpose of this thesis, I will be discussing 501(c)(3) organizations, also known as charitable organizations. A determining characteristic of a charitable organization is its tendency to provide care and services to its constituency. As seen in *Appendix A: Table 1*, these organizations are classified as: “religious, educational, charitable, scientific, literary, testing for public safety, to foster national or international amateur sports competition, or prevention of cruelty to children or animal organizations” (“Tax-Exempt”).

Organizations classified as 501(c)(3) are further differentiated into two subgroups: private foundations and public charities. Shown in *Appendix A, Table 2,* public charities support many different causes/missions and are classified as either registered with the IRS or unregistered. The registered organizations either have gross receipts of $25,000 or more on an annual basis (i.e. hospitals, colleges, museums, etc) or have gross receipts of less than $25,000 per year (i.e. community theaters, neighborhood organizations, etc). Unregistered organizations, on the other hand, represent small charities that have gross receipts of under $5,000. On the contrary, all private foundations must register and file with the IRS. Most private foundations rely heavily on investment income and are generally considered “family foundations”. A private foundation can be created by an individual, family or communities, in order to support a specific cause. It is estimated that only 3% of all foundations currently registered with the IRS have staff (“Nonprofit Organizations: Overview”).

The charitable organizations in section 501(c)(3) make up the largest sector of all nonprofits classified as a 501(c). In 2006, the 501(c)(3)s totaled roughly 1,000,000 organizations, consisting of more than 800,000 charities and more than 100,000 private foundations. It is important to note that no specific number is known for the number of private foundations and public charities because the public charities with less than an annual gross receipt of $5,000 are not registered with the IRS, allowing for a guessing game on the exact number. In addition, this sector of nonprofits is the fastest growing segment of nonprofits. During the fiscal year of 2005 alone, the IRS registered 77,539 new 501(c)(3) organizations

(Wilcox 5).

Tax Exempt Status

The identification code of 501(c)(3) by the Internal Revenue Service is given to NPOs. As a result of this classification, these organizations receive tax-exempt status, meaning that they are not subject or liable to taxation (Wolf 21). The state and local tax-exemption allow nonprofits to avoid paying income tax, real property taxes and, on occasion, sales taxes (Smith, Stebbins and Dover 220). In order for nonprofits to receive this tax-exempt status, a number of requirements must be met and continually held throughout the lifespan of the organization. The requirements to be considered a tax-exempt IRS 501(c)(3) charitable nonprofit are as follows: must be a nonprofit group, organization or corporation, have a charitable purpose, have a non-distribution constraint, do not lobby, and be in accord with established public policy (Smith, Stebbins and Dover 36-37).

Types of Nonprofit Organizations

There are many different types of 501(c)(3) public charities. They vary both in area of service (i.e. theater, homeless shelter, etc.), and in specific mission/cause. Additionally, NPOs differ in their composition (i.e. size and structure), resource base, operating experience, strategic focus and geographic scope. Various types of NPOs include: hospitals, universities, theaters, orchestras, opera companies, religious congregations, environmental advocacy, civil rights organizations, family service, children's service, neighborhood development, antipoverty, and community health facilities and support organizations (Salamon 7).

Number and Impact of Nonprofit Organizations in America

NPOs have been consistently growing in the U.S. over the last decade, increasing from 1.1 million to 1.4 million between 1998 and 2005. In 2006, nonprofit organizations contributed $666 billion to the economy, accounting for 5% of the nation's GDP, 8% of the wages in the economy, and almost 10% of the jobs in the U.S. ("Nonprofits"). According to the National Center for Charitable Statistics, as of October 2009 there were 1,569,572 tax-exempt organizations in the United States. This overall number divides further into 997,579 public charities, 118,423 private foundations, and 453,570 other types of NPOs (i.e. chambers of commerce, fraternal organizations, civic leagues, etc) ("Quick Facts").

It is evident that the third sector is significant with the U.S. economy. However, experts are now predicting that over 50,000 nonprofits will fail this year due to the U.S. recession and a large lack of funding and volunteers (Wasley). For nonprofit workers it is extremely important, now more than ever before, that the organization performs at its highest capabilities. Therefore, using the information provided in this thesis and learning the strategies based on understanding both the internal and external environments of the nonprofit will be critical. The strategies will cover the topic areas of: mission statement, board responsibilities, volunteers, marketing, fundraising, and individual donors. All of these areas are vital for a NPO to not only function efficiently, but to also be able to grow despite this hard economic time for the U.S.

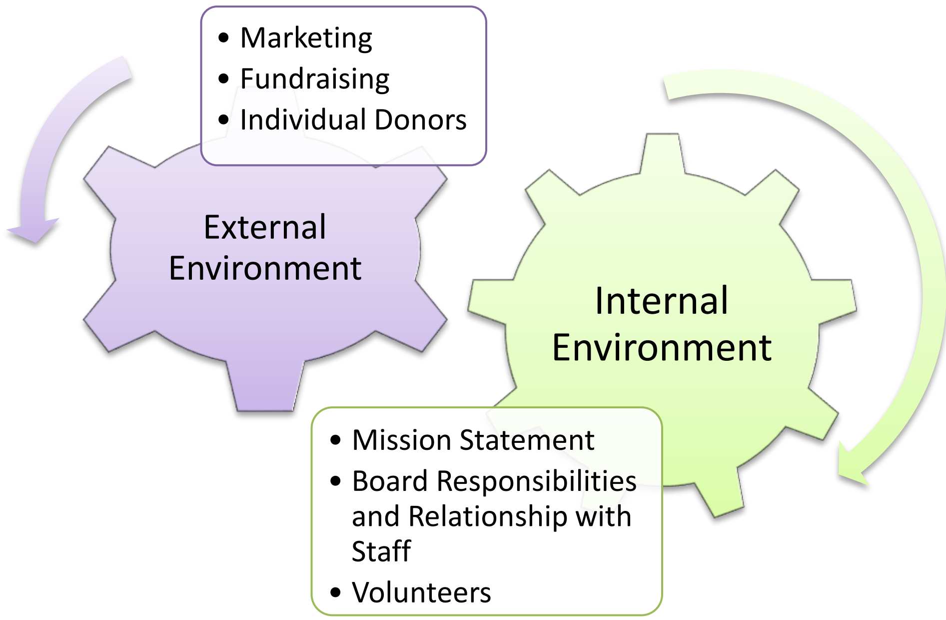
1.2 Internal and External Environment Framework

The purpose of strategic planning is to create a good fit between an organization's external and internal environment. Strategic management is a dynamic process allowing the organization to be effective and survive in the long run. In order to assess a variety of strategies that are commonly used by domestic, small to medium size nonprofit organizations, it is necessary to divide the thesis into a framework based on the nonprofit's internal and external environments. Through my research, I found that there were countless numbers of strategies aimed at helping nonprofits function properly. To narrow these down and choose the strategies that appear to be most beneficial, it made sense to structure these six areas of strategies into a framework. Through my studies at the University of Nevada, Reno, I have learned about the Contingency Management Model, which is based on the need for organizations to maintain a good fit by changing its internal aspects to complement changes in its external environment. I have chosen to use my knowledge of this model, and transform it into a framework that a nonprofit organization could use. *Figure 1* shows the interaction between the internal and external environments of a NPO. Each of the environments relies on the other in order to function properly.

Within the internal environment, I have included strategies for the organization's mission statement, board responsibilities and relationship to staff, and volunteers. In this sense, the internal environment is focusing solely on the internal workings of the NPO. The mission statement is the basis for why the organization was founded. The board and its understanding of its responsibilities as well as its relationship with the staff, in addition to volunteers, construct the entire employee network of a NPO. Thus, all of these areas working together create a complete overview of the organization's internal environment.

Within the external environment, I have included strategies for the organization's marketing, fundraising, and individual donor engagement. In this sense, the external environment is focusing solely on the external workings of the NPO. Marketing allows the organization to promote itself to the public in the hopes of capturing both constituent and donor interest. Fundraising is the way in which the NPO stays financial stable, and creates the cash flow for the organization. In addition, individual donors, which are a part of fundraising, are the most important element in a NPO's finances. Thus, all of these areas working together create a complete overview of the organization's external environment.

Figure 1: Internal and External Environment Framework



1.3 Review of Literature

My thesis is based on literature written by experts within the nonprofit sector, most of which have been involved in nonprofit organizations for many years as board members, executive directors, and/or general staff. A majority of this research literature does not contain empirical studies or quantitative data; instead, it consists of general suggestions and theories that have been developed as a result of the experts' own personal experiences within the nonprofit sector.

I have found through my extensive research that there is a large amount of literature written on the nonprofit sector in general. It was my goal to perform a literary analysis of current strategic considerations for sustaining nonprofit organizations that are commonly used within the nonprofit sector. I have narrowed a wide variety of suggestions into six topic areas that are important to consider when maintaining a successful operation of a NPO. Thus, this thesis is a practical guide, containing strategies from the topic areas of the organization's mission statement, board responsibilities and relationship to staff, volunteers, marketing, fundraising, and individual donor engagement.

To further analyze these topic areas, I have chosen to separate them into an internal and external environment framework in order to more easily assess each area's specific strategic considerations that are suggested. The internal environment consists of: the organization's mission statement, board responsibilities and relationship to staff, and volunteers. And the external environment consists of: the organization's marketing, fundraising, and individual donor engagement.

1.3.1 Mission Statement

Phills and Knauft, Berger and Gray provide a concise definition of a mission statement, explaining the underlying reasoning of the nonprofit's existence and overall purpose. To further define the characteristics of a mission statement: Lee discusses the importance of a clear mission. Wolf and Light add to this by emphasizing that the mission should be specific in its objectives. Knauft, Berger and Gray and Light highlight the importance of a succinct, brief and concise mission, while Wolf encourages all NPOs to include measurable goals and objectives in their mission statements, in order to keep the NPO accountable. Additionally, Phills provides the counter views of what a mission should not be: a strategic plan in itself and a predictor of financial viability.

When developing a mission statement, Light details an integrative process consisting of: clarifying ownership of the NPO, determining its constituents, clarifying the outcome for the chosen constituents, creating a reputation, and creating a mission summary. After the mission statement is created, most experts agree that the implementation and maintenance of the mission is the most difficult and important part. Some of these experts including Knauft, Berger, and Gray encourage NPOs to spread their mission statement throughout the entire organization and to allow it to act as a "unifying force" between all the levels of the organization. In addition, Sandler and Hudson suggest tying everything to the mission statement, in order to make the mission central. Wolf and Knauft, Berger and Gray emphasize keeping the mission unchanged, unless absolutely necessary (i.e. there are major changes in the organization's goals and direction). Finally, Sandler and Hudson suggest that the NPO stick to the original mission statement and avoid "mission creep".

1.3.2 Board of Directors' Responsibilities and Relationship to Staff

Connors defines the board as the "governing or policy-setting body that bears legal responsibility for the institution it serves" (Connors 115), while Grobman adds that the board is responsible for setting policy for the NPO. In regard to the size of the board, Board Source suggests that there is no "magic number"; it "depends on the organization's culture, the nature of its mission, the experience and expertise of board members, and the board work that must be accomplished" (Board Source 49). Grobman further emphasizes that a smaller board could be beneficial if the board's primary role is to create policies, whereas a larger board would be more beneficial if the NPO needs a lot of help with fundraising and implementing programs.

In regard to the relationship between the board and staff, the definition of roles and responsibilities is very important in order to create an environment that will allow the nonprofit to succeed. Grobman has developed seven fundamental roles of the board: personnel, finance, fundraising, planning, board development, public relations, and advising. Through my research Grobman's view of the board's responsibilities was the most all-inclusive and complete set of roles. The other authors used in this section, Connors and Board Source also agreed with these seven fundamental roles.

1.3.3 Volunteers

Volunteers are a crucial part of a nonprofit's operations, in order to recruit volunteers a NPO must first know who volunteers and their reasoning behind doing so. Wilcox defines a volunteer as a person who gives his/her time and energy to an organization "without being legally bound to do so and without expecting to be paid" (Wilcox 29). Independent Sector provides statistics showing that on average volunteers donated 30 or more hours per month to two or three NPOs in 2000. Connors explains that there is no typical American volunteer and that volunteers come in all different shapes and sizes and represent all races and ethnicities. However, the Independent Sector displays statistical data that show individuals who have a higher education and a higher income tend to volunteer more and on a consistent basis.

There are many reasons to volunteer; Boris and Krehely emphasize personal motivations, whereas McCurley and Lynch discuss the sense of obligation to give back to the community. Additionally, Connors cites other reasons found by the Gallup Survey including: interest in the particular area of the nonprofit, the need to be needed, desire for sociability, curiosity about the program, desire to increase job experience, and to counteract the boredom they experience in their paid job.

When recruiting volunteers Connors suggests the recruitment sources of volunteer centers, retirement homes, universities, sororities and fraternities, and volunteer fairs. In addition to where to find volunteers, La Piana states the importance of meeting the needs of the potential volunteers in order to attract them to a specific NPO rather than its rivals. In regard to the actual techniques themselves, McCurley and Lynch suggest warm body techniques, such as mass mailing and mass media, word of mouth, speaking at community meetings, and access via websites. They also promote targeted techniques, when recruiting specific individuals, through detailed job descriptions and asking face-to-face. Interestingly, I did not find any literature that specifically discussed the utilization of the Internet, namely emailing and websites to recruit volunteers. Finally, after recruiting volunteers, it is equally important to retain them. McCurley and Lynch emphasize the importance of motivating volunteers, as well as formally and informally recognizing them in order to increase retention.

1.3.4 Marketing

Wolf defines marketing as the "analysis, planning, implementation, and control of decisions in the areas of product offering, distribution, promotion, and pricing" (Wolf 152). Connors further develops this definition by adding that marketing is essential for a NPO to achieve its objectives. Additionally, Wolf reminds the reader that marketing for a NPO is different from marketing for a for-profit organization due to four unique aspects of NPOs: multiple publics, multiple objectives, intangible services, and public scrutiny.

The marketing management process, developed by Connors, consisting of identifying the target market, specifying marketing objectives, developing marketing strategies, and implementing those strategies. The marketing techniques themselves include branding and image, which is emphasized by Bateson and Wolf. In addition, the literature is quite ambiguous and contains very little detail in regard to actual marketing techniques. However, my research did briefly mention the following marketing techniques that are commonly used among nonprofit organizations: direct mailers to all constituents, door hangers canvassed around high-density neighborhoods, attend public meetings and community events, press releases, press conferences, and media events for project milestones. Again, interestingly, the literature did not mention marketing on the Internet, which has become popular today through: a nonprofit's own website or blog, social networking, YouTube videos, and GoogleAds.

1.3.5 Fundraising

Fundraising is also a crucial element for a NPO's survival, and is defined as the accumulation of financial resources to fund the operations of a NPO: its programs, activities, and events. In addition, Perry emphasizes that fundraising is much more than "begging" for money, it is about "getting the community behind your mission, solving important problems, and making friends for your organization, while bringing in resources to help change the world" (Perry 56). Since fundraising is one of the most researched topics in the nonprofit sector, there are hundreds of tips and methods on what organizations should and should not do in regard to fundraising. A review of the relevant literature led me to a comprehensive yet concise set of tips that encompasses the main guidelines for fundraising called the Ten Commandments of Fundraising by Wolf.

In regard to fundraising venues, Bateson cites service clubs, government funding and individual donors. Whereas, Grobman mentions foundations and Klein, Wilcox and Wolf cite corporations as fundraising venues. The specific fundraising methods include: direct mailing, which is discussed in great detail by Klein, and telephone solicitation covered by Wolf. Although the literature had no research in regard to using the Internet when recruiting volunteers and marketing, there was research for fundraising online through email. Klein states that more than 50 million American use the Internet; therefore, emailing has become an increasingly popular fundraising method. Bangs emphasizes that this is because emailing is very low costs, high information transfer, easy to collect information, and a tremendous amount of flexibility. In addition, the literature did not mention nonprofits' own websites, but this is also a new way that NPOs are able to advertise upcoming programs, activities, and events, as well as market their organization.

1.3.6 Individual Donors

Individual donors, who are defined as third-party payers, are "essential elements of the nonprofit economic model" (La Piana 150). Connors emphasizes the importance of individual donors by citing the empirical data that over 80.9% of all charitable contributions came from individual donors in 1994. Logically, since individual donors are so valuable there has been quite a lot of research done on why people donate, including Perry's reasoning of donating being a way to express one's own ideals, because they feel guilty, out of personal responsibility to others, believing in the mission, wanting to give back to their community, and wanting to improve and save lives. In addition, Klein states the most common reasoning to donate is being asked to donate face-to-face. An even more detailed framework has been developed by Connors, which includes the reasons of: spirituality, status, affiliation, tax deductions, recognition, tradition, etc.

Many NPOs have started to use donor-centered fundraising promoted by Perry in order to receive the maximum amount of donations each year. Before using this method, Bateson, Klein and Wolf are all in agreement of identifying the ideal donor through donor analysis and approaching donors: in person, by phone, through fundraising events, through mass mailing and media, etc. Once the NPO has solicited the individual donor, donor cultivation (i.e. building a relationship with the donor) is very important for maintaining a steady fundraising cash flow. Bateson suggests "inviting him or her to tour your facility and attend a special event, by sending news clips and other information on the agency, and by thanking the person often and imaginatively for past donations" (Bateson 156). In addition, Connors suggests developing a Donor Bill of Right that is a guide of rights, which explicitly states what the donors are entitled to and how the relationship between the donors and NPO should function in regard to donor cultivation. Finally, to increase and maintain donor cultivation both Bateson and Klein suggest keeping in contact with the individual donors on a regular basis via mail, telephone and/or email.

2.0 Strategic Considerations: Internal Environment

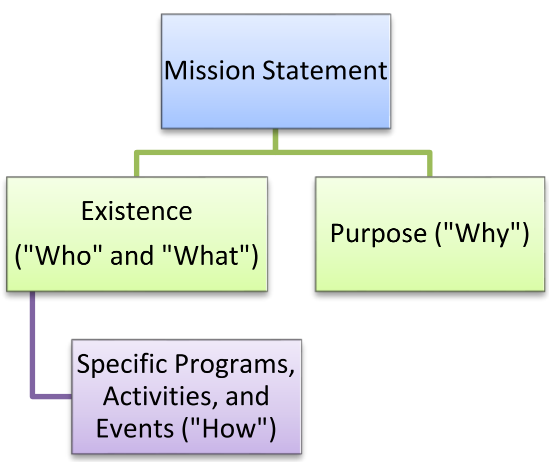
Using the internal environment framework, this section of the thesis focuses on three areas of strategy: the mission statement, the board of directors' responsibilities and relationship to staff, and recruitment and retention of volunteers.

2.1 Mission Statement

2.1.1 Definition of the Mission Statement

Creating the mission statement is one of the first tasks undertaken by a nonprofit organization (NPO). The mission itself is much more than a short, written statement that provides a foundation for the success of the organization. It describes the reasoning underlying the nonprofit's existence and its overall purpose. A thorough understanding of the reasons for the existence of the nonprofit and who its assistance is focused on enables the NPO to set specific guidelines for programs, activities and events, which direct how the organization will accomplish its purpose. As seen in *Figure 2*, the mission statement not only answers the questions of "who", "what" and "why" that give a better understanding of the organization and its purpose, but it also indicates how the organization will accomplish its goals and objectives according to its mission through strategic planning for the future.

Figure 2: Mission Statement Framework



Reason for Existence: Answers "Who" and "What"

One of the key elements in a mission statement is the explanation and reasoning for the organization’s establishment and existence. Through this explanation, the mission will answer “who” or “what” the organization provides assistance for and “why” it does this. In general, most NPOs are established to fight for a cause or enhance the well-being of a specific demographic group. For example, NPOs are established to fight for particular causes such as saving the whales, spreading fine arts to underprivileged children, or creating a homeless shelter in a largely populated city. Also, NPOs can be created to help a certain demographic such as single mothers, African American students, veterans, etc. In addition, most of the founders of these NPOs have established their organizations in accordance to a cause or mission that they feel personally passionate about; whether it is something they have experience in their own lives or a cause that has touched them indirectly. Thus, we can assume that most NPOs are created for a specific reason, in order to address issues related to a particular topic. This clarity and distinction of the specific cause will allow the NPOs to explain the reasoning behind their organization’s establishment with ease.

Purpose: Answers “Why”

Once the reasoning of the organization’s existence is understood, the purpose of the NPO is more easily discovered. The organization’s purpose can be summarized by several factors, including the core values of the organization and its vision for the future, as well as its primary goals. The first key component of the organization’s purpose is its core values, which are defined as the “timeless guiding principles that require no external justification” (Phills 27). They are considered to be the concepts (principles or conditions) that are meaningful or valuable for the organization to guide its decision-making process. For example, a core value of the Red Cross is community service, which it accomplishes through home-delivered meals, food pantries, homeless shelters, etc. (Phills 27). The second key component is the vision summary of the organization. The vision is described as the "vibrant, engaging and specific description of what it will be like to achieve the primary goal" (Phills 31). A good vision is detailed and paints a picture of how the world would change if all of the organization's goals were successful (Phills 31-32). Finally, the primary goals of an organization are objectives that focus the attention of the NPO on particular outcomes. These goals should be both challenging but also attainable, and they should be measurable when accomplished (Phills 30).

An explicit statement of the purpose of the NPO is the explanation for the organization's "enduring reason for being" (Phills 28). It is often confused with the reason for existence because many of the same ideas overlap, but the vision is particularly distinct in that it establishes the direction of the organization and answers the question of why the organization was established. It is not what or how the work is done; it is why the organization does this work. The purpose of an organization is answered by the question: "What would the world lose if this organization did not exist?" (Phills 30). For example, the nonprofit consulting organization of McKinsey and Company does not have a purpose centered on being the premiere management consultants in their industry, instead its' purpose is to help leading corporations and governments be more successful. Thus, the purpose answers the "why" question of the organization's existence (Phills 29).

Setting Guidelines: Answers "How"

The mission statement serves as the backbone of the organization, providing a sense of stability and guiding the actions of the board, executive director, staff and volunteers. The mission sets guidelines, which are used as both parameters that are helpful in the planning process, and yardsticks that are used to measure the performance of the organization over the long-run.

As a parameter, the mission statement guides the organization's decisions on specific programs, activities and events that will both maintain the nonprofit's mission and its goals and objectives on a day-to-day basis and, hence, provides criteria for evaluating the "appropriateness" of new programs or activities. In addition, these criteria are useful in the evaluation of already existing programs and activities, to make sure that they are still in line with current goals and objectives (Knauft, Berger and Gray 4).

As a yardstick, the mission statement sets guidelines that allow the organization to measure its success in the long-run. These "guideposts" are what NPOs often use to judge their overall success, since they are unable to evaluate performance according to profit margin alone. Therefore, it is the accomplishment of the goals and objectives explained within the mission that determines the success of the organization (Knauft, Berger and Gray 4). In this sense, the mission becomes the focal point for the organization to not only benchmark upon, but also strategize from.

In Summary

In the mission statement, the reason for existence, the nonprofit's purpose, and the specific guidelines provide an outsider with a brief overview of who the organization provides assistance to or what cause it addresses, why it provides this aid, and how it accomplishes its goals and objectives centered on the mission. The mission statement is a defining feature of a NPO, and for this reason it is an extremely important element for the internal environment of the organization.

For example, the complete mission statement for the Red Cross is as follows: "The American Red Cross, a humanitarian organization led by volunteers and guided by its Congressional Charter and the Fundamental Principles of the International Red Cross Movement, will provide relief to victims of disaster and help people prevent, prepare for, and respond to emergencies" ("About the Red Cross"). In this mission statement all of the components of a mission statement are identified: the reason for existence, the nonprofit's purpose, and its specific programs, activities and events that are used to fulfill its mission. To recap, the American Red Cross' reason for existence is to be a "humanitarian organization led by volunteers and guided by its Congressional Charter and the Fundamental Principles of the International Red Cross Movement". Its' purpose is to "provide relief to victims of disaster and help people". And finally, its' specific activities that will accomplish the mission are to "prevent, prepare for, and respond to emergencies".

2.1.2 Characteristics of a Mission Statement

Mission Statements for Nonprofit Organizations

The mission statement is not a unique characteristic of nonprofit organizations alone, it is now commonly found in many for-profit organizations as well. However, in general, the overall goal and concept behind the mission statement differs greatly between the two.

For-profit organizations have the ultimate goal of earning money for its stakeholders, who have outright ownership within the company. Therefore, the mission centers on the profitability of the company. The mission and resulting decision-making are based on measurable criteria including: the bottom-line, return on investment, overall sales, return on equity, profit margins, market shares, etc. (Wolf 22). Also, the mission statement has been known to function as a way to boost morale and productivity of workers within the corporate world, giving for-profit corporations another reason to create a mission statement (Sandler and Hudson 11).

In contrast, since the concept of ownership by shareholders in nonprofit organizations is non-existent, the mission statement of a NPO is much more focused on the purpose and specific goals it must accomplish in order to be successful. This isn't to say that a nonprofit does not have financial goals and "make money", but the money is used in a different way; it is reinvested into public activities and events benefiting the community, held in reserve or given to another organization with a similar public purpose to facilitate their mission (Wolf 22).

What a Mission Statement Should Be

The boards, executive directors, and staff of nonprofits agree that there are certain criteria that the mission statement should abide by in order to be as effective as possible and to ensure a high probability of success for the organization. Essentially, the mission statement should have the characteristics of being clear and specific, brief and concise, contain measurable benchmarking terms and be strategic (*Figure 3*).

First, the mission statement must be clear, with its objectives stated. These objectives are a result of the organization's core purpose, values and beliefs, as discussed in the previous section. Creating a clear mission can be extremely challenging; it should provide an overall direction to guide the organization's goals and should ultimately create targets for the organization's primary activities. A clear mission helps to facilitate this process by being broad enough to inspire the stakeholders, yet specific enough to offer stable guidelines for the organization when setting policy and making day-to-day decisions (Lee 66).

This fine line between too broad and vague, and too specific is difficult to negotiate. By simply stating generic word phrases for objectives such as "change the world", "make a difference", etc., the nonprofits are really doing a disservice to themselves. These broad objectives hold no ground because they are not backed by specific and clear primary activities that the nonprofit will use to facilitate and achieve the objective itself. Of course each and every nonprofit organization strives to "make a difference", but the mission statement is intended not only to detail the reasoning for the organization's existence, but also to explain the specific goals that it will use on a daily basis to make decisions about activities and events that they fund and sponsor. Therefore, it is suggested by a majority of boards and executive directors of nonprofits to begin the mission statement with a semi-broad outline in addition to a detailed framework of specific goals, which the nonprofit can then use as its guidelines (Wolf 24).

The Board of Directors, who oversees the organization as a whole, will often limit the nonprofit's programs, services, and activities according to their mission statement. In this sense it is very important that the mission cover the important and key objectives that the organization would like to accomplish, yet not be too broad, making these goals unattainable (Wolf 23). It is extremely important to abide by the following tips: choose the organization's priorities and avoid distraction, push these priorities, and budget/plan around them (Sandler and Hudson 16). The mission should effectively describe what the nonprofit does, who it serves and what it intends to accomplish. "The more information a mission statement provides, the more specific it is, the more likely the programs and services that follow as a result will be appropriate" (Light 60). It should therefore be specific enough to provide guidelines for developing programs, activities and events that carry out the mission, but also broad enough to minimize revising and changing the mission frequently.

Secondly, the mission statement should be succinct, brief and concise. There is no need to elaborate unnecessary details or explain the same concept in multiple ways, and the mission should be no more than a few sentences or a short paragraph (Knauft, Berger and Gray 120). While keeping the mission brief and concise, it is important to remember that the mission must also make sense, "If you can't communicate the vision to someone in five minutes or less and get a reaction that signifies both understanding and interest, you are not yet done" (Light 64).

Thirdly, the mission should have detailed, measurable terms that allow the organization to track its own success and achievement. These terms will guide the operations of the organization, in order to show what they should or should not be doing, and also how they should or should not be achieving these goals. The measurable terms not only display the amount of success that the nonprofit has achieved, but can also be used to determine future strategic plans. Some indirect quantitative measures of success that nonprofits have used include: the number of people served, their geographic distribution, their racial and socioeconomic diversity and the cost-efficiency of their service delivery (Wolf 23).

The mission statement needs to be strategic in the sense that it will provide information that will guide the nonprofit to choose and administer the appropriate programs, activities, and events that are in accordance to the organization's purpose. The mission not only works to determine future primary activities that will accomplish the organization's goals and objectives, but it also provides a strategic basis for evaluating the organization as a whole. By evaluating the organization, the nonprofit is able to determine their direction and, in turn, provide boundaries that keep the organization within its strategic plan (Phills 22).

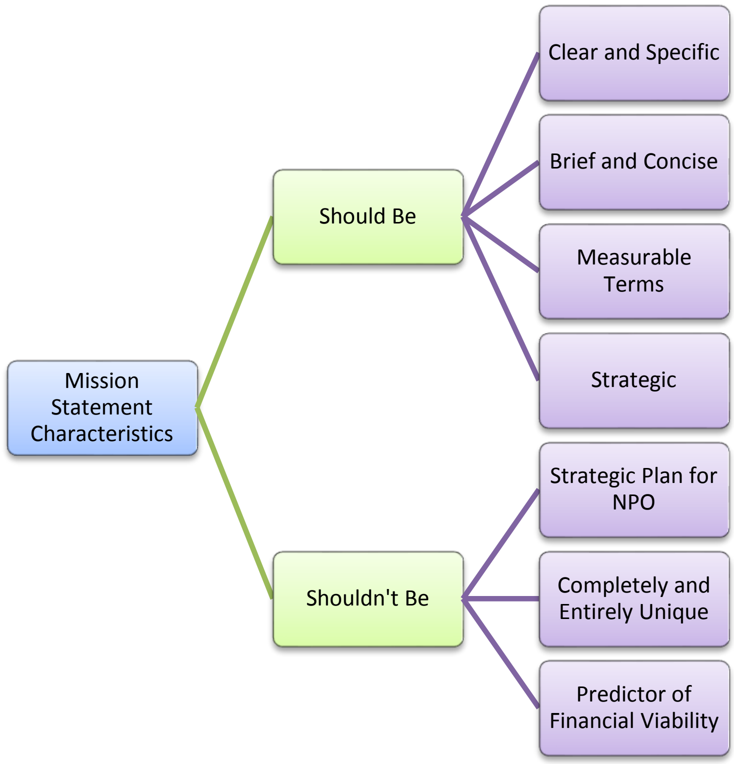
What a Mission Statement Should Not Be

Although the mission statement aids in the development of a strategic plan, it does not need to function as a strategy itself. The mission contains elements of strategy, yet these elements are generally much broader and more abstract than the specific strategy elements specified in a traditional strategic plan (*Figure 3*).

Additionally, the mission does not need to be completely unique from all other nonprofits, like the strategy should be. The mission statement is used primarily for psychological and emotional functions, rather than being used to explicitly state how the nonprofit is differentiated from its competition (Phills 20-21). It is common for NPOs in the same field to have the similar missions, yet they should have varying strategies.

Lastly, it is not practical to rely on the mission to explain, predict or ensure the financial viability of the organization. The mission, in its few sentences, should not be expected to provide a clear guide to exactly how all of the organization's resources are to be allocated within each of its programs, activities and services. The mission statement is simply used to outline the general type of programs, activities and services, in order to ensure that the nonprofit maintains its purpose through all of its actions. In the same sense, the mission does not and should not be expected to provide a very detailed plan on exactly how the organization will achieve its goals through each, individual and specific programs, activity and event; it should be seen as much more of an overview (Phills 20-21).

Figure 3: Mission Statement Characteristics Flow Chart



2.1.3 Developing a Mission Statement

It is certainly possible that an already existing nonprofit organization has yet to develop a mission statement. In this case, it is not only crucial for the organization to do so, but it is also essential that the nonprofit use a development framework in order to successfully achieve the creation of an effective mission statement. When being developed, the mission statement should address five points of interest within the organization as explained by Mark Light in his book *The Strategic Board*. These points of interest include: ownership, customers, outcome, reputation, and summary (*Figure 4*).

The first step to creating a mission is to clarify the ownership of the organization. In a for-profit organization, the owners consist of shareholders. While the customers are important, the board is only accountable to the shareholders for the performance of the organization. On the other hand, in a nonprofit organization there are no equity shareholders. Therefore, the owners of the services provided by the nonprofit are in part the constituents that receive the services.

Light reminds us that defining the ownership of the nonprofit is important because "board members must not behave as though the organization belongs to them" (Light 60). Meaning that the board members should not choose what the organization will do based on their own motives, but according to the organization's true ownership, its constituents.

The second step is determining which constituents will be served by the nonprofit. Deciding this is critically important in order for the organization to be able to properly plan and create programs, activities and events that will effectively "bring the mission to life and serve the consumers identified in that mission" (Light 62). How large and diverse the group should be, will be the most critical factor in determining the constituency. Nonprofits are inherently expected to serve their constituency by "demonstrating the scope of its service and interests through its governance, its staffing, its programs, and its activities" (Wolf 31). After identifying the correct size and diversity of the group, the next challenge is to involve these constituents in the mission of the organization and make sure that the nonprofit is working towards the relevant needs of this community. The mission should very clearly and specifically identify those that it intends to serve; in addition to creating an organizational structure that reinforces its commitment to that specific demographic through programs and activities. By choosing a clear group to support, the nonprofit not only focuses its own objectives but also works to attract volunteers and donors from that same community of people (Wolf 33).

The third step is to clarify the outcome for the chosen constituents. The outcome is essentially the section of the mission statement that explains the purpose and reasons why the organization exists. It is important to remember while developing this section of the mission statement that the outcome should be "crafted in the context of the customer, not the organization". In this sense, the outcome will describe the differences made in the lives of the nonprofit’s customers. An example of this is seen in the mission statement for Big Brothers Big Sisters, where the organization states that its outcome is to “build confident, competent and caring young adults” (Light 62-63).

The fourth step in the process is creating a reputation. The nonprofit’s reputation is based on the particular strengths that the organization will be best known for; the “defining quality” that differentiates that particular nonprofit from other similar nonprofits. By determining the organization’s reputation qualities, the management of the nonprofit is able to define the central theme that should be included throughout the implementation of mission statement. For example, for Big Brothers Big Sisters, their reputation is based on “proven results, ongoing end to end professional support, through a 1 to 1 match, protect kids, brand name, confidence in the brand, national standards, produce results, history” (Light 64).

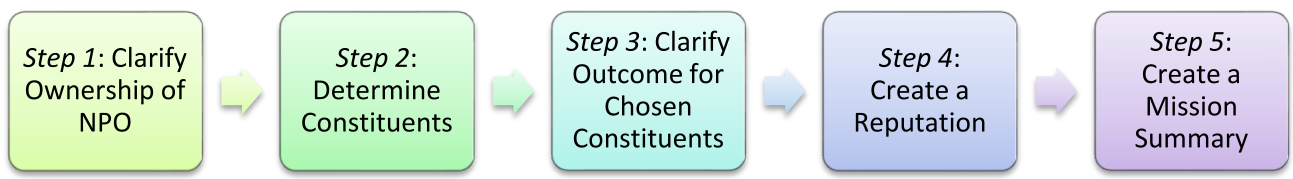
The final step is the mission summary, which is a shortened version of the mission. This is much more succinct and summarizes the mission into four to six words. For example, for Big Brothers Big Sisters the mission summary is “building young adults”. In short, the summary is a very brief and broad phrase that describes what the nonprofit does. The mission summary “takes the most important features of the mission and distills it down into just a few words”. It is therefore extremely valuable for the organization because it is a short phrase that all board members and staff can easily remember, in addition to hopefully the NPO’s constituency as well (Light 64-65).

A complete example of the five points of interest in an organization within Light’s books is given for a fundraising organization called the Fundraising Federation. The mission summary is “bringing the community together to provide resources that help”. The ownership section is “on behalf of the citizens of our community”, followed by the reputation section “the Fundraising

Federation brings the community together to provide resources to help", the customers "people in need or at risk", and the outcome "to solve their problems" (Light 66).

The process of developing a mission statement is crucial and should be seen as a discovery rather than an invention. The organization strives to articulate the meaning behind why it exists (discovering its purpose) and does not try to invent new reasoning or explanation to do so. Discovering the mission therefore entails the examination and reflection on many different components such as the core values, vision, goals and purpose of the organization (Light 43). When creating a mission, the organization should follow the systematic process based on the components presented above, whether they choose to follow Light's five step method or another successful framework does not necessarily matter, it is just the end result that is important.

Figure 4: Steps to Developing a Mission Statement



2.1.4 Implementing and Maintaining a Mission Statement

Nonprofit organizations that have already created a mission statement should abide by the following strategies in order to keep the mission relevant and effective for the organization. These strategies include: spreading the mission throughout the organization, tying all activities to the mission, keeping the mission unchanged, and sticking to the mission (*Figure 5*).

Spreading the Mission throughout the Organization

It is extremely important that everyone at every level of the organization is aware of the mission, understands it thoroughly, and has a responsibility to maintain it through their everyday work. The mission should connect the employees to the organization's short-term and long-term goals and therefore must be understood and accepted by everyone serving in the NPO (Knauft, Berger and Gray 119). It is especially important that the executive director be fully invested in the mission. A study conducted by the National Assembly of National Voluntary Health and Social Welfare Organization analyzing the success of nonprofit executives determined that "belief in the mission is one of the key factors that distinguishes the excellent leader from the run-of-the-mill" (Knauft, Berger and Gray 4). The study concludes that a majority of the executives polled said that they would be rated highest on their ability "to articulate the agency's mission" (Knauft, Berger and Gray 4). Thus, the mission statement should be thought of as a unifying force for all levels of the organization.

In order to maintain the mission as the unifying force of the organization, the nonprofit can take the following actions to widely distribute its mission. Putting the mission statement in a visible location where all employees can see it on a regular, day-to-day basis makes a difference. In fact, some nonprofits print their mission statement on their company letterhead and notepads, office-wide memos, etc. The goal here is to encourage every person involved with the organization, whether it is the Board, staff or volunteers, to be consistently reminded of the reason for the NPO's existence, along with its purpose, goals and objectives. The board, staff and volunteers should also be held accountable in regard to the mission. They should be asked on a frequent basis what they are specifically doing to ensure that the mission is kept alive and active (Sandler and Hudson 24). Essentially, the employees will need to learn and understand the mission statement and be committed to it. They will do this during both the orientation of new employees and during their time period of training.

Tying Everything to the Mission Statement

One of the Board chairmen, Rob Sennott, of the National Theatre Workshop of the Handicapped states that: “Everything we do is related to the mission. It’s reflected in our administrative structure and in our ideology” (Sandler and Hudson 14). Sennott’s brother, Rick Curry, comments: “We’re aware of our mission every day. And that leads to an all-consuming fidelity to the program. Every day you have to come in and take care of the baby. We’re advocates for a very specific population that’s far from united. It’s not as if we were responding to a felt need. We’re creating that need” (Sandler and Hudson 14). As seen through these quotes, the importance of tying everything that the organization does to the mission is extremely important. In addition, a nationwide survey concluded that the best way to improve a nonprofit is by “making the mission central” (Knauft, Berger and Gray 3).

Do Not Change the Mission

It is important to understand that, if possible, the mission should remain unchanged, even in the face of shocks (i.e. economic recessions) (Wolf 24). Staying true to the original mission, by maintaining and sustaining it, is truly a challenge for all nonprofits. Brian O’Connell, the president of the Independent Sector, states that “an effective voluntary organization has a capacity to keep the real mission in focus no matter how frenzied things become or how great the pressure to move into new areas. This means that all important decisions are made with the organization’s ‘reason for being’ in the forefront” (Knauft, Berger and Gray 5).

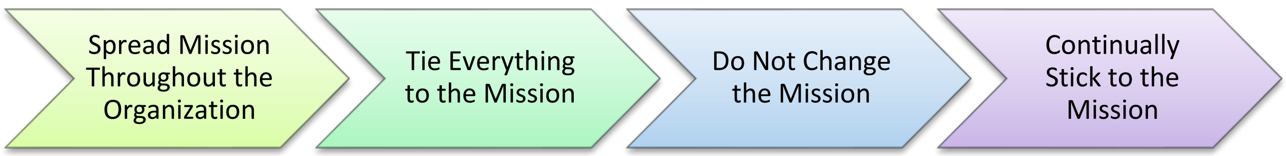
However, in certain circumstances, this rule of leaving the mission unchanged can be somewhat flexible. Often an efficient organization is marked by its willingness to revisit the mission statement frequently. Reviewing and revising the mission statement can be beneficial to the organization because it allows for the chance to clarify the mission’s objectives and further expand upon its purpose. In addition, it makes sure that the organization is still operating within the set guidelines stated within the mission statement. After all, "the best organizations have an openness to self-assessment and acceptance of criticism" (Knauft, Berger and Gray 5). This is not to say that they change their statement often, but they are able to reexamine, review and develop their long-term goals by regularly refreshing their memory of the exact mission at hand (Knauft, Berger and Gray 125-126).

If there are major changes in the organization's goals and direction, these changes should be expressed within the mission statement (Knauft, Berger and Gray 125). Changes could also be the result of innovative ideas brought into the organization by new leadership. These new ideas, however, should continue to remain true to the mission's fundamental, core values (Sandler and Hudson 11). In other words, the reason behind the organization's public service and its fundamental core purpose for existence should remain untouched, while the specific programs, services and activities can be modified to create a more effective result. If the organization would like to rework the mission and completely alter its objectives (i.e. changing their programs, activities and services) the organization should re-form into a separate and distinctive nonprofit (Wolf 24).

Sticking to the Mission Statement

Once an organization has decided upon a particular mission and has set its priorities and tasks accordingly, the nonprofit should do its best to continue to stick to that original mission statement. It is thought to be "the greatest of all managerial failures" to not continually maintain the original mission (Sandler and Hudson 16). This means that the organization must work to avoid "mission creep" in order to keep their mission relevant. Mission creep is the "gradual expansion of programs and services that are no longer related to the mission specifically, but are somehow related to the mission on a broader sense" (Wilcox 233). If the nonprofit tries to expand their mission into too many arenas, it risks draining both the energy and resources that should be used to pursue the organization's main goal stated in their original mission statement. Thus, the deviation away from sticking to the mission statement could "dilute the organization's ability to accomplish its mission" (Sandler and Hudson 16). As authors Knauft, Berger and Gray remind their readers, effective organizations have the ability to resist the urge to "stray too far away from their mission", essentially they are able to avoid mission creep (Knauft, Berger and Gray 6-7).

Figure 5: Strategies to Implement and Maintain the Mission Statement



2.2 Board of Directors' Responsibilities and Relationship to Staff

2.2.1 Characteristics of the Board of Directors

The board of directors is the "governing or policy-setting body that bears legal responsibility for the institution it serves" (Connors 115). The board maintains a "system of decision-making checks and balances among three organizational branches: the administration, the board, and any constituency that has input into the working of the organization" (Connors 115). It also sets policy for the organization according to applicable laws and bylaws of the organization (Grobman 39). Essentially, the board's primary duty is to ensure that the NPO is effectively and efficiently managed.

All nonprofit organizations must have a board of directors, either a voluntary or lay board, in order to receive state charter and qualify for the Internal Revenue Code of 501(c)(3), qualifying them as a nonprofit organization. It is important to remember though, that although all NPOs have boards; these boards differ in structure, strength of leadership, working styles, and relationships with staff. These differences often depend on the nature and needs of the nonprofit organization itself (Board Source 3).

Size of Board

There is no "magic number" of board members needed to ensure efficiency, productivity, and board engagement. The number of members "depends on the organization's culture, the nature of its mission, the experience and expertise of board members, and the board work that must be accomplished" (Board Source 49). Generally, the number of board members is detailed in the organization's bylaws, which sets a maximum and minimum number of members that allows the NPO to have as many board members as it chooses within these boundaries (Grobman 39). In addition to the organization's own bylaws, each state also often determines the minimum number of members for various sizes of NPOs, in order to comply with state regulations for nonprofit organization status (Board Source 49).

The specific needs of the organization also impact the size of the board of directors. For example, if the board's primary role is to make policies and ensure that they are implemented by the staff then a smaller board is applicable (Grobman 39). The advantages to a smaller board include: closer communication with the executive director, a greater sense of camaraderie and board engagement, ease in meeting and communicating with one another, and fewer costs in recruiting, training, convening, communicating with, etc (Board Source 50-51). A larger board is appropriate if the NPO requires extensive board time for fundraising and/or implementing programs, activities, and events (Grobman 39). With a bigger board, members are able to share their individual workload more easily, as to not become overwhelmed and burnt out. Also, more members tend to bring more diversity and experience to the board (Board Source 49). By looking at the nonprofit organizations in Reno, the variety in size of a board is evident. For example, the Northern Nevada International Center, which is fairly small and only employs four workers plus the executive director, has fifteen board members. However, the Reno Philharmonic, which is a much larger NPO, has more than twenty five current board members.

Board Structure

Board members should have fixed office terms (generally a maximum of three years), which should be included in the organization's bylaws. The NPO should elect one third of the board each year, in an attempt to keep a steady flow of new ideas and energy coming into the NPO and to avoid switching the entire board out at one time. Also, the bylaws should contain a detailed process of electing board members (Grobman 39). Other tips in regard to the structure of the board include: keeping the size of the board under control, ensuring that the organization's nominating process will identify the most qualified board members for election, and clearly identifying the roles of the executive director (Board Source 53).

Characteristics of Effective Board Members

All organizations strive for a diverse board that equally represents their constituents. Board members are selected according to their professional background as well as age, race, and other demographics, and should be a representative "snapshot of the community" (Parker). NPOs look for board members that have specific expertise, whether it is personnel management, fiscal, or legal expertise that they can, in turn, contribute to the organization as a member (Grobman 40-41). Members from different professional backgrounds in corporate America, government, etc. help to engage the board in different points of view. Within the board, it is extremely important to have board members that have a variety of ages and races to allow for varying and differing opinions and ideas.

In summary, Sandler and Hudson (178), suggest that the four most important characteristics of NPO board members are:

- Board members must be "stewards" of the organization's mission, doing everything that they can do to get the word out about the NPO.
- Board members should have a variety of different skills related to the organization's mission. Having people from different career backgrounds is beneficial; for example, someone from public relations, a lawyer, an accountant, etc.
- For the communication link to work, having board members that get along with the executive director and staff is critical (this will be discussed in section 2.2.2).
- Board members must be "rainmakers", which are "people who have connections with important potential donors to the organization and people who can use their connections to 'sell' the organization's mission".

2.2.2 Relationship between Board of Directors and Staff

The relationship between the board and the staff (i.e. all employees and the executive director) is extremely important in creating an environment that will allow the nonprofit organization to succeed. The board focuses on policy, strategy, and governance, whereas the staff is involved in the management, administration, implementation, and execution of the plans. Although these areas may seem clear cut, there is a lot of the responsibility is shared between the board and staff. The board and staff have "dual leadership roles that are interdependent, and many roles overlap", which leads to conflicts about who does what. In resolving this issue, it is important to clearly define and simplify the roles of each party. In addition, it is crucial to also define each of their expectations, in terms of outcomes and results (Perry 10). The key is to find a balance where the board is involved and active, and the staff is working along with the board to implement its policies (Connors 130).

2.2.3 Board of Directors' Roles and Responsibilities

Importance of Explicit Roles

Clearly detailing and determining the roles of the board of directors is crucial for the NPO to be able to function efficiently. Common board problems include: unclear roles, a lack of accountability, poor use of time, inconsistent levels of individual board member commitment, poor communication, insufficient knowledge and training, inactive board members, and ineffective leadership (Light 106). For these reasons, clear roles and accountability must be established within the board. All of the members have to know their roles and what they will be held accountable for; this should all be material that is covered in the board member training session. Also, an effective communication system is vital to the success of the board members, both individually and as a group (Light 105). Thus, it is suggested that every NPO create a Delegation Plan that will provide "detailed job descriptions for the full board, committees, officers, individual board members, and the executive director" (Light 109). Of course, the job descriptions themselves will vary from one NPO to another, but the Delegation Plan will detail the seven fundamental roles of all board members, regardless of the organization they are affiliated with.

Seven Fundamental Roles of the Board of Directors

The board has seven fundamental roles relate to personnel, finance, fundraising, planning, board development, public relations, and advising (*Figure 6*).

First, the board is responsible for the personnel of the organization. The board hires the executive director, makes assignments for them, and monitors their performance (Grobman 42).

In addition, the board is responsible for providing the executive director with any resources that he or she may need, in an effort to consistently support them (Lewis 14). The board will also do a formal appraisal of the executive director at the end of the year. If the board detects a problem it is legally able to terminate the executive director. Termination is quite an extensive process, where legal counsel has to review the director's contract and develop a procedural plan in order to eliminate the employee (Connors 119). Additionally, the board is responsible for approving all personnel policies and approving the salary scale for all hired employees (Grobman 42).

The board's second set of responsibilities pertains to its financials. It approves spending reports and budgets for the organization, allowing no funds to be expended without its explicit approval (Grobman 42). Thus, it essentially provides financial oversight: assisting in developing the annual budget, regularly reviewing financial statements, and ensuring that accurate financial controls are in place to prevent overspending or unused resources (Board Source 4). The board will approve not only budgets, but also "loans, retrenchment plans, capital expenditures, fee increases, investments, property sales, salary and benefit packages, and funding for new projects and programs" (Connors 121). Additionally, it is important that the board be able to "assure that the adequate financial resources are secured and properly managed, review and approve periodic financial reports, and appoint independent auditors" (Knauft, Berger and Gray 135). Thus, the overall fiduciary oversight of the board will help the organization operate with accurate and honest reports regarding its legal and financial matters.

The third role of a board is to be involved in fundraising. Fundraising is crucial for the survival of a NPO (as discussed in section 2.5), thus the board's active role in this responsibility is very important. When sending a grant or proposal to a foundation and/or corporation, ideally these documents should all be filtered through the board for their approval. Yet, this does not happen often due to the frequent tendency to write grants and proposals close to their deadline, leaving very little time for revisions. The board is also responsible for approving plans for special event fundraisers, and is expected to not only participate and be active in fundraising events, but to also encourage individuals that they know to become individual donors to the organization (Grobman 43). Thus, the board is seen as the stepping stone to influential and wealthy individual donors, who can be more easily influenced by the board members' pleas to donate.

The fourth major role of the board is short term and long term planning for the organization. Its' first task is to decide the organization's mission and purpose (as discussed in section 2.1). The board is responsible to "create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served" (Board Source 3). Next, the board must focus its attention on short term and long term planning for the organization, which involves setting broadly stated goals and specific objectives (Wolf 53). To do this, the board must evaluate the organization's programs regularly, taking the responsibility of ensuring that the organization is providing beneficial and effective programs, activities, and events. Once the organization can determine which programs do and do not work, the board can set its strategy by reviewing and approving long term and annual operational plans, as well as budgets (Knauft, Berger and Gray 135). To ensure effective organizational planning, boards should be "actively participating in an overall planning process and assisting in implementation and monitoring the plan's goals" (Board Source 4). Additionally, the board should appoint a planning committee to develop the planning agenda for the organization, hold periodic planning retreats (at least every two years), develop a written plan (at least every five years), and continually review the operations of the goals and objectives detailed in the written plan (Wolf

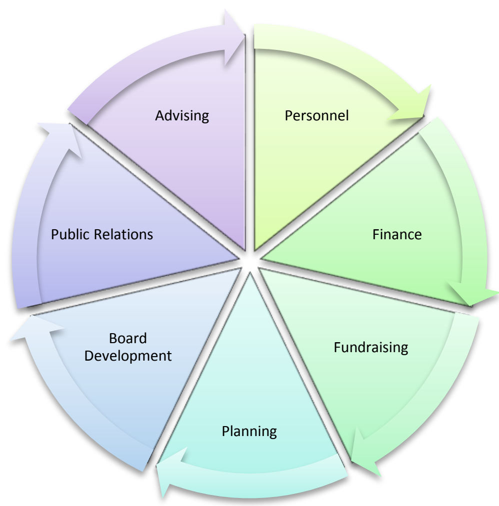
53).

The fifth role is board development. The board is responsible for recruiting and selecting new board members, as well as training them to be as prepared as possible for their roles and responsibilities (Grobman 43). The recruiting of potential board members often occurs within each board member's social circle, meaning that board members tend to recruit friends and/or colleagues whom they trust and know will work well within the organization. In this sense, board members serve as an important link to their outside community, bringing in "resources and connections" (Perry 12). The selection process is developed by the board and often involves an application, along with several rigorous interviews. Criteria for membership should be a combination of experience and skills, as well as commitment to the organization, and diversity in age, gender, and race (Knauft, Berger and Gray 135-136). Although a great majority of the role of board development revolves around recruiting and selecting new board members, it also involves monitoring and assessing their performance. Monitoring and assessing by a committee of board members is crucial because they allow the board to remain accountable for their actions and responsible for their multiple roles (Lewis 14).

The sixth role involves public relations, meaning that the board members are responsible for being aware of the organization's activities and participate in as many activities as possible (Grobman 43). By doing so, the board members are enhancing the organization's public standing. Thus, it is important that the board properly articulate to the public "the organization's mission, accomplishments, and goals and garner support from the community" (Board Source 116). Each board member should essentially be an "ambassador to the community", acting as a spokesperson for the organization and creating a "communication link" between the organization and its community. As a result all members must be well versed in all of the details of the organization, especially its current programs (Connors 122).

The seventh and final responsibility of the board is to advise the organization. The main function that is done within this category is the board advising the executive director on policy implementation (Grobman 43). Additionally, the board may be responsible for solving internal conflicts, where it will serve as a "final court of appeals". The board will review the legal suit and make a decision as to whether to support or overrule the case (Connors 123).

Figure 6: Seven Fundamental Roles of the Board of Directors



2.3 Volunteers

2.3.1 Definition and Characteristics of Volunteers

A volunteer is an individual who donates their time and energy to an organization. They provide their services at their own free will, "without being legally bound to do so and without expecting to be paid" (Wilcox 29). In general, volunteers work tirelessly and with a great amount of passion for a cause that they believe in, and are described as "well-intentioned people who care deeply about their nonprofit's mission" (Wilcox 32). Within the nonprofit sector, volunteers play a vital and important role in the success of NPOs. Many organizations rely on volunteers to provide specific services, and without these volunteers the services would either be eliminated or would have to be done by paid employees, which could cause financial and personnel added costs. Thus, volunteers are extremely valuable assets to NPOs and should be viewed as central to the organization's mission and vision.

On average, volunteers donated 30 or more hours per month to two or three NPOs, according to a 2000 survey by Independent Sector (as seen in *Table 1)*. The amount of time that a volunteer donates to one NPO varies. While some volunteers help organizations for one event and donate time to multiple organizations throughout the year, others spend decades committed to the work of only one nonprofit (McCurley and Lynch 8). The Independent Sector survey (2000), shows the percentage of volunteers who concentrate their efforts on different types of NPOs (see *Figure 7*), the results are as follows: churches, synagogues, and other religious organizations (43.4%), health (18%), education (17%).3, human services (15.5%), youth development (14.9%), public/societal benefit (9.2%), other (6.9%), private and community foundations (5.1%), environmental (4.8%), arts, culture, and humanities (4.8%), adult recreation (3.3%), work-related (2%), international/foreign organizations (1%) (Independent Sector 38). *Figure 7* shows that volunteers spend most hours volunteering for religious organizations and the health nonprofits, whereas work-related organizations and international/foreign organizations have the lowest percentage of hours of volunteer work.

Table 1: Formal Volunteering in 2000

Table 1.8 2000 Volunteering (Formal)

	ALL RESPONDENTS	PAST-YEAR VOLUNTEERS	PAST-MONTH VOLUNTEERS
Percentage of respondents	100.0%	44.2%	27.5%
Percentage who volunteered in past month	27.5%	62.7%	100.0%
Average hours volunteered in past month	6.6	15.1	24.2

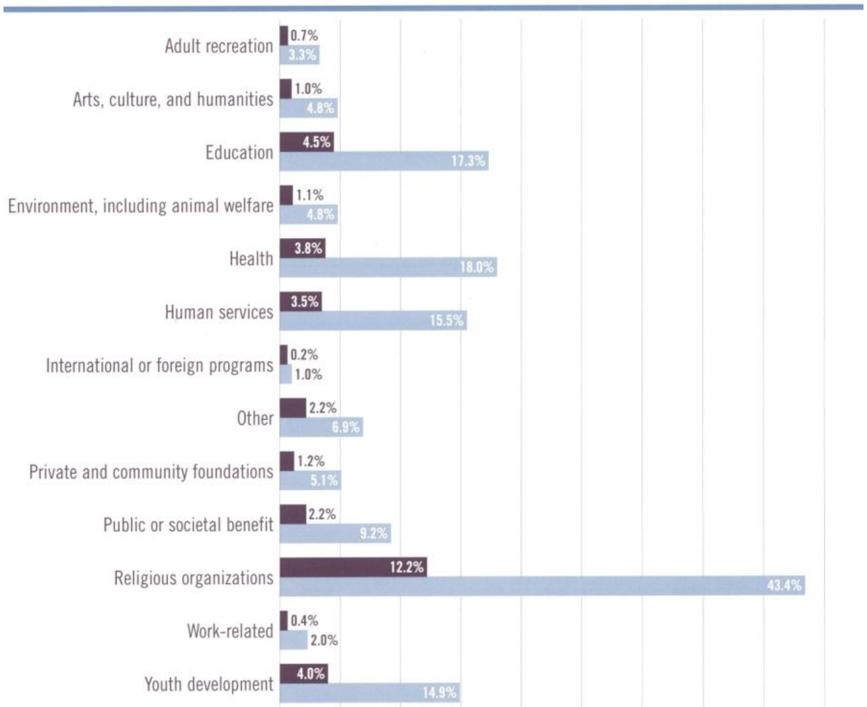
Table 1.9 2000 Volunteering by Hours Volunteered

	ALL RESPONDENTS	PAST-MONTH VOLUNTEERS
Did not volunteer in past month	72.5%	N/A
Volunteered in past month	27.5%	100.0%
Hours volunteered in past month		
0 hours	72.5%	N/A
Less than 5 hours	4.8%	17.6%
5–9.99 hours	5.1%	18.5%
10–14.99 hours	4.1%	14.8%
15–19.99 hours	2.2%	8.0%
20–24.99 hours	2.6%	9.4%
25–29.99 hours	1.1%	4.1%
30 or more hours	7.1%	25.7%
Did not report hours	0.6%	2.0%

(Independent Sector 37)

Figure 7: Volunteering By Organization Type in 2000

Figure 1.13 2000 Volunteering by Organization Type



(Independent Sector 38)

Who Volunteers?

Identifying the demographics of a “typical” American volunteer contributes to effective recruitment, and targets the “correct” potential volunteers. However, research has shown that volunteers come in all different “shapes and sizes”, and represent all races and ethnic backgrounds, both genders, and all ages. As Martin Luther King Jr. once said: “Everybody can be great, because everybody can serve. You don’t have to have a college degree to serve. You don’t have to make your subject and verb agree to serve. You don’t have to know Einstein’s theory of relativity to serve. You only need a heart full of grace, a soul generated by love” (Bateson 66). Within the U.S., there are always volunteer opportunities for people with different backgrounds, making it easy and convenient for everyone in all different walks of life to donate their time. For instance, anyone from senior citizens, retirees, families, young professional, homemakers, religious groups, college and high school students, to children are able to volunteer (Connors 164).

As stated above, every variety of American is able to volunteer their time, yet studies have shown that some volunteer more frequently and in larger numbers than others. For example, participation rates increase as household income and level of education increase. As seen in *Table 2,* in 2000, over 44.2% of adults with high school degrees volunteered their time and 63.5% of college graduates volunteered. Those with household incomes under $25,000 volunteered on average at 34.9%, while 56.3% volunteered with household incomes between $50,000 and $74,999, and an astounding 64.9% of those with household incomes of $100,000 or more. In regard to race, 52.9% of Caucasians, 41.2% of African Americans and 41.1% of Hispanics volunteered. Approximately 49.4% of those between the ages of 21 and 29 volunteered, 55.7% between 30 and 39, 54.7% between 40 and 49, 49.6% between 50 and 64, and 38.2% of 65 and older. Also, interestingly, those who are married had a higher volunteering rate of 63%, compared to single adults with a volunteer rate of 48.4% (Independent Sector 68). And finally, individuals who attended religious services frequently were more likely to volunteer with 61% then those who did not attend religious services with 38% (Hodgkinson, Nelson and Sivak Jr. 392). This is consistent with the highest target for volunteering being religious organizations.

Table 2: The Power of Ask and Volunteering

Table 2.21 The Power of the Ask and Volunteering

		Were you personally asked to volunteer in the past 12 months? YES	NO
Percentage of all respondents		50.0%	50.0%
Percentage of volunteers (past year)		71.3%	28.7%
Percentage of non-volunteers (past year)		33.4%	66.6%
Average monthly volunteer hours (past-year volunteers only)		16.1	12.6
Percentage by Respondent Demographic Characteristics			
Gender	Male	48.5%	51.5%
	Female	51.4%	48.6%
Race/ Ethnicity	White (non-Hispanic)	52.9%	47.1%
	Black/African-American (non-Hispanic)	41.2%	58.8%
	Other (non-Hispanic)	45.1%	54.9%
	Hispanic (all races)	41.1%	58.9%
Age	21–29	49.4%	50.6%
	30–39	55.7%	44.3%
	40–49	54.7%	45.3%
	50–64	49.6%	50.4%
	65+	38.1%	61.9%
Education	Less than high school	31.3%	68.7%
	High school graduate	44.2%	55.8%
	Some technical school or some college	53.0%	47.0%
	College graduate or some additional professional school	63.5%	36.5%
Marital Status	Married	53.0%	47.0%
	Living with a partner	46.7%	53.3%
	Divorced	45.7%	54.3%
	Separated	48.4%	51.6%
	Widowed	34.2%	65.8%
	Single	48.4%	51.6%
Income	Under $25,000	34.9%	65.1%
	$25,000–$49,999	45.0%	55.0%
	$50,000–$74,999	56.3%	43.7%
	$75,000–$99,999	59.3%	40.7%
	$100,000 or more	64.9%	35.1%
Children in Household	Yes	54.6%	45.4%
	No	46.8%	53.2%

(Independent Sector 6)

Reasons to Volunteer

Having some knowledge about the characteristics of volunteers provides some initial insights into the reasons for individuals' decision to volunteer. Identifying the motivations and expectations of volunteers is of critical importance for the effective functioning of NPOs. Once these organizations can identify the volunteers' motivations, they are equipped to then successfully recruit and retain volunteers. Personal motivations that are associated with volunteering include individual power to "improve the welfare of others" by helping those in need and believing that by giving back they can "improve the moral basis of society" (Boris and Krehely 310). In addition, individuals describe their motivation to volunteer as a result of: their obligation to give back to society, an overall sense of citizenship, and their religious feelings (McCurley and Lynch 8). Other reasons cited by the Gallup Survey include: interest in the particular area of the nonprofit, the need to be needed, desire for sociability, curiosity about the program, desire to increase job experience, and to counteract the boredom they experience in their paid job (Connors 175). Of course, as with any other behavior reasoning, each volunteer has a variety of their own personal motivations that are unique ranging from feelings of self-interest to altruism.

Recent Trends in Volunteering

In the U.S., volunteering has existed for the country's entire history beginning with the Colonists who volunteered in their local governments, the American Revolution, the abolitionist movement and the Civil War. As time went on, the popularity of volunteering continued when the number of volunteers increased as a result of the Progressive Era, as well as WWI and WWII. In the 1960s and 1970s, causes such as Civil Rights and Anti-War movements brought thousands of individuals together to volunteer, especially the American youth. However, in the

1980s, the rate of volunteerism among college students started to decline. Yet, in the 1990s, volunteering among youth and adults began to increase once again (Hodgkinson, Nelson and Sivak Jr. 404). At the end of the twentieth century, “volunteering and individual giving were higher than they have ever been” due to “the growth of organized management of volunteers, the establishment of a fundraising profession, and the expanded role of both government and corporate sector and their partnerships with NPOs” (Hodgkinson, Nelson and Sivak Jr. 388). Current analysts believe that this increasing trend of volunteering will continue, reaching “new peaks in the decade ahead if adequately encourage by public policy” (Hodgkinson, Nelson and Sivak Jr. 388).

This sudden increase in volunteerism in the 1990s was primarily a result of public policy changes. When policymakers realized the declining volunteer rates among college students in the 1980s, they decided to establish several programs to stimulate and encourage the youth to become more engaged in civic volunteerism. For example, a program named Campus Outreach Opportunity League (COOL) worked to increase volunteering among the youth by promoting the inclusion of mandatory community service within the education system. COOL grew tremendously, from only 25 organizations in 1985 to over 620 in 2000 (Hodgkinson, Nelson and Sivak Jr. 405). In addition, there has been a concerted effort within public policy since President Carter’s administration to emphasize the importance of volunteering and its ability to solve community issues throughout the nation. For example, President Bush established the Points of Light Foundation in May 1990, and President Clinton created AmeriCorps in 1993, the same year as the Corporation for Nation Service was started (Hodgkinson, Nelson and Sivak Jr. 406). In 1993, the creation of the National and Community Service Trust Act created incentives to promote volunteerism to youth, by paying them with both living and educational stipends.

This act funds three programs: AmeriCorps, Learn and Serve America, and the National Senior Service Corps, for which over 1.5 million Americans participate in, with a federal budget of over $730 million (Grobman 126).

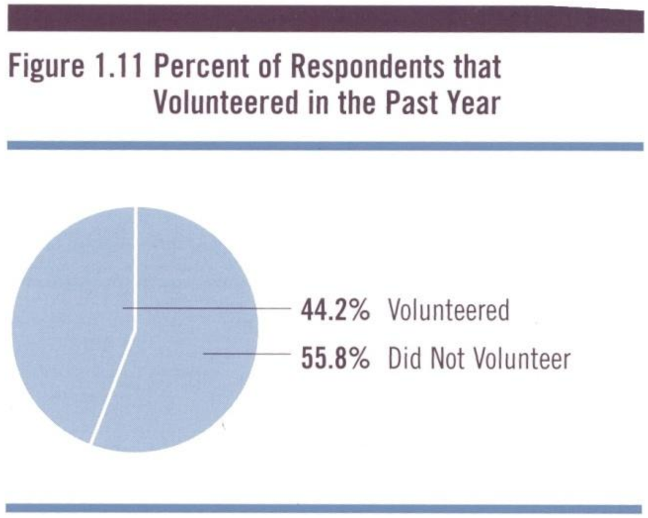
Importance of Volunteers for Nonprofit Organizations

Volunteers in nonprofit organizations can range from a variety of different forms of help, from working within the office to special events, functioning as: docents in museums, readers for the blind, drivers of Meals on Wheels, telethon operators, tutors, and even mentors within Big Brothers Big Sisters (Knauft, Berger and Gray 147). The use of volunteers in the nonprofit sector is extremely beneficial for the success of a NPO. The challenge, however, is finding the appropriate volunteers for each organization, recruiting only individuals that can strongly identify with the organization's mission and cause. It is the NPO's hope that in return, the correct recruitment will create a more highly motivated volunteer, who will benefit the nonprofit by contributing their specific skills and expertise.

Among the many advantages of using volunteers, several include the volunteers' ability to: amplify services and build community support, accurately represent their community, and be a liaison in the community when handling volunteer recruitment, fundraising, and advocacy because they are unbiased and not paid for their contributions (Connors 167). In addition, the organization is able to stay in touch with its constituents and "ensure a continual supply of fresh ideas and content expertise for programs and services" through the use of volunteers (Wilcox 29). Also, studies have shown that people who volunteer often give more money to charity than people who do not volunteer. This is logical because the volunteers are able to directly experience the good that donated funds within the organization that they volunteer for. These same volunteers are often able to convince family, friends and coworkers to donate money as well due to their personal tie to the nonprofits. “Whereas annual donors can lost interest in an agency over time, volunteering keeps people’s interests alive, sustaining and deepening their commitment” (Bateson 66).

Arguably, however, the most important benefit of having volunteers is that they allow nonprofits to cut down their costs considerably. NPOs rarely have large enough budgets that would allow hiring all paid employees to run the entire operation. By utilizing volunteers, nonprofits are able to increase their financial savings and cut down significantly on their costs. This low-cost approach is especially beneficial in times of economic uncertainty, such as our current recession, when budgets are being significantly reduced, adding to the instability of nonprofit funding. For example, the Crisis Call Center in Contra Costa, CA has volunteers who contribute more than 28,000 hours per year of telephone crisis and grief counseling, which would equal 13.5 full-time employees that the Call Center would have to employees if it weren’t for the volunteers (Bateson 65-66). Lower costs also appeal to donors, because they often fund the most cost effective organizations that understand how to use their donations to the fullest. In a survey by Independent Sector taken in 2000, data shows that 44.2% of all American adults volunteer, as seen in *Figure 8*. This accounts for over 83.9 million American adults volunteering yearly, and is the equivalent of 9 million full-time employees that would ultimately cost the nonprofit sector $239 billion in additional wages (“Value of Volunteer Time”). Additionally, as seen below, in *Table 3*, the average dollar value of a volunteer hour in 2008 was $20.25, up by $0.74 from 2007. Within Nevada, displayed in *Table 4*, the average dollar value of a volunteer hour in 2007 was $18.80, which is lower than the national average by $0.71 (“Value of Volunteer Time”).

Figure 8: Volunteers in 2001



(Independent Sector 36)

Table 3: Dollar Value of a Volunteer Hour (1980-2007)

Dollar Value of a Volunteer Hour: 1980 – 2007		
1980: $7.46	**1990:** $11.41	**2000:** $15.68
1981: $8.12	**1991:** $11.76	**2001:** $16.27
1982: $8.60	**1992:** $12.05	**2002:** $16.74
1983: $8.98	**1993:** $12.35	**2003:** $17.19
1984: $9.32	**1994:** $12.68	**2004:** $17.55
1985: $9.60	**1995:** $13.05	**2005:** $18.04
1986: $9.81	**1996:** $13.47	**2006:** $18.77
1987: $10.06	**1997:** $13.99	**2007:** $19.51
1988: $10.39	**1998:** $14.56	**2008:** $20.25
1989: $10.82	**1999:** $15.09	
Please note: Values for 1990-2008 were adjusted to reflect a new data series released by the Bureau of Labor Statistics.		

("Value of Volunteer Time.")

Table 4: Dollar Value of a Volunteer Hour by State (2007)

Dollar Value of a Volunteer Hour, by State: 2007 *Please note that 2007 is the latest year for which state-by-state numbers are available. There is a lag of almost one year in the government's release of state level data which explains why the state volunteering values are one year behind the national value.*			
Alabama: $16.71	Indiana: $17.16	Nebraska: $15.93	South Carolina: $15.86
Alaska: $19.63	Iowa: $16.10	Nevada: $18.80	South Dakota: $14.27
Arizona: $18.73	Kansas: $17.16	New Hampshire: $20.25	Tennessee: $17.88
Arkansas: $15.41	Kentucky: $16.52	New Jersey: $24.48	Texas: $20.80
California: $22.79	Louisiana: $17.54	New Mexico: $16.07	Utah: $16.74
Colorado: $20.84	Maine: $15.74	New York: $28.04	Vermont: $16.59
Connecticut: $27.02	Maryland: $21.20	North Carolina: $17.64	Virginia: $20.80
Delaware: $21.56	Massachusetts: $25.47	North Dakota: $14.98	Washington: $20.37
Dist. of Columbia: $31.55	Michigan: $19.70	Ohio: $17.99	West Virginia: $15.22
Florida: $17.78	Minnesota: $20.39	Oklahoma: $16.19	Wisconsin: $17.21
Georgia: $19.49	Mississippi: $14.46	Oregon: $17.90	Wyoming: $17.73
Hawaii: $17.09	Missouri: $17.76	Pennsylvania: $19.61	Puerto Rico: $10.56
Idaho: $15.24	Montana: $14.13	Rhode Island: $18,18	Virgin Islands: $15.55
Illinois: $21.91			

("Value of Volunteer Time.")

Thus, nonprofit organizations that do not utilize volunteers are truly disadvantaged compared to NPOs that do use volunteers, for all of the benefits previously stated in this section. Therefore, it is incredibly important that NPOs use volunteers to their advantage and capitalize on their innate skills and capabilities that are priceless assets to a nonprofit.

2.3.2 Recruiting Volunteers

Since volunteers are critical to the success of the nonprofit sector, it is not only necessary to use effective recruitment techniques to attract volunteers but it is also crucial that the NPO recruit appropriately qualified and motivated volunteers for their organization. Within the nonprofit sector, recruitment is the “process of seeking volunteers who might want to help meet the needs of the agency and its clients, who will want to perform the work, and who are attracted by the result or purpose outlined in the volunteer job description” (McCurley and Lynch 41). This general concept of recruitment is further explained as the “Recruitment Funnel”, the process of “identifying and separating from the entire universe of potential volunteers those persons who best might fit the needs of the agency” (McCurley and Lynch 42). The important aspect of recruitment then is to attract “just enough of the right volunteers” and “balance the need for applicants with the work required in separating the qualified from the unqualified” (McCurley and Lynch 42).

Recruitment Sources

Nonprofits do not need to search very hard to find a large variety of volunteers. They can be found in many different locations: volunteer centers, which will try to match prospective volunteers with an agency and job description appropriate to their talents, and service clubs (i.e. Rotary, Kiwanis and Altrusa). In addition, retirement homes, university service learning and community service programs, sororities and fraternities, and volunteer fairs are all viable recruiting locations. Within in the corporate world in: corporate, business and labor volunteer programs, professional organizations, and alumni groups often provide volunteers. As well as finding them within religious groups and at volunteer open houses (Connors 173).

Meeting the Needs of Potential Volunteers

The first step in recruitment is to understand the needs of the organization’s potential volunteers. Since volunteers often have work schedules, family obligations, and other prior commitments, their availability and flexibility are major factors for where and how much they are able to volunteer. In this sense, volunteers are highly selective in choosing a nonprofit to which they devote their time and energy. In order to attract volunteers, the organization must have an inspiring mission statement, a good reputation, be effective at what it does, be able to remain financially stable, and make the volunteers feel needed and useful (La Piana 168). Volunteers look for organizations where they can gain skills and experience, use their current expertise, participate in something that directly affects them, their family or their community, and/or be able to do meaningful and fulfilling work (La Piana 172).

The needs of volunteers also center around the expectations that both volunteers and nonprofits have of one another. Volunteers' expectations of the nonprofit organization include: orientation and training, guidance, evaluation, ability to participate in decisions affecting their assignments, expense reimbursements, and suitable assignments. From the other perspective, nonprofits expect volunteers to: maintain a professional attitude, adhere to the rules and regulations, participate in training, and abide by all reference checks requested by the organization (Connors 169). Thus, if the two adhere to their expectations of one another, the relationship that is formed is often beneficial to both parties.

Recruitment Techniques

There are two different groups of recruitment techniques that are often used by nonprofit organizations: warm body recruitment and targeted recruitment (*Figure 9*).

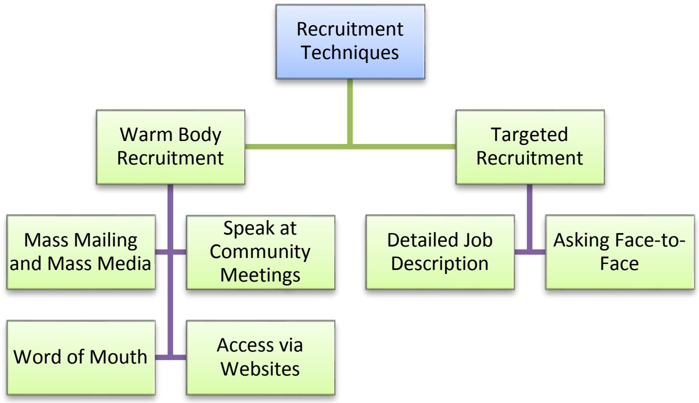
Warm body recruitment is "effective when trying to recruit for a volunteer position that can be done by most people, either because no special skills are required or because anyone can be taught the necessary skills in a limited amount of time" (McCurley and Lynch 43). This type of recruitment is also known as the generic techniques for mass events and low-risk, unskilled jobs. Essentially the NPO has a goal of widely spreading the message that volunteer positions are open and need to be filled to any and all that will listen. Therefore, the suggested primary recruitment methods include: use of mass mailing (nonprofit brochures), use of mass media (i.e. TV, newspaper ads, and radio spots), speaking at community group meetings, and word of mouth (McCurley and Lynch 43). Thus, the recruitment techniques used for warm body recruitment are very broad and clearly aimed at the mass public.

None of my research books mentioned the utilization of websites, but in an age of technology the ability to spread the organization's mission and recruit volunteers is crucial. For example, three local nonprofits in Reno, Nevada have embraced this use of online networking. The Nevada Museum of Art (NMA) has a "Give" tab on its main page that allows its constituents to follow a drop down box that includes links to "Join Today!", "Membership", "Support", and "Volunteer". On the "Volunteer" webpage, the NMA details their volunteer program, Volunteers in Arts (VIA), which is run by its own governing body called the VIA council who hosts fundraisers and publishes a newsletter in support of volunteer activities. The webpage also claims over 12,013 volunteered hours in 2009, which totaled $216,234 in service ("Volunteer"). The Holland Project, another local nonprofit that focuses on "empowering young people through access to music, art, diverse workshop opportunities, and community service and activism", also has the ability to sign up volunteers via their website. By clicking on a link entitled "Donate", there is a list of possible ways to donate including "Time". Under this section, the Holland Project provides an email (hollandprojectevents@gmail.com) for further information about volunteering ("Donate"). Finally, for the Animal Ark of Reno, Nevada there is a link at the top of the webpage titled "Helping / Donate". This leads to another page where an email (info@animalark.org) is provided for further information on how to volunteer. Thus, this type of warm body recruitment is also now utilized frequently by nonprofits to reach a large segment of nonspecific volunteers.

Targeted recruitment, on the other hand, is used for jobs that "require a more limited skill or attitude which is not common in the population" (McCurley and Lynch 44). This type of recruitment is often used for medium to high-risk, skilled jobs. The nonprofit asks a series of questions of itself in order to narrow down the potential group of volunteers. These questions regard: the specific job, who would want to do that job, where the NPO will find these volunteers, how they should go about communicating with the volunteers, what the motivational needs are, and what they would say to the volunteers (McCurley and Lynch 44-48). Once the NPO has determined exactly the type of volunteer it is looking for, it should create a detailed job description in order to funnel out inappropriate applicants. They do this because "individuals are more likely to volunteer to assist an organization if they have specific information about the tasks they are being assigned to perform" (Grobman 127). The detailed job description would include information about the duties, specific skills or training needed, location, hours per week, duration of time period, and the training that would be provided in order to attract the correct, appropriate volunteer for the job (Grobman 127).

After searching for potential volunteers according to the job description, when the NPO finds the ideal potential volunteer, it is best to simply ask the individual to volunteer. Independent Sector has found that if people are asked directly they are four times more likely to volunteer (Connors 172). Asking is also considered the "most powerful determinant of volunteering" among the youth. For example, "among young people that were asked to volunteer, 93% became involved, whereas only 24% of those not asked actually volunteered" (Boris and Krehely 309). Thus, targeted recruitment requires the development of a detailed job description, in addition to the act of face-to-face asking for volunteers.

Figure 9: Volunteer Recruitment Techniques



2.3.3 Retention of Volunteers

The "Golden Rule" of volunteer management is "their niceness will let you recruit a volunteer the first time, but only your competence will let you keep them…" (McCurley and Lynch 133). Thus, retention is the most crucial aspect of volunteer management because it allows the organization to continually perform well with a stable and consistent group of well qualified and capable volunteers. NPOs invest in training their volunteers beginning usually with volunteer orientations. Orientation is the process of "making volunteers understand and feel comfortable with the workings of the agency" (McCurley and Lynch 69). During this time period they will receive background and practical information to better understand how their role can contribute to the organization's mission. Subsequent raining is also critical to developing the volunteers into effective and beneficial workers for the NPO. Training can be done in three ways: formal and sessions, coaching, or counseling (McCurley and Lynch 70). Successful NPOs have professionally designed and implemented volunteer training programs that meet the specific needs of the NPO.

Motivation

Effectively retaining volunteers requires that the NPO meets the volunteers' need for belonging and autonomy. To meet the needs for belonging, the organization can do the following actions: establish mutual goals, recruit volunteers with similar interests and values, establish a climate of trust, and give the volunteers recognition when appropriate. In order to meet the volunteer's needs for autonomy, the organization should: give the volunteer more authority and seek their opinion, treat volunteers as important contributors, provide feedback on individual performance, and measure individual performance according to results achieved (McCurley and Lynch 112).

A majority of the problems that occur with motivation as well as with retention of volunteers are a result of failing to meet the volunteer's needs. Motivated volunteers want to do their job and will follow the guidelines of the nonprofit to do so, thus it is very important to keep them consistently inspired and encouraged. The volunteers' basic motivational needs that are a requirement to be fulfilled by NPOs are recognition, achievement, control, variety, growth, affiliation, power and fun. The need for recognition occurs when people have to be "held in esteem by others", taking the form of appreciation for their work. The need for achievement is the feeling that people are accomplished in something, that they have achieved a specific goal. The need for control is just that, people need to feel independent and in charge of their lives. The need for variety occurs in order to keep volunteers from becoming bored. The need for growth is centered on the development and growth in the volunteers' skills, knowledge and status in life. The need of affiliation revolves around the basic desires of wanting to belong, to be accepted and loved, and to be able to connect with others. The need for power occurs when individuals are able to influence the actions of others through leadership. Finally, the need for fun is crucial for volunteers because it keeps them engaged in the organization's activities and increases their job satisfaction (McCurley and Lynch 108-109). Therefore, keeping the volunteers motivated in all of the above aspects is critical in order to maintain retention.

Recognition

In addition to motivation, it is also very important to recognize the volunteers for their contributions, creating a sense of appreciation and rewarding them for their hard work. Formal recognition systems include: awards, certificates, plaques, and recognition dinners held in honor of the volunteers. On the other hand, informal recognition systems consist of daily interactions between the volunteers and the NPO. These interactions occur when staff simply says "thank you", involves the volunteers in decisions that directly affect them, ask the volunteers' about their personal lives and gets to know them, makes sure that there is equal treatment, celebrates the volunteers' birthdays, and recommends the volunteers for promotion. This informal approach of day-to-day recognition will consistently remind the volunteers that they are appreciated and create a sense of belonging within the nonprofit (McCurley and Lynch 114-115).

When providing recognition, a few simple rules should be followed: give recognition and give it frequently, hold public forums, abide by proper timing, use the correct recognition method, be consistent and sincere, and praise the person not the achievement. If the volunteers do not receive the recognition that they would like from you, they will go somewhere else that will provide it. It is nature for people to want to be recognized for their accomplishments, so the NPO should not only recognize the volunteers but do it as frequently as needed. Also, recognition is most effective when it is done publically and awarded within an appropriate time period (not months after the accomplishment). Choosing the appropriate form of recognition is also important, as well as remaining sincere and consistent with these accolades. Finally, it is essential that the nonprofit rewards the person and not the achievement for the organization; this distinction is crucial (McCurley and Lynch 115-116). Thus, recognition is another important aspect that will increase the overall retention of volunteers within a nonprofit organization.

3.0 Strategic Considerations: External Environment

Using the external environment framework, this section of the thesis will be focused on three areas of strategy: marketing, fundraising, and solicitation and engagement of individual donors.

3.1 Marketing

3.1.1 Definition and Characteristics of Marketing

Marketing is defined as the "continuous diagnosis and analysis of the changing needs of customers, clients, and constituents, and devising strategies to meet these needs" (Wolf 152). It is also known as the "analysis, planning, implementation, and control of decisions in the areas of product offering, distribution, promotion, and pricing" (Wolf 152). The field of marketing involves the creation of an image for a product or, as in the case of nonprofits, the creation of an image for a service. Within the nonprofit sector, successful marketing may greatly help the organization accomplish its mission and overall goals. The careful planning of a marketing strategy is essential for a NPO to achieve its' objectives, whether these objectives are attracting more members or increasing monetary funding (Connors 378). Unfortunately, there is no guaranteed combination of correct marketing techniques that will positively affect every U.S. domestic, grassroots nonprofit equally; therefore, each nonprofit will need to find the marketing techniques that work best for its individual organization.

Unique Aspects of Marketing in Nonprofit Organizations

Marketing has generally been utilized by for-profit institutions, yet over the last few decades more and more nonprofits are beginning to use marketing concepts and practices to increase their market share. Since the nonprofit world is much different than the for-profit sector, there are some unique aspects of nonprofits that change the way in which they can market effectively (*Figure 10*). Nonprofits have to work harder in regard to marketing than for-profits.

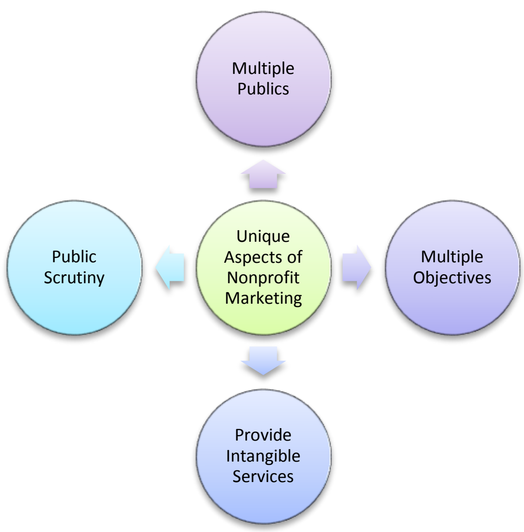
For nonprofit organizations, the first difference is that there are multiple publics. A public is defined as "a distinct group of people, organizations or both whose actual or potential needs must in some sense be served" (Wolf 153). For-profit firms are solely concerned about their customers, whereas nonprofits have many constituents to serve. There are four distinct types of publics: input, internal, intermediary, and consuming. The input public consists of donors and suppliers who provide resources to the NPO. The internal public is made up of the staff and volunteers who convert these resources into goods and services that the organization provides. The intermediary public is the agents and facilitators who deliver these goods and services. And finally, the consuming public consists of the clients and local residents that are provided with the goods and services. Due to such a large and varied market segmentation, a combination of different strategies should be planned and implemented for each market segment (Wolf 153).

There are also multiple objectives in the nonprofit sector. Whereas for-profit firms have an overall objective of maximizing profit, NPOs have multiple objectives that correspond with each of their multiple publics. Often this makes marketing in the nonprofit sector more challenging "because more time must be spent in involving board members, staff and volunteers, and convincing them to accept the objectives" (Connors 384).

Another distinction is that the products of a nonprofit are mostly intangible goods because, in general, NPOs provide services. The characteristics of nonprofit services are: intangible, simultaneous, perishable, and heterogeneous. As mentioned before, services are intangible because they go out of existence at the same time as they are consumed. The result of intangibility is that "marketers of services find it quite difficult to differentiate their offerings" (Connors 385). Services have the characteristic of being simultaneous since they are produced and consumed at the same time, which also leads to the other challenge of perishability, since services cannot be stored and used later. Finally because services are not physical products, their quality can vary, causing services to have a heterogeneous nature (Connors 385).

The final unique aspect for nonprofit marketing is the public scrutiny that occurs within the nonprofit sector. Many NPOs provide necessary services for society, so they are given tax-exemption status and often receive government subsidies. Due to government help and exemptions, NPOs are watched more closely by government officials, news media and the public. For example, a newspaper article reported that a charitable organization raised $9 million, yet, after marketing and administrative expenses only $650,000 went to the organization's constituents. That is less than 8 cents per every one dollar that was raised going to its intended use (Connors 385). Newspapers are often interested in these types of scandals and frequently publish related articles because NPOs are held to a higher level of public scrutiny that for-profit firms.

Figure 10: Unique Aspects of Nonprofit Marketing



3.1.2 Marketing Management Process

Market Research

The first step to developing a market strategy is to do market research. Market research analyzes several key aspects for the organization: the environment in which the organization operates, the leading trends within that industry, the threats to the organization, and its opportunities. It also gives the nonprofit an understanding of its constituents' perceptions of the organization's "image, programs and activities" (Wolf 170). In addition, it identifies the organization's strengths and weaknesses (Wolf 170). Thus, market research shows NPOs how their programs, activities, and services are perceived in their community and how they could possibly grasp a larger share of the market segment.

The steps of market research are as follows: define research objectives, do preliminary research, design the formal research, do fieldwork, and analyze the data. When defining research objectives, the organization will specify the questions that need to be answered. The preliminary research that is done involves the collection of information that defines the organization's objectives more clearly. To design formal research, the nonprofits need to "develop data-collection instruments, decide on how the target group will be sampled, and choose the means of contact" (Wolf 170). Lastly, after doing the fieldwork and collecting the data, the organization is able to analyze, interpret, and report the results of the data (Wolf 170).

Identifying the Target Market

In order for a nonprofit to be successful, it is very important that it identify its target market, the "specific group of clients and supporters to whom it wishes to appeal" (Connors 398). To determine a target market, the NPO must use the market research and carefully review the data to conclude the potential constituents' needs, attitudes, and buying behavior. Two strategies for marketing to a market segment, once the target market is determined, are concentrated marketing and differentiated marketing. Concentrated marketing is used on a “single, easily defined market segment”, whereas differentiated marketing occurs when a NPO has a target market with several various market segments (Connors 400).

Marketing Objectives

Once the target market is determined, the nonprofit must solidify its marketing objectives. The objectives act as a guide for the nonprofit’s activities and answer the question “where do we want to go”. The objectives and goals displayed within the mission must be consistent with the marketing objectives; otherwise the marketing techniques are ineffective. For example, a medium-size university that is located in a travel destination area wants to upgrade their image to being a high quality institution with rigorous academics, yet their marketing slogan of “Sun and Fun”. This contradiction between the mission objectives and the image portrayed through marketing does not result in the successful achievement of the university’s goal to change its image. In addition, the marketing objectives should correspond with the multiple organizational goals (i.e. survival, growth, social change, etc) of the nonprofit.

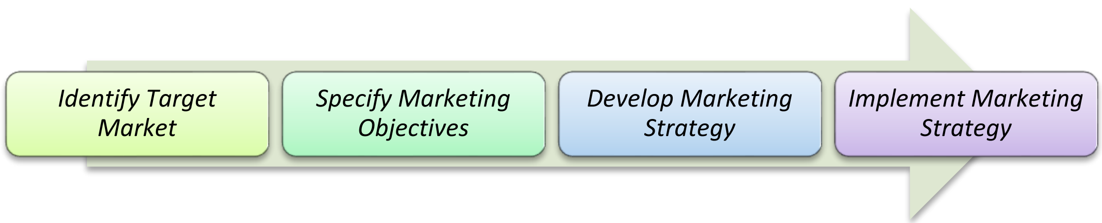
The guidelines for setting marketing objectives are very easy to follow. The marketing objectives must be specific and should be a “precise statement of what is to be accomplished by the organization’s marketing efforts” (Connors 400). The objectives should be simple, understandable, clear, measureable and related to time. For instance, an example marketing objective for a church could be “to increase average attendance at the Sunday morning worship service from 130-150 by the end of one year”. Similarly, for a senior citizens’ center the marketing objective is “to raise $250,000 for a new recreation facility in two years” (Connors 400).

Marketing Strategy

Market research, determining the target market, and specifying market objectives all lead up to developing a market strategy and then implementing it. To develop a market strategy, the nonprofit must follow several guidelines. The strategy itself is considered the "overall design for achieving a NPO's marketing objectives" (Connors 400). Keep in mind that developing each organization's specific strategy will vary according to their chosen target market. The marketing approaches, and thus the overall strategy, will differ in correspondence to the needs of each specific target market (Connors 400).

The combination of all of these processes together (i.e. identifying a target market, specifying marketing objectives, developing and implementing a marketing strategy) is known as the marketing management process (*Figure 11*).

Figure 11: Marketing Management Process



The marketing management process is also categorized into three (more broadly distinguished) marketing tasks: planning, organization, and control. Planning consists of "analyzing the marketing situation, selecting marketing objectives, identifying the marketing targets, and developing a marketing strategy and programs" (Connors 392). Organization is simply the development of the marketing structure. And control involves "selecting activities that will make sure that the objectives are achieved" (Connors 392). Within the nonprofit sector, a growing number of organizations have begun to create a marketing plan because they have proven to be successful among many NPOs.

Action Plan

To implement the market strategy, a nonprofit must prepare a marketing action plan, which includes the development of budgets and schedules that are consistent with the marketing implementation. The schedule is the timeframe in which the marketing plan has to achieve its objectives. In general, there are three timeframes: short-range (1 year or less), medium-range (up to 5 years), and long-range (more than 5 years). The budget specifically allocates the needed resources for the marketing plan. Amongst nonprofits, the preferred approach to budgeting is called the objective and task approach, where the specific and measurable marketing objectives are determined, followed by determining the tasks that are required to achieve these objectives. In total, after the action plan is created, the organization is able to use it to implement the marketing strategy.

3.1.3 Marketing Techniques

Branding and Image

Every nonprofit must work to properly brand themselves and portray the correct image to their constituents in order to effectively and successfully market themselves. Branding is the establishment of the organization's identity. For example, the Nike swoosh is a brand. In general, nonprofits do not have significant brand recognition similar to that of many for-profit firms, due to their smaller and more limited budget, yet, this is something for which they should strive. To improve brand recognition, the nonprofit has to first and foremost develop a consistency in all of their marketing materials. This consistency ranges from using the same fonts and creating symmetrical documents, to not cluttering their literature with unneeded, filler information (Bateson 76). The more consistent the brand, the more people are able to remember the organization. In fact, studies have shown that it takes at least seven times for a person to see a brand in print for them to remember it (Bateson 76).

The brand is made up of the logo, which has two parts: a mark and a signature. The mark is the graphic image that represents the organization (i.e. the two drummers that represents the Holland Project), and the signature is the name of the organization (i.e. the Holland Project, a local Reno nonprofit). The name of the organization should always be simple, descriptive, recognizable, and unique. As seen in *Illustration 1*, the mark and the signature together make up the Holland Project's complete logo.

Illustration 1: The Holland Project Logo

("The Holland Project")

The image of a nonprofit is also important for its marketing techniques. The image of an organization is "the sum total of beliefs, ideas, and impressions that people have of an organization or the programs, services or products it offers" (Wolf 156). A strong and positive image in the nonprofit sector allows for the expansion of donors and constituents. NPOs should be cautioned that an image can change quickly, and that proper actions should be taken immediately if the image becomes negatively affected. Remember, the image is based on beliefs, so it is fairly easy to change it back to a more positive perception if need be, because the programs, activities and events do not need to change just the beliefs about the organization (Wolf 156).

Specific Marketing Techniques

In regard to actual marketing techniques, the relevant literature is ambiguous and contains very little detail. Research books did mention the following marketing techniques that are commonly used among nonprofit organizations: direct mailers to all constituents, door hangers canvassed around high-density neighborhoods, attend public meetings and community events, press releases, press conferences, and media events for project milestones. Also, in order to properly and effectively market the organization, all employees must be trained to answer any possible questions in public settings or via the phone (Sandler and Hudson 93). Several of these techniques such as direct mailing and phoning will be discussed in the next section on fundraising.

Public Speaking

Interestingly, throughout the relevant literature, actual marketing techniques are only briefly addressed whereas much emphasis is placed on the importance of public speaking, especially for the board members and the executive director. For example, the executive director encounters public speaking frequently when presenting in front of service clubs and religious groups, city council meetings, foundation boards, business leader, and/or community groups, so they must be familiar and comfortable with presenting in public. Their presenting ability often reflects greatly on the perceived quality of the organization. If the presenter stumbles through their presentation and seems unorganized, it can give the impression that their nonprofit is similar to the presentation: scattered, inefficient, and not productive. However, if the executive director uses his/her intellect and charm to win over prospective donors and constituents, the organization will be perceived as organized, efficient, and successful. Remember, the three main objectives in a presentation are to inform, to persuade, and to move people to action (Bateson 78).

Additionally, when being interviewed for any type of media publication (i.e. TV, newspaper, or radio), there are many tips that the executive director should remember. They should keep coming back to two or three topic points, in case the media outlet uses a brief clip of the interview. This ensures that the message the executive director wants to be heard will be heard. Also, they should keep answers short but thorough, and never say “no comment”. If they cannot answer the question they should say “I don’t know, but I will try to get an answer”, never leave the audience wondering. They should avoid using jargon, and not feel the need to fill every moment of silence because “some reporters deliberately say nothing after someone stops talking to get a person to say something he or she might not have said otherwise. Just wait for the next question, or ask the reporter a question” (Bateson 75). If the executive director is appearing on TV or in a picture in the newspaper be sure to dress appropriately. Finally, the executive director should control his/her interview; if the reporter asks questions that are uncomfortable answering, they should guide the conversation back to the message that they want to be public (Bateson 75).

Online Marketing

None of the sources used in this research mentioned marketing on the Internet; however it has become a popular option in both for-profit firms and nonprofit organizations. With the use of advertisements on everything from email sites to search engine sites to blog pages, nonprofits are certainly able to find a location to advertise. Of course, funding an advertisement will be difficult for nonprofits with smaller budgets. Yet, if they are able to advertise online, they will undoubtedly spread awareness of their organization and possibly gain both donors and constituents. Online advertising occurs frequently through four different outlets: a nonprofit’s own website or blog, social networking, YouTube videos, and GoogleAds (*Figure 12*).

Many nonprofits use their own websites to advertise upcoming programs, activities, and events, as well as get the word out about their organization. For example, the Reno Bike

Project's website (www.renobikeproject.com) has links to "About RBP", "Event", "Gallery", "Contact", "Donate", etc., allowing curious constituents to view multiple aspects of the organization with only a click of the mouse. An organization can also start an online blog, which is a "powerful way to show your organization is up to date on current events and issues related to your cause" (Green). A blog is a convenient way for the NPO's donors and constituents to receive information about the organization when they choose, at their own pace. Overall, creating a website or blog makes the NPO more accessible to the public and allows the nonprofit to take advantage of online social marketing. A great example of an online blog is Invisible Children (http://blog.invisiblechildren.com/), whose blog has article written about peace and conflict, the current state of Uganda, a location to write your own stories, information about the movie they produced, etc. In this sense, an organization can literally post whatever current world news they find interesting that is relevant to their cause, as well as their own progress with programs, activities, and events.

Another very popular option is to advertise on social networking sites such as MySpace and Facebook. Facebook has advertisements on the right-hand side of the screen that are regional-based, which is perfect for local, domestic, grassroots nonprofits. It is easy to create an advertisement on Facebook, simply click on the link entitled "Create an Ad". This leads to a screen that has a step by step process for choosing the target audience and the budget to spend on the advertisement each day. For example, if the daily budget is $25, then the organization will pay per clicks (for every time their link is accessed); each click ranges from $0.46-$0.60. In addition to advertising on Facebook, the nonprofit organization can make a "Fan Page" where they are able to put all relevant information about their organization, have links to upcoming events and their website, as well as be able to easily reach out to their constituents while spreading the word about their organization. "Fan Pages" are especially important if the nonprofit is trying to reach a younger population, since over 67% of Facebook users are between the ages of 18 to 34 (Corbett). As a user's friends "Like" the nonprofit, this information will be posted to their "Live Feed", which is see by all of their friends. So, even as users join the page, the nonprofit is receiving free promotion. For example, a local nonprofit named Keep Truckee Meadows Beautiful uses Facebook to both advertise and keep in contact with its' constituents and donors. The organization has a "Fan Page" that functions to update and educate its public, as well as provide a forum for conversation and discussion on all topics related to the environment in the Reno/Tahoe community. In regard to updating its public, the organization's current events and news are posted regularly, such as: the upcoming Recycle-Palooza and the Truckee Meadows Community Clean-Up. Also, constituents and donors are educated not only in regard to the events that the organization does, but also how every individual can make a difference. This concept of learning to make a difference individually is seen through the "Make recycled paper at home" video posted on their "Fan Page", as well as a number of other tips and tricks on how to save the environment.

YouTube is also a great resource for NPOs. By posting videos online, your organization can be virally marketed worldwide. These videos can be commercials, highlights of project successes, or a recent gala event, essentially anything that will spread awareness about the organization. The YouTube Nonprofit Program is a partnership program with nonprofits to spread awareness of their organization. YouTube claims that videos are a powerful way to deliver the organization's message to the world's largest online video community, and NPOs can easily do so through the designated "Nonprofit" channel. There are several program requirements: organizations have to be U.S. based nonprofits with the IRS 501(c)(3) status, they cannot be religious or political in nature, and cannot be focused on lobbying for a political or policy change. Some of the program benefits include: listing on Nonprofit channels and Nonprofit videos pages, the option to drive fundraising through a Google Checkout "Donate" button, the ability to add a call-to-action overlay on the videos and "premium branding capabilities and increased uploading capacity" ("Partnerships").

Finally, GoogleAds are also a very good option for online marketing. Since 2002, Google has been offering free advertising for nonprofit organizations through its Google Grants program. The Google Grants program gives free search advertising to nonprofit organizations. The advertisements appear either next to the search results or as sponsored links. To be eligible, the nonprofit must have a website, an IRS 501(c)(3) status, and cannot be religious or political in nature. To apply, visit Google Grant's website to fill out a short application. Every quarter, Google picks new grantees to sponsor for free advertising. This program does make a large difference in both reaching potential donors and constituents. For example, Make-A-Wish has found that along they get a 2%-3% response rate to their direct mail, their online response rate of 6% is double, meaning that it is much more effective (Graham).

Figure 12: Online Marketing for Nonprofit Organizations

3.2 Fundraising

3.2.1 Definition of Fundraising

Fundraising is a crucial element in the nonprofit sector. In its most basic form, fundraising involves the accumulation of financial resources to fund the operations of a NPO: its programs, activities, and events. Although most people think of fundraising as simply collecting money, the activity results in additional benefits for the NPO. Fundraising is about "getting the community behind your mission, solving important problems, and making friends for your organization, while bringing in resources to help change the world" (Perry 56). It is "about the mission and not the money", in an attempt to "support a vision of a better world" (Perry 57). Thus, the biggest myth of fundraising is that it is centered on asking for money. Often, the board, executive director, and staff of a nonprofit equate fundraising to "begging" for money and taking advantage of their personal connections, yet, considering the additional benefits, this is not the case. Again, it is important to stress to a nonprofit that fundraising should actually be used to inspire others to join in on "creating a positive change in our world and our communities" (Perry 50).

Ten Commandments of Fundraising

Fundraising is one of the most researched topics in the nonprofit sector because it is so important to the livelihood of NPOs, especially grassroots, domestic, local organizations who truly survive primarily through raising money. There are hundreds of tips and methods on what organizations should and should not do in regard to fundraising; a review of the relevant literature led me to a comprehensive yet concise set of tips that encompasses the main guidelines for fundraising. This set of tips is called the Ten Commandments of Fundraising and is presented in *Managing a Nonprofit Organization in the Twenty-First Century* by Thomas Wolf.

The first commandment of fundraising is titled "Remember, Only Prospectors Find Gold", it reminds NPOs that a good fundraising team spends a majority of their time creating lists of the ideal funders rather than asking every known foundation, corporation and donor for money. In this sense, "knowing whom to ask is more important than knowing how to ask" (Wolf 270). The second commandment is "Be Sure That Courtship Precedes the Proposal". It is better to ask for a donation after the organization has built a relationship with its potential funder, in order to make sure that the organization's activities are compatible with the philanthropic needs of the funder. The third commandment is to "Personalize the Pitch", tailoring each request for money (to the extent possible) in order to appeal to the funder more successfully. The fourth commandment is "If You Want Bread, You Need Dough", which simply explains that most donors like to know that others have also donated to the same cause, and that the organization has successfully used their money to make a difference. "When Asking for Money, Assume

Consent" is the fifth commandment, and it cautions nonprofits to avoid being tentative. The organization, in contrary, should communicate with the potential funders as if they have already made the commitment and will be making a contribution.

The sixth commandment is "In Written Requests, If You Can't Scan It, Can It". A great majority of nonprofits send out direct mailings to prospective donors. It is essential that these mailings "be short with ample margins, have plenty of headings, and bulleted lists", in order to ensure that prospective donors can easily scan the letters (Wolf 272). "In Designing Budgets, Use the Old Math" is the seventh commandment; if the budget is done incorrectly it gives the funders little to no faith in the organization's ability to handle the donated money. Therefore, it is extremely important that the organization properly handle their financials. The eighth commandment is "When in Doubt, Communicate in English", use short and clear sentences when communicating with funders, do not unintentionally confuse them when asking for funding. The ninth commandment is "Don't Take a No Personally"; fundraising is difficult and there will be a great deal of rejection, yet it is important to not let this deter the organization's mission. Fundraisers should continue to strive for donations regardless of how many times they have heard "no". Finally, the last commandment is "No Matter How Many Times You Said Thank You, Say it Again", which clearly expresses the need for the NPO to thank the funder again and again. In order to develop an ongoing relationship with a group of loyal funders, it is essential that attention be paid to the donors and that they are thanked at every opportunity possible. This can be done through press materials, thank you letters, thank you parties, etc; the venue of the thank you does not matter, it is the thought of thanking the funder that is important. Essentially this final commandment highlights the idea that "the secret to fundraising is not getting the donor's first contribution, it is getting the second and third" (Wolf 273).

3.2.2 Fundraising Venues

In regard to fundraising, there are several venues where nonprofits can seek money. These include: foundations, corporations, service clubs, government funding, and individual donors (*Figure 13*).

Foundations

There are over 30,000 charitable foundations in the United States, making foundations a large and rich source for the funding of nonprofit organizations. Often, these foundations provide restricted funding that is specifically predetermined for particular programs and/or services. This restricted funding causes foundations (both private and public) to be very narrow and specific in their funding interests. For example, local charitable foundations often fund only local nonprofit organizations (Bateson 153). Independent, mid-sized foundations will tend to "concentrate their giving in defined areas of interest and sometimes within defined geographical areas" (Wilcox 143). While, major foundations usually concentrate their proposal money on special projects and/or programs that tend to last one to three years (Wilcox 143).

When appealing to foundations to receive funding, a written proposal is almost always required. The competition for foundation grants is extremely high because funding is limited and foundations are choosing between hundreds of proposals for each grant given. These proposals are extremely time consuming to prepare and often labor-intensive to write. However, the proposals can be written by someone without special training or education. The trick is to "research the kinds of organizations and activities of interest to the foundation and tailor the grant application guidelines of the foundation" because many proposals are simply rejected due to technical mistakes. Additionally, a small setback to foundation funding is that there is a large time lag between when the proposal is submitted and when the organization may actually receive the funding (Grobman 142).

Corporations

Within the United States, only 11% of corporations donate to NPOs, and on average they give 2% of their pre-tax profits (Klein 8). In addition to receiving monetary funding, NPOs also get "in-kind contributions of services, equipment, and supplies from businesses in their communities" (Grobman 144). In general, corporations are motivated to give according to three factors: influencing public opinion about the corporation, benefiting employees and assisting the company's own marketing efforts (Wolf 257). Corporations tend to donate to organizations that: improve the life of the community where their employees live, help their employees increase their health, are involved in research that could help the corporation invent or develop new products, provide educational opportunities for employees, and provide a venue for employees to volunteer. In addition to giving monetary donations to NPOs, corporations have also started "matching programs", where they match the donation of their employees to specific NPOs (Klein 8).

The *National Directory of Corporate Giving* describes 1,500 of the country's largest corporate giving programs. This directory includes information on the contact person with their information, the size of the program, and the priority areas of giving. In general, these corporations tend to fund NPOs in the areas where they are headquartered. Each firm has its own individual requirements for funding, and usually provides unrestricted funding to function as general support for the NPOs. Besides traditional funding support, corporations also advertise the nonprofit at special-event programs, donate company products or equipment to the NPO, and/or provide employees free of charge to help with professional services such as a marketer or financial advisor (Wilcox 145).

Service Clubs

Service clubs like Rotary, Elks and Lions generally have a strong presence within local communities, and it is these clubs that have been known to "adopt small nonprofits, steering funds and raising awareness as part of their service duties" (Bateson 153). In this sense, service clubs are not only doing their part to promote and advertise local NPOs, but they are also fundraising for them through their own community service events. In addition, the service club meetings are an ideal venue to speak and spread the word about the nonprofit organization, this opportunity will allow the nonprofit's executive director to "reach business and community leaders in a favorable environment" (Bateson 154).

Government Funding

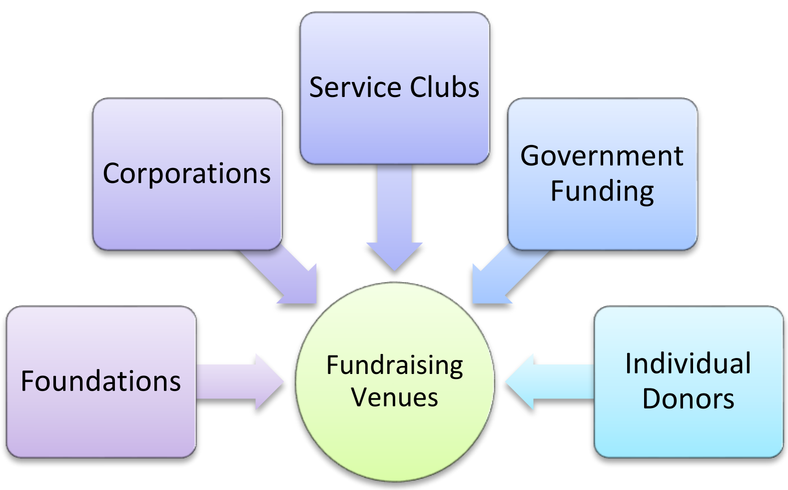
Government funding includes monetary support from all levels of local, state, and federal government agencies. These agencies tend to provide "core support" that is enhanced through monetary funding in the form of grants. Although government grants can be very beneficial to some NPOs who rely primarily on government funding, they are also risky because there truly are no guarantees. If the government has to cut funding, the monetary assistance to each nonprofit is reevaluated and funds are taken from the nonprofits that are determined to be able to continue without the agency's support (Bateson 102).

When writing a grant, there is no "magic formula" to guarantee that an organization will receive the funding. However there are several basic principles that are often used by NPOs: know what you want, do the research, and adhere to the funder's guidelines. First, the nonprofit should "know what it wants, how much money it needs and what the community benefit will be as a result", in addition to knowing any potential collaborative partners within the area (Bateson 98). Secondly, the nonprofit should do thorough research in order to determine if the grant matches the nonprofit's needs. Research will also help determine if the amount the nonprofit is asking for is consistent with the amount provided via the grant, and if the government agencies has funded similar nonprofits in the past. Finally, it is extremely important to adhere to the guidelines of the grant. The organization should not request services outside of what is explicitly determined within the grant. Also, in order to be professional, they should not send in the grant proposal incomplete or after the deadline (Bateson 98).

Individual Donors

Individual donors represent the largest group of funders for nonprofit organizations. Thus, it is crucial that nonprofits recognized and understand the donors' needs and motivations (Bateson 152). The importance of donor relationships and engagement is critical for NPOs. Due to this significance of individual donor relations, this topic is thoroughly covered in the next section of the thesis.

Figure 13: Fundraising Venues



3.2.3 Fundraising Methods

Several fundraising methods are consistently used by a majority of local, grassroots nonprofits throughout the United States. All of these techniques are aimed towards raising money from individual donors and include the methods of: direct mailing, telephone solicitation, and online solicitation through e-mailing and nonprofits' websites.

Direct Mailing

Direct mailing is an appealing fundraising method because it has the potential of reaching a large number of people with low cost to the nonprofit. This method has been in wide use for over 40 years; first being utilized by the Barry Goldwater for President Campaign in 1964. For 15 years after Goldwater's campaign, a majority of nonprofits used this method to gain a bulk of their income. Although direct mailing is still used today, it has become slightly less effective because the market is now saturated with what is now known as "junk mail". Today, nonprofits do not solely rely on direct mailing alone as a fundraiser, yet they still distribute quite a large amount of mailings per year. In fact, 40% of the mail throughout the world is direct mail solicitation from nonprofit and for-profit companies, meaning that one in every six pieces of mail is direct mail (Klein 53). Although the response yield is quite low with an average of 1%, it is still "far greater than any other way of reaching large numbers of people who do not know about your group" (Klein 54). A final tip for smaller nonprofit organizations is to mail to top donors and mail to fewer people at a time, in order to keep their costs under control and to maintain the effectiveness of the direct mailing method (Klein 55).

There are three main functions of direct mail: donor acquisition, retention, and upgrading. The first function is to acquire new donors through publicizing the nonprofit. The direct mail will reach people who have not previously heard of the organization, and, even though most of them will not donate they will at least gain knowledge about the NPO. The second function is to retain donors that were previously acquired, and to try to influence them to give on a regular basis. In order to effectively retain a donor, it is advised that the nonprofit formally thank them within 72 hours of receiving their gift. For local nonprofits, this goal should be attainable since their amount of donors needing to be thanked will be significantly lower than a large, national NPO. In addition, the nonprofit should ask for money more than once a year through multiple methods of fundraising, not just direct mail. In general, about 10% of these already active donors will donate more than one time per year, which is a great success for the nonprofit. The third and final function of direct mail is to upgrade donors by influencing them to increase their donation amounts. This is generally very successful; most NPOs have a renewal and upgrade rate of 66% per year (Klein 55).

When using the fundraising method of direct mail, there are several aspects that are important to be aware of and focus a majority of the NPO's energy on, these include: the mailing list, the letter, the reply device, and the return envelope.

The mailing list is by far the most important part of the entire direct mailing process. The key is to have a "clean mailing list", one that is not purchased or rented from another local nonprofit organization. Many national charities sell their mailing list as another way to raise money, yet this is not advised because valuing and protecting the privacy of the organization's donors should be one of their top priorities (Bateson 100). Additionally, compiling one's own list is the best way to find the people that are most beneficial to the organization. Start with current and past supporters, "paying particular emphasis to those persons who have benefited from your programs and services" (Bangs 149). The goal is to create a list of people that have an interest in the nonprofit's mission and who are ready and willing to help fund the progress of the organization. Additionally, when creating a "clean list" for solicitation, there is also the added benefit of expanding the nonprofit's social capital and "creating a list of potential supporters, friends, and volunteers" (Perry 119).

There are several ways to compile a mailing list, one of which is to use Fundrace.org, which has a "Neighbor Search" that allows a nonprofit to search a region of the city and see the people in that neighborhood who have donated to nonprofits. This information also includes how much the person donated, to which organization, and if they are a part of a political action committee (Bateson 100). Another website that is commonly used is Opensecrets.org, which allows the nonprofit to search by donor's name or by a common cause, in order to see which donors gave the most to which causes within a particular city (Bateson 101). The information from these two sources can therefore be utilized by the nonprofit in creating the foundation of their potential top donors. Also, the board should help in creating this mailing list, contacting individuals from their many aspects of life: "school contacts, family members, church friends people who are active in the community and serve on other nonprofit boards, folks who may have a personal tie to the mission, their friends and social contacts, elected officials, government officials, and community leaders, people who provide personal services such as their hairdressers or CPAs, business owners and managers, and of course any known donors or philanthropists in their circles" (Perry 119).

The structure and content of the letter is critical. When writing a direct mail letter it is important to remember that the letter's function is to "simply catch the reader's attention and hold it long enough for the person to decide to give" (Klein 63). As people have relatively short attention spans, the letter needs to be concise, short and to the point. The letter should be personal and include questions that directly address the reader with "you" it will keep them engaged and interested in letter's overall message. After all "'you' makes your letter speak *to* the reader rather than *at* them" (Klein 64). Additionally, the reader must find the letter easy to look at, with a lot of white space, wide margins, and a clear and simple font. Finally, keep in mind that, in general, people will read the letter in a particular order. First, they read the beginning paragraph, and then they skip to the closing paragraph and the postscript. More than 60% of readers “decide whether or not to give based on those three paragraphs and will not read the rest of the letter” (Klein 64).

The opening paragraph should tell a story, because as the saying in the nonprofit community goes “people buy with their hearts first, and then their heads” (Klein 65). Thus it is important to include either a story about someone that the nonprofit helped, a situation that the nonprofit has changed, or include the reader as part of the story. An example of the latter is: “As a resident of Rio del Vista, you were probably as shocked as I was to learn of the toxic waste dump proposed for Del Vista last year. Working together, we were able to save the lake, but now a dump is proposed for Del Vista Canyon. We’ve got another fight on our hands” (Klein 65). The closing paragraph should contain a call to action and be very clear and specific: “Send your gift of $25, $50, $75, or whatever you can afford. Use the enclosed envelope and do it today. A gift of $25 will help us reach 200 people. For your gift, we will send you our quarterly newsletter, which will keep you posted on our progress. Your gift is a critical part of our efforts” (Klein 66). Finally, the postscript is often the final sentence that the reader will see. The postscript is therefore used to remind the reader to donate today, entice the reader with additional incentives, tell a story, or make the reader part of the story. For example, “P.S. Don’t put this letter aside. Send your check today” (Klein 66).

The reply device is also a component that the nonprofit should carefully consider. It is generally a small, wallet-sized card that is printed on a thicker cardstock paper. The design of the reply device is important; it should have the logo of the nonprofit with the organization’s catchphrase to remind the reader of its mission (Klein 68). There should be room for the donor's name, address, phone number, and email address. In addition, the card should have categories detailing donation levels. Generally it is advised not to name the level (i.e. "Patron", "Benefactor", "Friend") because that could promote unwanted feelings of hierarchy that should be avoided at all costs. Generally, the highest donation category is listed first, to make it "less easy for the donor to simply check off the lowest category" (Wolf 244). Each category should have a simple checkbox next to it, so that the donor can easily indicate the amount and write a check to enclose.

Finally, the last component of the direct mail is the return envelope. There are two styles of return envelopes: business reply envelopes and plain, self-addressed envelopes. Business reply envelopes have pre-paid postage, whereas the plain envelopes will need a stamp from the donor. In general, for smaller nonprofits the self-addressed envelope is the better, low cost method because the organization will not have to pay for all of the pre-paid envelopes that are thrown away (Klein 69-70).

Telephone Solicitation

Soliciting via the telephone can be beneficial for a NPO, in fact "research has shown that it is one of the most effective devices for bringing in substantial sums of money" (Wolf 248). For smaller organizations, in order to save time and money, it is often better to call potential donors that have a track record of donating to other nonprofits in the area, who would be more willing to listen to your nonprofit's mission and possibly invest in its objectives. In order to do this, volunteers should be used to make these "cold calls". However, since the volunteers generally lack experience with phone solicitation, they must be trained and given scripts in order to ensure a standardized and effective call. Keep in mind that when the volunteer first begins using the script they may sound a bit robotic, but after several calls they will begin to sound like a seasoned caller who is knowledgeable and passionate about the cause. Along with the script, an information card of frequently asked questions should also be provided to help the caller with any other questions they may need to answer for the potential donor (Wolf 248).

Online Solicitation: E-mailing and Nonprofits' Websites

The Internet has revolutionized fundraising for many nonprofits, making it easier, quicker, cheaper, and more efficient. More than 50 million Americans use the Internet every week, with millions of additional people having access to it via local libraries or their workplace (Klein 285). This is the ideal venue for nonprofits to showcase their organizations by promoting their mission and upcoming events, and asking for donations. Recently, nonprofits have been using the Internet to e-mail current donors for additional donations, and to promote donations through their own websites.

Emailing is an increasingly popular fundraising method due to its advantages of: very low costs, high information transfer, easy to collect information, and a tremendous amount of flexibility (Bangs 152). The first step is to gather as many e-mail addresses of donors as possible and send them a newsletter on a monthly or quarterly basis. The e-mail newsletter should "have different information and will be shorter than your paper newsletter" (Klein 286). By posting the newsletter online, the organization is not only saving money on postage but also allowing for donors to easily send it to their friends, which could in turn create new donors for the organization. By keeping donors aware of the progress of the organization through the newsletter, the nonprofit is more easily able to request additional donations. Although some people criticize the use of an e-mail to receive donations as impersonal and cold, nonprofits are using e-mailing to simply remind the donor of the possibility and importance of donating. For example, at the end of a newsletter there could be a link to donate, or the e-mail may detail a project coming up and encourage donors to fund a portion of it. In this sense, e-mailing, as a fundraising technique, functions as a reminder and motivator for donors to continually and consistently give to the organization.

Also, many nonprofits have been recently using their own websites to advertise upcoming programs, activities, and events, as well as market their organization. In addition, almost all nonprofit organizations have a link on their website allowing for an online donation. This is extremely beneficial because if potential donors hear about the organization, they can very easily find it online and donate within a matter of minutes. For example, the Reno Bike Project's website (www.renobikeproject.com) has a link to "Donate". By clicking on the "Donate" link, the donors is immediately lead to a PayPal screen that will take credit card information and allow the patron to enter the amount of money they would like to give to the organization. Fundraising online has thus far proven to be beneficial to NPOs, and is also quick, easy, and efficient for both the nonprofit and, more importantly, the donor.

In conclusion, a nonprofit should fundraise using as many methods as possible, while maintaining low fundraising costs. It would be my suggestion that all NPOs utilize the no cost method of online solicitation through emailing. This will allow the organization to reach a large amount of people at no cost. In addition, NPOs should create their own websites, use direct mailing, and/or telephone solicitation, all of which will be a low-to-medium operating cost.

3.3 Individual Donors

3.3.1 Definition and Characteristics of Individual Donors

What is a Donor?

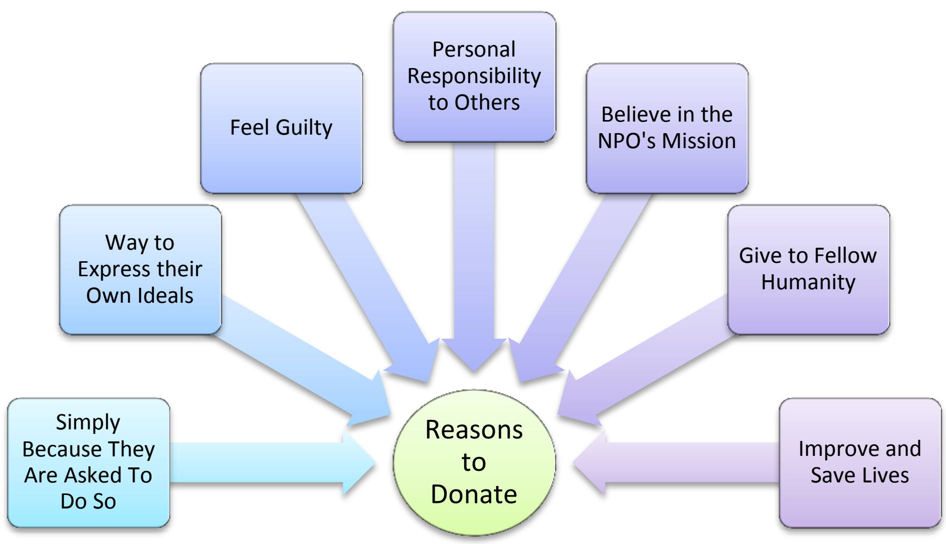
Several types of third-party payers contribute to the funding of a nonprofit organization: the government, private insurers, philanthropic foundations, corporate giving programs, and individual donors. All of these payers are "essential elements of the nonprofit economic model" (La Piana 150). In order to sustain a "strong market position", it is imperative that the nonprofit cultivate and maintain a healthy relationship between itself and its payers (La Piana 150). This section focuses on individual donors and their overall monetary contribution to nonprofit organizations.

Why Do Individuals Donate?

Individual donors are people who donate personal funds to an organization; they are able to choose both the amount and frequency of their donated money. In order to capture the funding provided by individual donors, NPOs must fully understand and be able to identify the reasoning behind why people donate money to specific nonprofit organizations. Recognizing the donors' motivations is central to developing and constructing appropriate fundraising techniques and strategies. There are a wide variety of reasons to donate, as seen in *Figure 14*.

Some donors give money to improve or save the lives of others. Therefore, in trying to attract individual donors, it is critical that NPOs emphasize the good work that they are doing and the concrete change that they are making in their constituents' lives. For example, in direct mailing brochures, the literature should begin with a summary of the success of the NPO and the overall difference that it has made. Donors are also motivated to give to others in an effort to support humanity. In addition, another related motivation is the feeling of personal responsibility for others, also referred to as the desire to "give back" to the community at large. Not surprisingly, studies have found that donors generally tend to give money if they believe in the mission of the organization. They choose to fund a specific organization for a reason, often because either they or someone they know has had a personal encounter with the cause of the NPO. Thus, people tend to have a "natural affinity to one cause or another" (Perry 69-70). Donors may also be compelled to give as a result of guilt of how much they have or what they have done in their own life. Also, donating gives the individual a chance to expresses their own ideals and allows them to reinforce their desired external perception (i.e. feminist, pacifist, environmentalist, etc). Finally, the most frequent motivation to donate is simply being asked to do so. When donors are asked to give money, it reminds them of the causes they care about and the difference that they can individually make within that cause (Klein 15).

Figure 14: Reasons to Donate



A more detailed framework of why people choose to donate is shown below in *Table 5*. The reasons are split into two types of motivation: internal and external. The internal motivations are divided further into personal factors, social factors, and negative factors, while the external influences are divided into rewards, stimulations, and situations. For example, several personal factors for internal motivations include: achievement, growth, and spirituality. In regard to social factors status, affiliation, and power are cited. And finally, the negative factors include: frustrations, insecurities, and unknown situations. For external influences, donors are concerned about both personal and social rewards, as well as motivated by human needs, tradition, and peer pressure. In addition, it is important to note that although the research literature has present these various internal and external motivations, there is no research to prove which internal and external components are the most important in influencing the donors to give to nonprofit organizations. Therefore, most nonprofits focus on each motivation in an equivalent manner.

Table 5: Framework for Determining Why People Give

EXHIBIT 20.2 Framework for Determining Why People Give

Internal Motivations	*External Influences*
Personal or "I" Factors	*Rewards*
Acceptance of self or self-esteem	Recognition
Achievement	Personal
Cognitive	Social
Growth	
Guilt reduction or avoidance	*Stimulations*
Meaning or purpose of life	Human needs
Personal gain or benefit	Personal request
Spirituality	Vision
Immortality	Private initiative
Survival	Efficiency and effectiveness
	Tax deductions
Social or "We" Factors	
Status	*Situations*
Affiliation	Personal involvement
Group endeavor	Planning and decision making
Interdependence	Peer pressure
Altruism	Networks
Family and progeny	Family involvement
Power	Culture
	Tradition
Negative or "They" Factors	Role identity
Frustration	Disposable income
Unknown situations	
Insecurity	
Fear and anxiety	
Complexity	

(Connors 493)

Needs of Donors

The general needs of positive relationships, performance, and accountability are shared by both individual donors and all other third-party payers. The nonprofit that is able to successfully meet these needs will have a competitive advantage over all other similar nonprofits. The donor's trust in a NPO depends on their perception of the organization's ability, its integrity, and its benevolence. Establishing a trustworthy relationship is vital for the overall funding success of the NPO. A nonprofit should always "view the current, gift, grant, or contract as an audition for the next one", meaning that they should never simply rely on funding to occur without proactive effort on their part (La Piana 152). Regarding performance, donors look for nonprofits that are able to accomplish what was promised in return for funding. Organizations should therefore have measurement programs, and be able to fully justify and report their performance to their donors. Lastly, donors are incredibly concerned with the accountability of the nonprofit, they want to be assured that their finances are being properly managed and used for their intended purpose (La Piana 154).

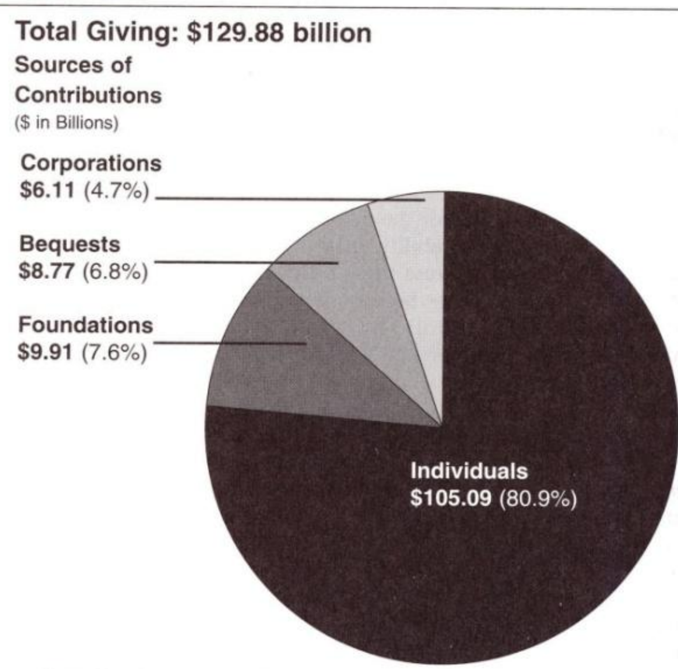
3.3.2 Individual Donors' Contributions

Prevalence of Donor Funding

The majority of funding comes from individual donors rather than corporations, foundation, or other institutions. The specific amount of funding provided by individual donors is, therefore, of critical importance. Hence, it is crucial that NPOs focus time and energy on capturing the largest number of individual donors available. Approximately seven out of every ten adults make donations to nonprofits regularly, often supporting between five and eleven organizations. This amounts to an average of donating about 2% of their personal income yearly to the nonprofit sector (Klein 14). As seen in *Table 6*, in 1994, individual donors contributed $105.09 billion dollars, which comprises 80.9% of the total amount of charitable contributions. Most of these contributions were made to the following types of organizations: religious organizations (45%), human service organizations (9%), education (13%), health care institutions (9%), and arts and culture (8%) (Connors 491).

Table 6: Charitable Contributions

EXHIBIT 20.1 Charitable Contributions



Comparison of 1994 Estimates to 1993 Estimates ($ in billions)

	Original 1993	Revised 1993	1994	% Change Current $	Change Adjusted for Inflation
Sources of Contributions					
Individuals	$102.55	$101.16	$105.09	3.89%	0.77%
Bequests	8.54	8.54	8.77	2.70%	–0.39%
Foundations	9.21	9.53	9.91	4.00%	0.87%
Corporations	5.92	6.05	6.11	1.00%	–2.04%
	$126.22	$125.27	$129.88	3.68%	0.56%

(Connors 492)

Therefore, individual donors are pursued for three main reasons. First, they consistently contribute the majority of the funds donated to nonprofits, meaning that they are “where the money is”. Second, they generally donate unrestricted money (funding that can be used for whatever the organization chooses), which offers more flexible income for NPOs. And thirdly, they tend to increase their giving over time. Once a donor has established a solid relationship with the NPO, as their perception of the agency increases they often feel more comfortable to donate more and more (Bateson 154).

3.3.3 Methods for Soliciting Individual Donors

Donor-Centered Fundraising

Many nonprofit organizations have been practicing donor-centered fundraising, as a result of their increased attention to satisfying the individual donors. In order to use this type of fundraising, they must first understand the donors' motivations and their needs. When the organization successfully appeals to the donor using donor-centered fundraising, studies have shown that 93% of donors will definitely or probably give again the next time they were asked. Out of this 93%, 64% will definitely or probably give more money than before, and 74% will continue to give indefinitely as long as they continued to have their needs met (Perry 90). Thus, statistics have shown that donor-centered fundraising is effective and beneficial for a NPO to use when trying to capture and maintain a larger segment of individual donors.

Donor Analysis: Who Is the Ideal Individual Donor?

Donor analysis is used to periodically analyze the composition of current donors, in order to be able to recruit new, similar donors. The analysis itself discovers what kinds of people donate to the NPO, what motivated them to do so, and how the organization can attract more of the similar type of donors. There are six steps to do the analysis and be able to use its outcomes. The first step is to learn who the organization's donors are both demographically and psychologically, through the use of surveys given to current donors. Second, based on the results of the survey, the NPO should identify their prospective donors and use a similar strategy used on current donors to attract new donors to the organization. The third step is to use the information not only for finding new donors, but to also give the opportunity to current donors to donate more. The fourth step is to "use public education, media, house parties, conferences to turn segments of the population you haven't reached before", therefore expanding the segment of potential donors to include nontraditional donors. The fifth step is to use new fundraising strategies to try capturing the new, nontraditional donors. And the final step is to start over again with the entire process (Klein 237).

Once the ideal type of donor has been identified via donor analysis, nonprofits are then able to actively search and find these donors. Before pursuing everyone that fits the criteria of the "ideal type of donor", the organization should also consider some important donor characteristics including the potential donors' will and capacity to donate. It is certainly possible to change someone's will, but their capacity (financial giving ability) is impossible to change. Essentially, "knowing the person's will helps you gauge how much work is ahead of you, while knowing the person's means helps you separate people who are top prospects from people who aren't" (Bateson 155). In order to find a donor's true capacity, instead of directly asking which can be considered rude, organization can utilize the help of database websites such as: donorseries.com, lexis-nexis.com, wealthengine.com, opensecrets.org, and fundrace.org. Also, NPOs have used real estate search services to identify donors who could possibly become major contributors, according to their overall wealth including assets like real estate. Additionally, before pursuing a potential major contributor, knowing their donation history and understanding their individual values are also important (Bateson 155).

Finally, when approaching the potential pool of donors, organizations should first start with their board to pursue the donors. The board members should be heavily involved in the early stages of searching for donors; contacting people that they know would be interested in donating to the NPO. Board members often know the nonprofit's earliest donors and have already established strong ties with them. It is then the organization's hope that these early donors will further reach out to additional potential donors, since they have been contributing for a significant period of time no one is more qualified to sell the organization. In addition, it is also important to utilize the social networks of everyone in the nonprofit, from the executive director to volunteers. Everyone should attempt to recruit friends, family, coworkers, etc. in order to continually expand the NPO's donor base (Bateson 147).

Methods to Solicit Individual Donors

Donors can be solicited in a variety of ways, commonly: in person, by phone, through fundraising events, through mass mailing and media, etc. There are advantages and disadvantages to each of the methods of solicitation so it is difficult to pinpoint a "go-to" method that works for every organization 100% of the time. For example, direct mailing reaches the largest amount of people but is often less successful because it lacks a sense of personalization. Going door-to-door, on the other hand, is a bit more successful because a definite personalized element is included but it is a much more time consuming method for NPOs (Wolf 241). Although there is no one best method, nonprofits have continued to experience more and more success with any method that has a more personalized approach. Thus, "the more personalized the approach, the greater likelihood of its success" (Wolf 241). An example of the most personalized approach in solicitation is to visit first-time donors individually. This method automatically established and starts the formation of a relationship with the donor on the first meeting. Asking in person is an extremely effective way of raising money. When asking for a donation, respondents are 50% likely to donate. Of that 50%, half will donate the amount they are asked, and the other half will give less. Although this doesn't seem to be ideal, it is a much higher response rate than direct mail (1-3% of all donors captured) and phoning (5-10% of all donors captured) combined. In fact, studies have shown that 80% of donors gave money because someone simply asked them to (Bateson 151).

Before going to meet the donor in person, it is extremely important that the organization’s representatives (usually the executive director and the personal contact of the donor) rehearse the overall plan. Figuring out exactly what will be said and who will say it, how large of a contribution is to be solicited, what kind of support material should be given to the potential donor to convince them to donate, etc. (Bangs 148). Remember, when donors agree to meeting they already know the reason that the organization has sought them out, to solicit for funding. Before the meeting, donors know when and where the meeting is and who will be attending, they just don’t know the amount of money that will be solicited. The ideal situation is that the donor has already pledged a specific amount of money before the meeting, so that the meeting can solely function as a face-to-face introduction and discussion about the NPO itself. Yet, if the potential donor has not yet committed to a specific amount, another way of properly asking for a particular range of money is to present a giving pyramid that shows the varying levels/tiers of the typical donor. Also remember that there are no “magic words”, the only important detail is that the organization’s representatives need to be able to clearly indicate a specific amount (or range) of money they would like to have contributed (Bateson 157). Do not be afraid to ask for money, the meeting was set up for this reason alone, so ask, ask, ask, and ask once more.

3.3.4 Maintaining Donor Engagement

Donor Cultivation: Building a Relationship

Once the donor has been asked to be part of the funding of the organization and has chosen to do so, it is the NPO’s explicit duty to grow and maintain the relationship with the donor, which is also known as donor cultivation. It is essentially the “process of building a bond between the individual and the agency” (Bateson 156). The goal in donor cultivation is to “increase the person’s interest by inviting him or her to tour your facility and attend a special event, by sending news clips and other information on the agency, and by thanking the person often and imaginatively for past donations" (Bateson 156). It is crucial to remember the donors are people, not just checkbooks. In this sense, they require a large amount of attention and consideration. The continued relationship with donors (i.e. donor engagement) should remain highly important to NPOs, and a consistent portion of time and effort should be devoted to the organization's donors, especially its major contributors (Connors 502).

The Donor Bill of Rights (*Figure 15*) is a guide of rights that the donors have in relation to the NPO that they donate to. This Bill of Rights therefore explicitly states what the donors are entitled to and how the relationship between the donors and NPO should function in regard to donor cultivation. The first right is that the donors have full access to information regarding the intended use of their donation, the organization's mission and their success in using the donation. The second right is to be informed of all of the board members and assured of each of their expertise. The third right is to have access to the organization's financial statements. The fourth is to be assured that donations will be used for their intended purpose, especially if they are restricted donations. The donor's fifth right is receive the appropriate acknowledgment for their donation, and the sixth is to be assured that there will be a privacy clause in relation to all donations. The seventh right is to expect a professional relationship with the NPO. The eighth is to know who will be soliciting their donation and the ninth is to be able to be taken off of mailing lists if need be. Finally, the last and tenth donor right is to be able to ask questions when donating and receive a "prompt, truthful, and forthright answer" (Connors 494).

Figure 15: A Donor Bill of Rights

A Donor Bill of Rights

PHILANTHROPHY is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

I.
To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

II.
To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

III.
To have access to the organization's most recent financial statements.

IV.
To be assured their gifts will be used for the purposes for which they were given.

V.
To receive appropriate acknowledgment and recognition.

VI.
To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.

VII.
To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

VIII.
To be informed whether those seeking donations are volunteers, employees of the organization, or hired solicitors.

IX.
To have the opportunity for their names to be deleted from the mailing lists that an organization may intend to share.

X.
To feel free to ask questions when making a donation and to receive prompt, truthful, and forthright answers.

DEVELOPED BY

American Association of Fund Raising Counsel (AAFRC)
Association for Healthcare Philanthropy (AHP)
Council for Advancement and Support of Education (CASE)
National Society of Fund Raising Executives (NSFRE)

ENDORSORED BY
(information)

Independent Sector
National Catholic Development Conference (NCDC)
National Committee on Planned Giving (NCPG)
National Council for Resource Development (NCRD)
United Way of America

(Connors 495)

Keeping in Contact with Donors

Funding appeals should be made on a consistent basis. Usually, these appeals occur when NPOs "invite their stakeholders and other potential supporters to each make a small donation to cover the expenses of running the organization" (Bateson 149). Generally funding appeals are for unrestricted funds, and are done through the method of direct mailing. Some experts suggest that grassroots organization should try to send out at least 8 or even more mailing per year (if finances allow) in order to collect the most funding available (Bateson 149). These appeals are generally sent at the beginning of the year and the end of the year, as well as during holidays such as Labor Day, Columbus Day and Thanksgiving (Klein 86-87). Organizations should not be concerned with donors being upset by receiving multiple appeals throughout the year because, on average, donors actually enjoy receiving organization updates, which make it seem as if there is a lot of activity happening within the organization. The loyalty of the donors will increase when they realize that their continued donations are truly needed, and when they feel that their money is going towards a responsible and successful NPO (Klein 86-87). Repeat appeals are also successful because they allow the donor the ability to have varying cash flows from month to month and still have the opportunity to donate, and they allow different people to respond to various types of appeals (Klein 84).

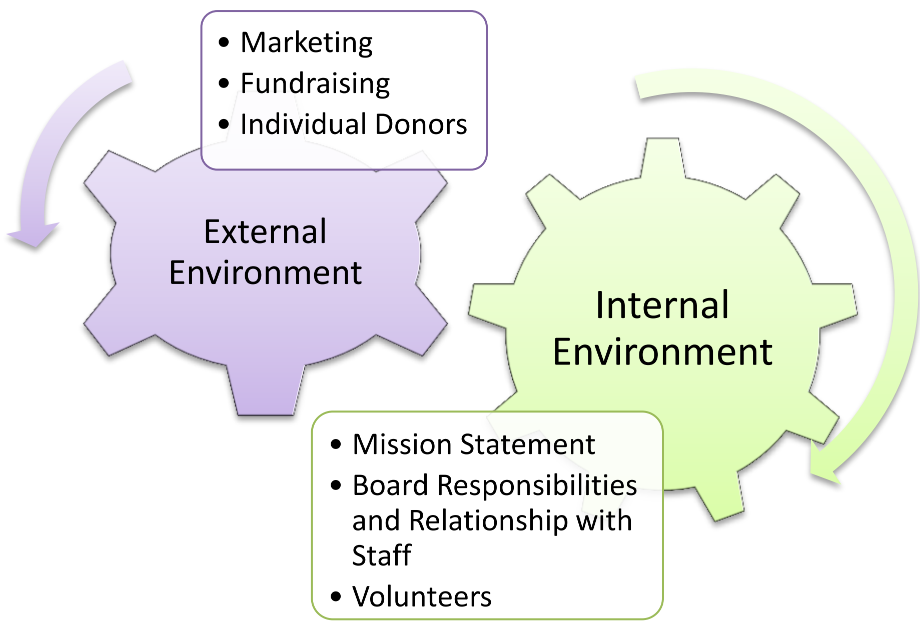
In addition, donors want three things from an organization before they are willing to commit to a repeat annual gift. The first of which is a prompt and personal thank you. This shows that not only was the organization quick to notice and appreciate the donation, reinforcing the donor's giving experience, but it also is efficient and run well in order to consistently acknowledge each and every one of its donors. Donors also want to be reassured that their donation will be used for its intended use, and if it is unrestricted money that it will be used in the most efficient way possible. Lastly, donors like to receive information about the success of the organization and its process and results in achieving its goals. Also, simple gestures such as sending holiday cards or birthday cards are also a nice way of keeping in touch with the organization's donors (Perry 88). Thus, through all of these methods, the relationship developed between the NPO and its donors will be maintained, allowing for the preservation of a very important source of funding for the organization.

4.0 Discussion

NPOs are an important component of the U.S. economy and play a critical role in American society. Hence, the effectiveness of NPOs has a far-reaching impact. This thesis provides an overview of the current knowledge and literature on NPO management with a focus on strategic considerations that have been identified as critical to the success of an organization in the third sector.

The following discussion section provides a brief integrative review and analysis of the strategic considerations presented in the internal and external environment sections of this thesis: the mission statement, the boards' responsibilities and relationship with staff, volunteers, marketing, fundraising, and individual donors (*Figure 1*).

Figure 1: Internal and External Environment Framework



4.1 Mission Statement

Creating and maintaining a mission statement is essential for a nonprofit organization. The mission statement describes the reasoning underlying the existence of the NPO and its overall purpose.

1. *Characteristics of a Mission Statement*

What a Mission Statement Should Be

- Clear and specific
- Brief and concise
- Measurable terms
- Strategic

What a Mission Statement Shouldn't Be

- Strategic plan for NPO
- Completely and entirely unique
- Predictor of financial viability

2. *Developing a Mission Statement*

Steps in Developing a Mission Statement

- Step 1: Clarify ownership of NPO
- Step 2: Determine constituents
- Step 3: Clarify outcomes for chosen constituents
- Step 4: Create a reputation
- Step 5: Create a mission summary

3. *Strategies to Implement and Maintain a Mission Statement*

Implement Mission Statement

- Spread mission throughout the organization
- Tie everything to the misson

Maintain Mission Statement

- Do not change the mission
- Continually stick to the mission

4.2 Board of Directors' Responsibilities and Relationship to Staff

Clearly detailing and determining the roles of the board of directors not only eliminates role overlap between the board and staff, but also aids in the efficient operation of a NPO. Within this section, several important related topics are discussed, including: the relationship between the board of directors and the staff, and the seven fundamental roles of the board of directors.

1. *Relationship between the Board of Directors and Staff*

Board of Directors

- Roles:
  - Set policy
  - Develop strategy
  - Provide governance

Staff: Executive Director and Paid Employees

- Roles:
  - Provide management and administration
  - Implement policies
  - Execute plans

2. *Board of Directors' Roles*

Seven Fundamental Roles of the Board of Directors

- Personnel
- Finance
- Fundraising
- Planning
- Board Development
- Public Relations
- Advising

4.3 Volunteers

Volunteers are individuals that donate their time and energy to an organization. They are extremely valuable assets to NPOs, and providing free services that would equate to 9 million full-time employees that would cost the nonprofit sector $239 billion in additional wages. Within this section, several important related topics are discussed, including: the recruitment of volunteers, meeting the needs of potential volunteers, recruitment techniques, and the retention of volunteers.

1. *Meeting the Needs of Potential Volunteers*

Nonprofit Organization Must:

- Have an inspiring mission
- Have a good reputation
- Be effective at what it does
- Remain financially stable
- Make volunteers feel needed and useful

2. *Recruiting Volunteers*

Recruitment Sources

- Volunteer centers
- Retired and senior volunteer programs
- Colleges and universities
- Sororities and fraternities
- Volunteer fairs
- Corporate world
- Religious groups
- Volunteer Open Houses

Recruitment Techniques

- Warm body techniques
  - Mass mailing and mass media
  - Word of mouth
  - Speaking at community events
  - Access via websites
- Targeted techniques
  - Detailed job description
  - Asking face-to-face

3. *Retention of Volunteers*

Retention Techniques

- Motivate the volunteers
- Recognize the volunteers
  - Formal
  - Informal

4.4 Marketing

Marketing is defined as the analysis, planning, and implementation in the areas of product offering, distribution, promotion, and pricing. Successful marketing is important for a

NPO to be able to attract constituents and donors that will help utilize and run its services. For nonprofits, proper marketing must address several unique aspects: multiple publics, multiple objectives, provide intangible services, and endure public scrutiny. Within this section, several important related topics are discussed, including: the marketing management process, and commonly used marketing techniques.

1. *Marketing Management Process*

Marketing Management Process

- Step 1: Identify target market
- Step 2: Specific marketing objectives
- Step 3: Develop marketing strategy
- Step 4: Implement marketing strategy

2. *Marketing Techniques*

Marketing Techniques

- Branding and image
- Specific techniques:
  - Direct mail, door hangers, attend public meeting and community events, press releases, press conferences, and media events
- Public speaking
- Online marketing
  - Website/blog
  - Social networking websites
  - YouTube nonprofit program
  - GoogleAds through Google Grants Program

4.5 Fundraising

Fundraising is vital for nonprofit organizations, and without it the majority of nonprofits would not be able to viably function and continue to operate. In its most basic form it involves the accumulation of financial resources to fund the operations of the NPO. Within this section, several important related topics are discussed, including: fundraising venues and fundraising techniques.

1. *Fundraising Venues*

Fundraising Venues

- Foundations
- Corporations
- Service clubs
- Government funding
- Individual donors

2. *Fundraising Methods*

Fundraising Methods

- Direct mailing
  - Mailing list
  - Structure and content
  - Reply device
  - Envelope
- Telephone solicitation
- Online solicitation
  - Emailing
  - Nonprofits' websites

4.6 Individual Donors

Individual donors are third-party payers who donate personal funds to an organization. Donors are so important to nonprofits because a majority of funding comes from them, rather than the other fundraising sources. The topics in this section include: the solicitation of individual donors, and maintaining donor engagement.

1. *Solicitation of Individual Donors*

Solicitation Process of Individual Donors

- Donor-centered fundraising
- Donor analysis
- Searching for and finding donors
- Soliciting the donors

Methods of Soliciting

- In person
- By phone
- Through fundraising events
- Mass media and mass mailing

2. *Maintaining Donor Engagement*

Maintaining Donor Engagement

- Donor Bill of Rights
- Keeping in contact with the donors

4.7 From Theory to Practice: The Implementation of Strategic Considerations

Throughout the past decade, management scholars have focused much attention on understanding the different phases of the strategic management process. This interest was prompted in part by the fact that some studies have found the failure rate of strategic plans to be in the 70%-75% range (“Strategic Planning”). This number is of concern, especially considering the widespread practice of strategic planning in the private, public, and non-profit sectors. As of now, the conclusion of strategic management research is that a primary reason for the high failure rates is related to ineffective implementation of the strategic plan.

The strategic considerations presented throughout this thesis provide advice and guidance regarding the internal and external environments of a domestic, U.S.-based, small to medium size nonprofit organization. By utilizing all, or a combination, of these strategies the NPO board, executive director, and staff will be able to learn how to effectively manage and sustain their nonprofit organization. An advantage to these specific strategies is that they are universal, meaning that any type of nonprofit organization (i.e. those involved with the arts, education, religion, etc.) can use them and acquire the same, successful results. However, special care must be given to the implementation of these strategies. All individuals affected by the strategies should be directly or indirectly involved in their development. Such involvement will result in commitment to the required actions and activities.

In conclusion, it is vital that individuals in the nonprofit sector use these strategies in order to successfully sustaining their nonprofit organizations, especially during a recession. Therefore, the implementation of these strategies might save a nonprofit organization from becoming one of the possible 50,000 NPOs that are predicted to fail in the upcoming year.

5.0 Future Implications for the Nonprofit Sector

Currently, the nonprofit sector is suffering from two major obstacles: a lack of synergy between the board of directors and executive director, and a deficiency in long-term financial and volunteer management planning. In order to eradicate these problems, the nonprofit sector should consider changing its operations to more closely reflect that of the for-profit sector. By encouraging a stronger sense of accountability, workforce synergy, and strategic long-term planning, nonprofit organizations should be able to increase not only their efficiency, but also their likelihood of sustainability.

With an increase of business school graduates (who have acquired the knowledge of how to run a for-profit company) interested in working for NPOs in the third sector, nonprofits will likely begin to reflect the operation strategies of the private sector in the upcoming years. This transfer of knowledge from for-profit businesses to nonprofits will allow the third sector to become more efficient and, ultimately, more successful. Yet, most importantly, nonprofits will be more likely to achieve their ultimate goal of sustaining and maintaining their operations in the long-run.

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Table 2: 501(c)(3) Classification

501(c)(3) Public Charities	**501(c)(3) Private foundations**	**Other Exempt Organizations**

• Arts, higher education, hospitals, human services & more
  • ***Registered with IRS***
    • Gross receipts of $25,000 or more must file the IRS Form 990 (examples: hospitals, colleges, human services, and museums)
    • Gross receipts under $25,000 (examples: community theaters, and neighborhood organization)
    • Congregations (registration voluntary)
• ***Unregistered***
  • Very small organizations (gross receipts under $5,000)
  • Congregations
	• All must register and file
	• Most rely on inverstment income generated from their endowments
	• Only 3,000 of 10,000 have staff, but these account for a vast majority of assets
	• A small percentage are "operating foundations", but most are 'grantmaking foundations"
	• Most are "family foundations"
		• ***501(c)(4) Social Welfare***
		  • 100 or so big HMOs or managed health plans
		  • Mix of advocacy groups, civic clubs
		• ***501(c)(5) Labor Unions, Farm Bureaus***
		• ***501(c)(6) Business Leagues***
		• ***501(c)(7) Social & Recreational Clubs***
		• ***15-20*** other small categories include veterans organizations, fraternal organizations, cemetery companies, & credit unions.

("Nonprofit Organizations: Overview")

Appendix A

Table 1: Internal Revenue Code

Section of 1986 Tax Code	***Description of Organization***	***General Nature of Activities***	***Application Form***	***A R***
501(c)(1)	Corporations Organized Under Act of Congress (including Federal Credit Unions)	Instrumentalities of the United States	No Form	
501(c)(2)	Title Holding Corporation For Exempt Organization	Holding title to property of an exempt organization	1024	99
501(c)(3)	Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations	Activities of nature implied by description of class of organization	1023	99
		All 501(c)(3) organizations are further categorized as one of five ty		
		Sub-class	*Section*	
		Private Foundations	All 501(c)(3) organizations t Some private foundations are operating foundations or priv receive some of the advantag	
		Public Charities	509(a)(1)	Pub
			509(a)(2)	Exe cha
			509(a)(3)	Sup 509
			509(a)(4)	Pub
501(c)(4)	Civic leagues, Social Welfare Organizations and Local Associations of Employees	Promotion of community welfare; charitable, educational or recreational	1024	99
501(c)(5)	Labor, Agricultural, and Horticultural Organizations	Educational or instructive, the purpose being to improve conditions of work, and to improve products and efficiency	1024	99
501(c)(6)	Business Leagues, Chambers of Commerce, Real Estate Boards, Etc.	Improvement of business conditions of one or more lines of business	1024	99
501(c)(7)	Social and Recreation Clubs	Pleasure, recreation, social activities	1024	99
501(c)(8)	Fraternal Beneficiary Societies and Associations	Lodge providing for payment of life, sickness, accident, or other benefits to members	1024	99

501(c)(9)	Voluntary Employees' Beneficiary Associations	Providing for payment of life, sickness, accident or other benefits to members	1024	99
501(c)(10)	Domestic Fraternal Societies and Associations	Lodge devoting its net earnings to charitable, fraternal, and other specified purposes. No life, sickness, or accident benefits to members	1024	99
501(c)(11)	Teachers' Retirement Fund Associations	Teachers' association for payment of retirement benefits	No Form[6]	99
501(c)(12)	Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, Etc.	Activities of a mutually beneficial nature similar to those implied by the description of class of organization	1024	99
501(c)(13)	Cemetery Companies	Burials and incidental activities	1024	99
501(c)(14)	State Chartered Credit Unions, Mutual Reserve Funds	Loans to members	No Form[6]	99
501(c)(15)	Mutual Insurance Companies or Associations	Providing insurance to members substantially at cost	1024	99
501(c)(16)	Cooperative Organizations to Finance Crop Operations	Financing crop operations in conjunction with activities of a marketing or purchasing association	No Form[6]	99
501(c)(17)	Supplemental Unemployment Benefit Trusts	Provides for payment of supplemental unemployment compensation benefits	1024	99
501(c)(18)	Employee Funded Pension Trust (created before June 25, 1959)	Payment of benefits under a pension plan funded by employees	No Form[6]	99
501(c)(19)	Post or Organization of Past or Present Members of the Armed Forces	Activities implied by nature of organization	1024	99
501(c)(20)	Group Legal Services Plan Organizations	N/A	N/A	
501(c)(21)	Black Lung Benefit Trusts	Funded by coal mine operators to satisfy their liability for disability or death due to black lung diseases	No Form[6]	
501(c)(22)	Withdrawal Liability Payment Fund	To provide funds to meet the liability of employers withdrawing from a multi-employer pension fund	No Form[6]	9
501(c)(23)	Veterans Organization (created before 1880)	To provide insurance and other benefits to veterans	No Form[6]	9
501(c)(25)	Title Holding Corporations or Trusts with Multiple Parents	Holding title and paying over income from property to 35 or fewer parents or beneficiaries	1024	9
501(c)(26)	State-Sponsored Organization Providing Health Coverage for High-Risk Individuals	Provides health care coverage to high-risk individuals	No Form[6]	99
501(c)(27)	State-Sponsored Workers' Compensation Reinsurance Organization	Reimburses members for losses under workers' compensation acts	No Form[6]	99

501(d)	Religious and Apostolic Associations	Regular business activities. Communal religious community	No Form	
501(e)	Cooperative Hospital Service Organizations	Performs cooperative services for hospitals	1023	99
501(f)	Cooperative Service Organizations of Operating Educational Organizations	Performs collective investment services for educational organizations	1023	99
501(k)	Child Care Organization	Provides care for children	1023	9
501(n)	Charitable Risk Pools	Pools certain insurance risks of 501(c)(3)	1023	99
521(a)	Farmers’ Cooperative Associations	Cooperative marketing and purchasing for agricultural producers	1028	

("Tax-Exempt Organization Reference Chart")