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# When Money Isn't the Problem

By KIM KLEIN

Most nonprofit organizations need more money than they have. To increase their funds, they either seek new strategies for raising money or they strive to upgrade their existing strategies. However, a significant number of nonprofit organizations that think they need more money actually have any number of other problems that must be solved before their fundraising efforts can improve. In fact, these organizations sometimes have an effective fundraising program in place but their other problems obscure its success.

Because almost every organizational problem will show up eventually — if not first — as a lack of money, organizations are quick to blame their fundraising efforts for their lack of funds. But just as a rash can be a symptom of a number of illnesses that may have nothing to do with your skin, so a lack of money may point to a number of problems that have nothing to do with money. Rarely is lack of fundraising effort the main problem and never is it the only problem.

This article presents several short case studies to explore four of the most common organizational problems. In each case, the problem appeared to be a lack of money and the solution appeared to be more or different fundraising activities. In fact, when the problem was properly identified, the solution chosen by the group was unrelated to fundraising. Other solutions were also possible, but you will see that the creativity applied in these instances generally resulted in positive solutions.

## PROBLEM AREA ONE: UNREALISTIC GOALS

### Example A:

A sexual assault prevention project faced a \$14,000 shortfall in their community-based fundraising efforts.

When describing this deficit, they explained that they “always fall short of their fundraising goals.” Their paid fundraising coordinator was disheartened, feeling that no amount of work made any difference. Here’s what their fundraising plans and past performance looked like:

SOURCE	YEAR 1 ACTUAL INCOME	YEAR 2 ACTUAL INCOME	YEAR 3 GOAL	YEAR 3 ACTUAL INCOME
Raffle	\$2,500	\$3,000	\$10,000	\$6,000
Membership	\$1,500	\$2,000	\$12,000	\$8,000
Major Gifts	\$5,000	\$8,000	\$20,000	\$13,000
Volunteer Canvass	\$3,000	\$3,500	\$8,000	\$5,000
<b>TOTAL</b>	<b>\$12,000</b>	<b>\$16,500</b>	<b>\$50,000</b>	<b>\$32,000</b>

**Real Problem:** The real problem is easy to see. Having showed steady financial growth for two years, the group decided to hire a fundraising staff person to increase their income even more significantly so that they could expand their program. They then set goals that required raising two or three times more than they ever had. The effect of the staff person was clear: Income in every category had gone up and total income to date was nearly double that of the previous year. However, the goals that had been set were unrealistic.

**Solution:** The group revised their goals downward and postponed the beginning of the new program until the following year. Far from feeling discouraged about their fundraising, they realized that their decision to hire a fundraiser was a good one, and that their efforts really were paying off.

### Example B:

A reproductive rights group planned and organized an event to protest threats to a woman’s right to choose. A

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demonstration was to be followed by a small concert in a park featuring a local bluegrass band. Admission to the concert was set at \$10. They hoped to attract 500 people, making their projected gross income \$5,000 and their net income about \$3,000. They planned to raise even more money by selling drinks and food at the concert.

Because they were so caught up in the preparations for the demonstration, they decided not to advertise the concert widely, but to try to attract most of the demonstrators to the concert. The demonstration went well. About 2,000 people came, the press gave it good coverage, and there were no problems with police or bystanders. The concert, however, did not go as well. Though the concert was mentioned several times during the day and flyers about it were distributed, only 200 people came. With the sale of drinks and food, the concert netted about \$750, less than one-third of the hoped-for total. The problem was blamed on poor publicity.

**Real Problem:** The real problem here is again an unrealistic goal. This organization, with only one part-time staff person, set itself up for failure by planning a major demonstration and a major fundraising event for the same day. They saw the demonstration and the concert as related events that would naturally flow into each other. In fact, this was not the case. Having spent their afternoon at a demonstration that ended at 5:00 P.M., most people were not interested in going to a concert that began at 7:00 P.M.

**Solution:** The solution here is for the group to identify what they want from their special events. When money is a primary goal, they must give the moneymaking event enough time for proper advertising and coordination.

When a good time for the demonstrators as well as publicity for the group is the primary goal, then the concert needs to be part of the rally at the end of the demonstration. The demonstrators could march down Main Street, rally at City Park, then be entertained by the bluegrass band and go home.

## **PROBLEM AREA TWO: INCOMPETENT OR UNQUALIFIED STAFF**

### **Example A:**

An environmental organization needs an accountant. With money coming in from many sources, including foundation funding for several projects, they need someone who can keep careful track of both project funds and operating costs. The brother of a board member needs a job and a change of pace. A car mechanic by training, he has recently been the manager of a gas station. No one on the hiring committee has accounting skills and, needing

an accountant quickly, they decide to offer the board member's brother the job. Reasoning that he can add and subtract and has small-business experience, they foresee no problems.

During the annual audit, the organization learns that foundation money designated for a special project has been used to pay other bills. The cash flow generated by this grant has disguised the lack of money coming in from other sources. The project to be completed with this grant now does not have the cash it needs.

The board members decide that they have slacked off in their fundraising efforts and resolve to make up this deficit.

**Real Problem:** While the board's decision to increase fundraising is certainly commendable, they will find themselves in this situation or worse until they deal with the fact that they have hired an unqualified person as their accountant. Generally, it is not a good idea to spend money designated for one program on something else. If you are going to use grant money specifically designated for one program to fund other things, you need to have a plan for making up that money.

**Solution:** The accountant is happy in the job and everyone likes him. The organization chooses to pay his way to attend night classes in accounting and to hire a consultant to set up the books and supervise the staff person for a few months. Although these were extra expenditures for the group, they felt it was worthwhile to retain what is basically a good employee. The board's extra efforts in fundraising make up the money needed for the project, which is finished on time.

### **Example B:**

A dynamic and capable leader was executive director of a group advocating for senior citizens in a small city for ten years. With three other people, she was one of the founders of this highly respected organization. Last year she developed a debilitating kidney disease that left her exhausted much of the time and affected her short-term memory. The disease is progressive, and she will eventually lose her kidney function and require dialysis. She cut back from her more-than-full-time schedule to three-quarter time, but even so could usually work only three or four hours a day. Her memory loss caused her to miss important meetings and some appointments with donors.

The director insisted that she was fine, just tired, and that her missed meetings were the result of having too much on her mind. No one wanted to talk honestly with her about her illness, so the other two staff members tried to do parts of her job as well as their own. Everyone had a "wait and see" attitude. One board member summed up

the situation: “I suppose someday something serious is going to happen, but we will cross that bridge when we come to it.” Meanwhile, fundraising efforts began to fall off, as the director’s lack of energy made it impossible for her to keep up with the fundraising aspects of her work.

**Real Problem:** Here is a classic problem that most often occurs with substance abuse, but can occur with any serious illness — everyone, including the ill person, participates in denying the effects of the illness, hoping against hope that it will all work out. This is a misplaced sense of kindness. There is, in fact, nothing kind about standing by and watching the organization this woman has been instrumental in building slowly fall apart because she can’t continue to do her work. Further, board members fail in their responsibility to act in the best interests of the organization by not dealing with the situation.

**Solution:** Two of the director’s closest friends, who were also the other co-founders of the group, spent an afternoon with the director and a therapist who specializes in the needs of people with debilitating or terminal illnesses. During this session, the director was able to admit that she feared she was indispensable and also that she was having difficulty adjusting to her disease. In addition, she explained that she needed her salary to pay the increasing costs related to her illness, such as special food and a housecleaner.

A solution to all these problems was fairly simple. The director qualified for disability insurance and could cut back to work half-time without any loss of income. Another staff person was promoted to fill in the other half of the director position. The current director began bringing other people to her meetings with funders and donors. It was imperative that this organization have more people doing fundraising so that the task did not fall solely on the director. With this decrease in both work and worry, chances were good that the director would be able to stay with the organization as long she was able to work.

In these two examples and dozens of others, people are given or retained in jobs for reasons that have nothing to do with the job and that ignore the health of the organization. “He’s in therapy.” “Her relationship just broke up.” “He’s a single father.” “Her mother has cancer.” These are serious issues for which we must have compassion, but they are not job qualifications. Obviously, social change groups want to be more humane than corporations or businesses seem to be. But giving people too much latitude is neither good for the organization nor kind to the person. The crises brought on by these and other situations usually show up in lack of money. More money will only buy time and extend the crisis for more months.

## PROBLEM AREA THREE: POOR RECORDKEEPING

### Example A:

A women’s health organization had a mailing list of 1,000 names. To be a member and stay on the mailing list, one paid organizational dues of \$20 per year. Every September, the volunteer fundraising committee sent out a renewal letter to the entire list. For the next 12 weeks, committee members took turns coming in to the office to write thank-you notes to the donors and add to or correct addresses on the mailing list. The mailing list was kept on a simple database that could record donors’ names and addresses but did not have room for the date or amount of their gift. Over the past three years, income from the membership list had dropped while the cost of maintaining the list had risen. The committee’s solution was to recruit more paying members, and they planned to launch a large direct mail campaign.

**Real Problem:** The volunteers who sent the mailing and maintain the list had no agreed-upon system for recording information. Some volunteers sending thank-you notes added everyone to the list without checking to see if they were already on it, creating duplicate listings. In two years, no name had been removed from the list because no one looked for lapsed members. The renewal sent in September went to everyone, even if they had just joined the organization the month before. Angry or puzzled letters from members were filed away in an envelope marked “To be answered.”

**Solution:** Before this group recruited any more members, it dealt with its infrastructure and organizational problems. First, it bought a fundraising database that could hold more information than simply name and address. Then, the volunteers created and then agreed on a system for keeping track of information. They reviewed the list of donors and eliminated duplicate addresses and deleted names of long-lapsed donors. They began to keep track of how much money members sent and when. They created a quarterly renewal system, so that people were sent renewal letters during the quarter that they previously gave. This made the renewal system much more manageable and accurate. One volunteer took on the task of answering letters, phone calls, or e-mails from disgruntled members. Having done these tasks, they were in a position to launch a larger direct mail campaign, as well as to work with their current donors to ask them for more money.

### Example B:

A legal aid organization published three different booklets on various aspects of legal rights. The books

were priced to realize a slight profit, and an excellent marketing strategy was implemented. The booklets sold much better than expected and the job of fulfillment fell on the organization's secretary. The secretary could not keep up with the orders along with the rest of her work and became resentful that this job was simply thrown to her. She delayed filling the orders until her other work was done, which meant long waits in receiving booklets for those who ordered them. There was no system for keeping track of orders. Once she filled an order, the secretary simply threw away the order form. Checks were often not cashed for three or four months, and the wait for booklets stretched to four weeks, then six weeks, and then three months, resulting in a number of complaints. Because there was no inventory system, the group would run out of a title before ordering more. This added weeks to a customer's wait. Given all these problems, the executive director decided the sales were not worth the effort and suspended the marketing plan. "It will be easier to get the money from a foundation and give the books away for free," he said.

**Real Problem:** Here the director decided to abandon a successful fundraising strategy and community service because neither he nor the secretary knew how to put proper fulfillment procedures in place. Giving the books away for free won't solve this problem, as people will still have to wait and will still be frustrated.

**Solution:** A board member who runs a retail store intervened. She helped the secretary set up an inventory control system on her computer, which showed the remaining number of booklets on hand each time an order was entered. That way, the secretary could always tell when to order more. Further, once the name and address were entered, the program allowed the secretary to print out a label, saving her the previously tedious task of handwriting labels for mailing. She also got permission from the director to hire a work-study student three hours a week to handle fulfillment. The group retained its income, continued to distribute valuable information, and the secretary was able to do her work.

## PROBLEM AREA FOUR: INTOLERABLE WORKING CONDITIONS

Almost all low-budget organizations make do with less than adequate working space — conditions are often too crowded, too noisy, too dirty, too cold in the winter, and too warm in the summer. But some make do with conditions that rival the garment industry of the 19th century or the living conditions of many migrant workers of today. Ironically, activists will work in conditions they

would protest vociferously if they found them among workers in other industries.

### Example A:

A tenants' rights organization with two staff people operated from a prefab storage unit in the back of a block of stores. The unit measured 9' × 12' and had no running water. (They used the bathroom of a nearby gas station and brought in drinking water in gallon jugs.) Heat was provided by a hastily installed woodstove at one end of the unit. Light came from one bare bulb; the electrical outlets needed to operate the computer and fax machines were provided by a sympathetic store owner through a series of extension cords. In the winter, a staff person came in early, built a fire and went home for an hour while the office warmed up. The workers and many of the board members felt that the office should be located in the neighborhood it served and should not be fancier than the living conditions of the tenants who were the constituents of the organization. They proudly brought potential donors to their office to show that no extra money was spent on frills and felt that their limited success in raising money was due to donor bias against poor tenants.

**Real Problem:** Here the problem was one of assumptions. The first assumption was that any office situation better than near squalor would call the organization's sincerity into question. The second was that donors were biased against them so their chances of raising money, particularly major gifts, were slim. A compounding problem was time lost in heating the space and in staff absenteeism for almost constant colds and flu during the winter. The organization was finally forced to face the problem when the fire department declared the woodstove unsafe and ordered the landlord to fix it. He refused, explaining that the space was a storage facility and not designed to be an office. He felt he had been doing the group a favor to let them have this space. The organization was forced to move.

**Solution:** The organization moved to a small office in a neighborhood church. There they paid little rent, as the pastor of the church was sympathetic to the work of the organization and many of the congregants were tenants the group worked with. At the church the group had access to a photocopy machine and a conference room for meetings. They were warm in the winter and cool in the summer. At the same time, they maintained their goal of staying in the neighborhood and not living better than the tenants they serve. Some of the potential donors who visited their old office started giving them money, explaining that their new location seemed much more appropriate. One donor said that he had wondered if they were on

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the “up and up” when he saw their storage-unit office. Another said she couldn’t see giving to an organization to work for tenants’ rights that didn’t seem to have a clue how to get decent space for themselves. The tenant leaders of the organization were the most supportive of all, and many of them began to volunteer in the office.

**Example B:**

A child care center operated its program in a very large restored barn. The barn had been converted into a wonderful, if somewhat noisy, classroom and play area. In the back of the barn several of the former horse stalls made great storage areas. One was used as a small art room. The remaining horse stall served as the program’s office but did not convert into great office space. The noise from the children was deafening for the administrator, so she normally came in late and worked well into the evening after the children had gone home. Her office was overcrowded, and because it could not be locked, she sometimes found that children had been playing in it. Although she asked the board several times for an office away from the facility, they felt it was an unnecessary extravagance and that all extra funds should go to the children’s program.

As time went on, the administrator missed funding deadlines and almost lost a major block of funds from the state because her reports were tardy. The administrator complained of overwork and having no time to do fundraising. She felt tired all the time. The board proposed hiring someone part-time to help her. This person would share her office.

**Real Problem:** This administrator may have been overworked, but there was no way to know how many of her problems were due to her working conditions. She worked mostly in the evenings, and she resented the effects on her personal life, and she was more tired than if she had been able to work during the day. Because she often could not be reached during normal business hours, she had frustrated and annoyed funders, government officials, and donors. Ultimately, she felt isolated and unsupported.

**Solution:** Finally realizing that the good of the children would be best served by making it possible for the administrator to do her job, the board agreed to take the money they were prepared to use for an assistant to rent an office space away from the facility. They and the administrator would now be able to assess if she truly had too much work.

**SUMMARY**

Groups often find it liberating to learn that their problem is not money related and can be solved through means other than simply raising more funds. It is sobering to realize that when the problem is not related to money, no amount of money will solve it.

All organizational problems must be examined from a variety of angles, both to analyze the problem accurately and to be sure that all solutions are being considered so that the best one can be chosen.

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