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RESEARCH REPORT

Financial Sustainability for Nonprofit Organizations

A Review of the Literature

Lisa M. Sontag-Padilla • Lynette Staplefoote • Kristy Gonzalez Morganti

Sponsored by the YMCA of Greater Pittsburgh

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Preface

The YMCA (Y) of Greater Pittsburgh, which encompasses 19 Y branches in the Pittsburgh area, is interested in improving the programmatic and financial sustainability of its urban branches. The United Way of Allegheny County, already a significant funder-partner in the Y's work and recognizing the challenges faced in sustaining the Y's urban programming, agreed to provide critical funding for a strategic assessment of one of its less-resourced branches. The assessment was to include an evaluation of current operations and to identify opportunities for improvements, with a focus on identification of flagship programs and models of sustainability in nonprofit organizations.

As part of this strategic assessment for the YMCA of Greater Pittsburgh, RAND Corporation researchers conducted a literature review of financial sustainability for nonprofit organizations. Using a combination of academic search engines and the broader Internet, we conducted a systematic literature review on financial sustainability for nonprofit organizations, with an emphasis on urban and lower-resourced organizations. This review is not intended to be an exhaustive overview of the literature but, rather, to identify and discuss key themes and findings that may inform operations and decisionmaking related to improving sustainability in nonprofit organizations, like the YMCA of Greater Pittsburgh, that serve communities with higher needs. The information contained in this review should be of interest to a wide range of stakeholders within the nonprofit sector, particularly those involved in operations of nonprofits that serve high-need populations. This review will help stakeholders understand common challenges of financial sustainability for nonprofit organizations and provide recommendations to address these challenges.

This work was sponsored by the YMCA of Greater Pittsburgh using funding it received from The United Way under contract No. YMCA_05.24.12. The research was conducted in RAND Health and RAND Education, both divisions of the RAND Corporation. A profile of RAND Health and RAND Education, abstracts of their publications, and ordering information can be found at www.rand.org.

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Financial sustainability for nonprofit organizations (nonprofits) has long been of interest to nonprofit organization leaders, current and potential funders, and the communities that nonprofits serve. However, nonprofits face a myriad of challenges in establishing and maintaining financial sustainability. In an effort to improve the sustainability and performance of its less-resourced branches that serve high-need communities, the YMCA of Greater Pittsburgh asked the RAND Corporation, a nonprofit institution that helps improve policy and decisionmaking through research and analysis, to conduct a strategic assessment of the Homewood-Brushton YMCA branch, one of several urban, lesser-resourced YMCA branches in the greater Pittsburgh area. This document presents the literature review that was conducted as part of the strategic assessment effort.

The literature review was designed to inform financial sustainability in nonprofit organizations, identify major challenges of financial sustainability that are common among nonprofits, and discuss the implications for nonprofits that serve higher-need communities. We identify and discuss major challenges of financial sustainability for nonprofits and synthesize key lessons learned and promising practices to overcome these challenges. This literature review is not intended to provide an exhaustive overview of the literature but, rather, to identify and discuss key themes and findings that may inform operations and decisionmaking related to improving sustainability in nonprofit organizations, like the YMCA of Greater Pittsburgh, that serve communities with higher needs.

Balancing financial sustainability with organizational mission is a core challenge for most nonprofits. Evaluating activities and operations based on profitability and mission impact, as well as the interaction between these two dimensions, may allow nonprofits to develop strategic plans to manage short-term financial challenges while maintaining long-term mission goals. Below, we highlight key challenges and promising practices of financial sustainability for nonprofit organizations:

- **Risk of reliance on external funding sources and streams.** In contrast to for-profit organizations, nonprofits in the United States depend on diverse sets of funding sources and streams of funding to sustain their operations. Most nonprofits receive funds from multiple sources (e.g., government, foundations, private donors) and streams (e.g., grants, contracts, membership fees). Substantial cutbacks in both government and foundational funds suggest that nonprofits should develop or revisit their fundraising plans to support financial sustainability. Additionally, nonprofits may wish to consider innovative fundraising techniques, such as giving circles and fostering relationships with investors, to address financial challenges.
- **Creating a nonprofit "brand."** Much like for-profit organizations, nonprofit organizations depend on marketing and branding efforts to help promote and sustain their

programs and services. However, branding considerations are often overlooked in the nonprofit sector. Defining and developing the organizational or social mission, identifying and addressing mission drift, and developing a clear marketing plan will help communicate a nonprofit's social mission to funders and the community in which it resides. A brand that clearly and consistently communicates a nonprofit's social mission may build trust between the nonprofit organization and its constituents, and may ultimately insulate it from competition from other organizations (Renz et al., 2010).

- **External expectations of partnerships.** Due to changes in the funding climate and the financial challenges faced by many nonprofit organizations during these turbulent economic times, nonprofits have begun to consider formalized collaborations as a way to respond to the changing resource environment and minimize competition for funding sources (Connolly and York, 2002; Renz et al., 2010). This is occurring as nonprofit leaders are seeking each other out to explore potential partnerships, and also through funders themselves that are trying to maximize impact with limited resources (Renz et al., 2010).
- **Demonstrating value and accountability to funders.** Foundations and other donors increasingly want access to up-to-date information about an organization's operations and finances as a way of ensuring return on their investment (Bray, 2010). Engaging in evaluation activities that outline financial and programmatic outcomes as a result of funding support demonstrates the value of a nonprofit's operations and helps determine mission impact. Additionally, clearly and consistently communicating evaluation efforts and findings to funders and investors demonstrates accountability.
- **Promoting community engagement and leadership.** Nonprofits often reside within the communities that they serve, creating a unique challenge of promoting ownership and collaboration among community members while maintaining programmatic and mission integrity. Establishing and engaging community board leadership and a system of community volunteers provides nonprofits a resource of varied experiences and expertise while bringing a sense of ownership to the communities that they serve.

Sustainability is a challenge that most nonprofit organizations must address: managing financial viability in an evolving funding landscape, contending with "competing" nonprofit organizations while establishing collaborative partnerships, demonstrating value and accountability to funders and supporters, and maximizing the contribution of leadership within the community. However, these challenges become exacerbated, if not overshadowed, by other factors for nonprofits serving those communities that are most in need. Nonprofit organizations serving high-need or low-income, and sometimes minority, populations are faced with balancing multiple community challenges that reach far beyond the mission of the organization (e.g., economic challenges, poor education, poor health, crime or safety issues, housing concerns, lack of business or community development). Understanding the interaction between the economic and cultural contexts of low-income communities and the sustainability challenges that nonprofit organizations face is necessary to maximize strategies to address financial sustainability challenges and ultimately improve nonprofit services for communities of the greatest need.

One of the primary challenges faced by nonprofit organizations serving low-income communities is the struggle to raise funds for operations, as few community members have the means to contribute financial support to nonprofits. Fostering a culture of giving by encouraging community members to donate, even if it is a small amount, and involving community members in fundraising efforts can help address the "willingness to give" gap and may address fundraising challenges in communities where many residents have very limited resources to spare. Nonprofits in low-income communities are also tasked with striking a balance between (1) meeting the expectations of mainstream funders and/or governing bodies and (2) staying connected to the local community and being perceived as genuine. Utilizing technology and developing a marketing strategy that clearly defines the nonprofit's social mission will help reach new audiences and build a reputation within the community. In an environment flooded with many nonprofits seeking to serve the same community, nonprofits can address financial constraints to operations and limit competition by establishing high-impact partnerships with organizations that have similar strategic goals. Collaborations may also benefit nonprofits in low-resourced areas by building capacity to perform formal evaluations and demonstrate the value of their operations. Finally, strategically engaging volunteers through community outreach can help promote the sustainability of nonprofits and foster support from the community.

Our synthesis of the existing literature on financial sustainability uncovered a host of implications and associated recommendations for nonprofits serving low-income and high-need populations. Establishing financial sustainability should be viewed by nonprofits as a dynamic and continual process. Creating a clear strategic plan that defines the social mission and builds programs, community support, and collaborative partnerships that closely align with the mission may help nonprofits overcome the challenge of establishing sustainability in the short and long term. Our hope is that this review will enhance the limited literature on financial sustainability in low-income or high-need communities and will contribute to an evidence base for promising practices, providing leaders of and investors in nonprofits the ability to support and promote growth among organizations serving those most in need.

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Chapter One: Introduction

Background

The YMCA (Y) is a nonprofit, “cause-driven organization that is for youth development, for healthy living and for social responsibility” (Y-USA, 2012). The Y was founded in London in 1844 and currently has a presence in 10,000 communities across the United States. The Y offers programs, services, and initiatives focused on the unique needs of the communities it serves (Y-USA, 2012).

The YMCA of Greater Pittsburgh has 19 branches and three camps and is committed to serving the greater Pittsburgh area by ensuring that the Y is accessible to all people, offering financial assistance to individuals and families who cannot afford membership (YMCA of Greater Pittsburgh, 2012). In the Greater Pittsburgh area, the more-resourced YMCA branches provide financial support to the less-resourced YMCA branches that serve higher-need populations.

In an effort to improve the sustainability and performance of these less-resourced branches, the YMCA of Greater Pittsburgh asked the RAND Corporation, a nonprofit institution that helps improve policy and decisionmaking through research and analysis, to conduct a strategic assessment of the Homewood-Brushton YMCA branch. The assessment was to include an evaluation of current operations and the identification of opportunities for improvement, with the long-term goal of establishing the resources necessary to seize opportunities to serve the community while maintaining the ability to respond to financial threats to this branch. Additionally, it was hoped that findings from this strategic assessment would provide “lessons learned” for other less-resourced branches of the YMCA of Greater Pittsburgh.

As part of the strategic assessment effort, RAND reviewed the literature on financial sustainability in nonprofit organizations. Specifically, the literature review identified major challenges of financial sustainability common among nonprofits, as well as unique challenges impacting nonprofits that serve higher-need communities. This literature review was not intended to provide an exhaustive overview of the literature, but rather, to identify and discuss key themes and findings that may inform operations and decisionmaking related to improving financial sustainability in nonprofit organizations, like the YMCA of Greater Pittsburgh, that serve communities with higher needs and, thereby, improve the ability of less-resourced branches to provide high-quality and consistent programming that meet the needs of their communities over time.

The Link Between Financial Sustainability and Organizational Functioning and Success

Defining Financial Sustainability for Nonprofit Organizations

Broadly, *sustainability* refers to the ability of administrators to maintain an organization over the long term. However, the definition of *financial sustainability* may vary widely between for-profit organizations and nonprofits (defined as organizations that use surplus revenues to achieve their goals rather than distributing them as profit or dividends), depending on the business structure, revenue structure, and overarching goal of the organization. For both for-profit and nonprofit organizations, *financial capacity* consists of resources that give an organization the ability to seize opportunities and react to unexpected threats while maintaining general operations of the organization (Bowman, 2011). It reflects the degree of managerial flexibility to reallocate assets in response to opportunities and threats. *Financial sustainability* refers to the ability to maintain financial capacity over time (Bowman, 2011). Regardless of an organization's for-profit or nonprofit status, the challenges of establishing financial capacity and financial sustainability are central to organizational function (Bowman, 2011). However, maintaining the ability to be financially agile over the long term may be especially important for nonprofits, given that many of them serve high-need communities that require consistent and continually available services. With this in mind, the goal of financial sustainability for nonprofits is to maintain or expand services within the organization while developing resilience to occasional economic shocks in the short term (e.g., short-term loss of program funds, monthly variability in donations). According to Bowman (2011),

> an organization sustainable in the long term but unsustainable in the short term will be chronically short of cash. Conversely, an organization sustainable in the short term but not in the long term may have adequate cash but inflation will cause the value of its assets to erode over time. This, in turn, will cause the quantity and quality of services to diminish unless capital campaigns periodically bring infusions of new assets. (p. 94)

To understand differences in factors related to financial sustainability between for-profit and nonprofit organizations, it is important to identify and understand the long-term goals of the organization. For instance, the ultimate strategic goal of for-profit organizations is to acquire profit and market share, whereas nonprofits' financial outcomes are merely a means to accomplishing an organization's social mission (Hackler and Saxton, 2007). Thus, a nonprofit organization's ability to pursue its mission (i.e., providing consistent and quality programming and services) and its financial sustainability are inextricability linked. Nonprofits may gain the majority of their revenue from charitable contributions or tax appropriations and measure efficiency and effectiveness of their operations in their success at achieving their social mission, which is their ultimate strategic goal. This, in turn, creates public value (Hackler and Saxton, 2007; Moore, 2000). However, in contrast to for-profit organizations, nonprofits face the challenge of balancing the need for profitability over the long term (as a means to support their programs and services) with the need to promote and prioritize their social mission. For nonprofits, the ultimate goal is to prioritize organizational plans that identify opportunities to manage short-term financial flux while making progress toward meeting long-term social and financial objectives.

Balancing Financial Sustainability with Organizational Mission

For most nonprofits, a core challenge is balancing (1) the need to maintain financial sustainability and (2) the pursuit of organizational mission and maintenance of consistent and quality programming over time. On one hand, examining these factors as separate or competing goals produces an artificial distinction that may hinder long-term growth; on the other hand, determining the effective combination of efforts, activities, and staff at a viable cost per participant eludes many program administrators:

> It's not enough [for nonprofits] to have a high-impact program if there's no effective strategy for sustaining the organization financially. And neither is it enough to be financially stable. . . . Yet surprisingly, in the nonprofit sector financial information and information about mission impact are seldom discussed in an integrated way. Instead, financial reports and analysis rarely include data about what impacts have been driven by a particular financial activity. Moreover, program evaluations and progress reports are discussed out of context with funding streams, profitability, and financial sustainability. (Bell, Masoka, and Zimmerman, 2010, p. 3)

Distinct from a traditional for-profit business model that focuses primarily on making a profit for the benefit of owners and shareholders, nonprofits should make assessments in terms of their profitability *and* their social mission impact (Bell, Masoka, and Zimmerman, 2010). Specifically, nonprofits should determine whether or not their programmatic activities are producing the desired result (i.e., effectiveness) and whether the results are adequate in proportion to the cost of effort (i.e., efficiency). For nonprofits, *profitability* reflects maintenance of working capital to support or continue operations of programs and services. In contrast, *mission impact* involves a focus on programs that align more strongly with the core mission, demonstrate excellence in execution, have a broad reach or deeply impact a smaller number of individuals, fill an important gap in the community, illustrate strong community building, and increase the impact of other programs in the organization or community. In nonprofit organizations, there is an implicit assumption that all programs or activities drive toward the organization's mission; however, some programs have higher impact than others (Bell, Masoka, and Zimmerman, 2010). Evaluating activities and operations along these dimensions of profitability and mission impact, as well as the interaction between these two dimensions, may allow nonprofits to develop strategic plans to manage short-term financial challenges while maintaining long-term mission goals.

Objectives of the Literature Review

The recent economic downturn and increasing expectations to demonstrate the value and effectiveness of programs and services have exacerbated the myriad of challenges faced by nonprofits in their efforts to establish and define sustainability over the long term. Given an over-reliance on external funds and sources of funds, many nonprofits have difficulty generating income, sustaining financial support, and meeting their target populations' needs. These challenges are particularly salient for nonprofits that serve vulnerable, high-need, and low-income populations, because such nonprofits tend to more heavily rely on grants and donations than on membership fees or fee-for-service. Moreover, nonprofits serving low-resourced or low-income communities are faced with balancing multiple community challenges that reach far beyond the mission of the organization (e.g., economic challenges, poor education, poor health, crime or safety issues, housing concerns, lack of business or community development, unique cultural contexts). If a nonprofit organization is to improve its decisionmaking regarding financial sustainability, administrators must understand the challenges they face in maintaining funds to support organizational activities in the long term while meeting the needs of their target populations, and they must utilize promising practices to overcome these challenges.

Approach to Literature Review on Nonprofit Sustainability Challenges

We conducted systematic literature searches using a combination of academic search engines and the broader Internet. For searches of the literature on challenges of sustainability and program engagement faced by other nonprofits, we used search engines that included Google, Google Scholar, Web of Science, and Grey Literature. Our search for studies related to sustainability for nonprofit organizations, with an emphasis on urban, minority-focused, or lower-resourced organizations, used SCOPUS, Web of Science, Econlit, and Grey Literature. Inclusion criteria in these searches specified that articles must be written in English and published no earlier than 1990. The SCOPUS and Web of Science searches contained two categories of search terms, which were joined by an "and" condition:

1. ymca OR ywca OR "jewish community center" OR "boys and girls club" OR "big brothers" OR "big sisters" OR "united way" OR "national urban league"

AND

2. "strategic assessment" OR evaluation OR "community engagement" OR financing OR funding OR sustainability OR "membership engagement" OR flagship OR barrier OR excellence OR "community assessment" OR "strategic plan."

In total, when duplicates and obviously irrelevant articles were excluded, this systematic search identified 108 articles for review. Due to the limited search results, we modified our search criteria to include a wider range of nonprofit organizations (i.e., we added "nonprofit" as a search term) and used an additional search engine that focused on financial and economic literature. The EconLit search contained two categories of search terms, all of which were joined by “and” conditions:

1. ymca OR ywca OR “jewish community center” OR “boys and girls club” OR “big brothers” OR “big sisters” OR “united way” OR “national urban league” OR nonprofit OR “non profit.”

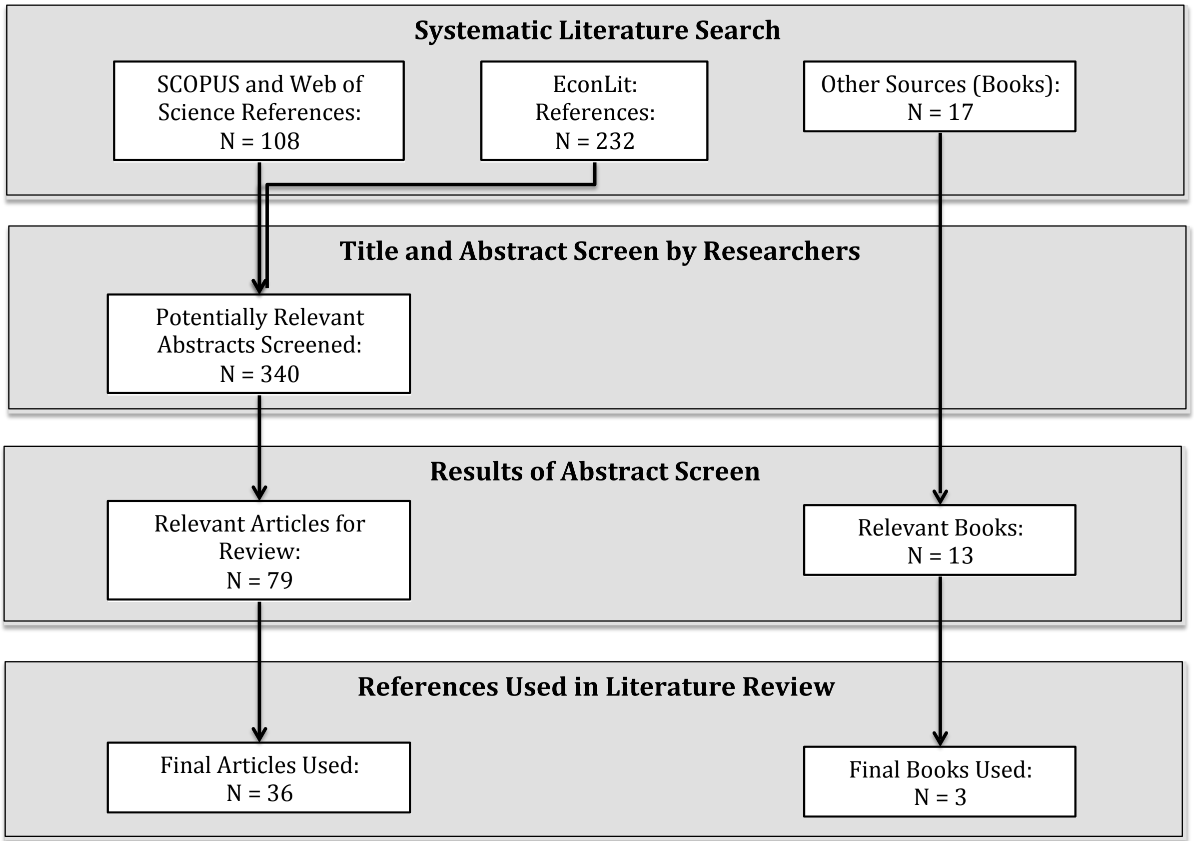
AND

2. “strategic assessment” OR evaluation OR “community engagement” OR financing OR funding OR sustainability OR “membership engagement” OR flagship OR barrier OR excellence OR “community assessment” OR “strategic plan” OR “fund raising” OR “outcome” OR “organizational performance” OR “fund-raising”

After we removed duplicate references and articles that were deemed irrelevant, the systematic search in EconLit identified 232 articles for review. In total, the two systematic searches together resulted in 340 potentially relevant references. In addition to the systematic search, we identified 17 potentially relevant books that included sections pertinent to our search.

To determine eligibility for review, three members of the research team independently screened the titles and article abstracts, retaining only those articles that appeared to contain elements that would inform our review of sustainability models and challenges to sustainability faced by nonprofit organizations. Specifically, each researcher indicated whether the articles fit into one of three categories: highly relevant (i.e., directly addresses issues of sustainability for nonprofit organizations), indirectly relevant (i.e., could inform the general discussion but does not explicitly apply to elements of sustainability), or not relevant (i.e., does not inform the review). When comparing recommendations, the researchers retained articles for review under the following conditions: (1) if at least two of the three reviewers marked an article as highly relevant (n = 65); (2) if one reviewer marked an article as highly relevant and the remaining two marked it as indirectly relevant (n = 10); and (3) if all reviewers marked it as indirectly relevant (n = 4). In total, 79 articles were retained for review. In addition, the team determined 13 of the 17 books to be relevant to the review. After careful review of the 79 articles and 13 books, members of the research selected 36 articles and three books that were most informative to the review on financial sustainability and could inform promising practices for nonprofits serving high-need populations. Figure 1.1 provides an overview of the systematic literature search and the results.

Figure 1.1. Literature Review Results for Financial Sustainability for Nonprofit Organizations



Organization of Review on Sustainability Challenges for Nonprofit Organizations

From our review of the relevant literature, we identify and discuss major challenges of financial sustainability for nonprofits, synthesize key lessons learned related to these challenges, and identify promising practices to overcome these challenges. Due to a dearth of studies on nonprofit organizational process that adhere to the "gold standard" of research (i.e., large-scale, representative studies on many organizations), this review is based on a literature that draws largely from case studies or summaries of operational activities within a particular organization. In the next chapter, we identify major challenges of financial sustainability faced by nonprofits and promising practices to address these challenges. In Chapter Three, we identify unique challenges for nonprofits serving low-income populations and discuss the implications that these challenges have for strategies to address the challenges related to financial sustainability that are identified in Chapter Two. Finally, in Chapter Four, we provide concluding remarks and discuss future directions of the literature on financial sustainability for nonprofit organizations.

Chapter Two: Challenges and Promising Practices of Financial Sustainability in Nonprofit Organizations

In this chapter, we present key sustainability challenges that are common among nonprofits and identify promising practices to address issues these challenges. Specifically, we discuss challenges related to establishing financial sustainability and, in turn, supporting programmatic or organizational success: (1) reliance on external funding, (2) the nonprofit "brand," (3) external expectations of partnerships, (4) expectations of value and accountability, and (5) community engagement and leadership. Again, this review is not intended to be exhaustive, but rather to be a higher-level discussion of common challenges identified in the nonprofit field.

Risks of Reliance on External Funding Sources and Streams

In contrast to for-profit organizations, nonprofits in the United States depend on a diverse set of funding sources and streams of funding to sustain their operations, with most nonprofits receiving funding from at least four different sources: (1) the federal government and state and local government agencies; (2) financial institutions; (3) foundations; and (4) philanthropic organizations (Besel, Williams, and Klak, 2011; Carman, 2001). Streams of funding for nonprofits are delivered in a variety of ways and typically include grants/contracts, fee for service, donations, and foundation grants within and outside of an agency's service area (Besel, Williams, and Klak, 2011). It is common for funding streams and sources to become somewhat established and to provide a level of stability for organizations with the savvy to maintain a flow of funds from annual or multiyear grants and support (Besel, Williams, and Klak, 2011).

Nonprofit leaders perceive government and foundation support as essential for their organization's financial viability, but recognize that there are challenges associated with reliance on grants, contracts, and other sources of government or foundation funding. In a study of 26 health, human services, and community and economic development organizations in Mississippi, Besel, Williams, and Klak, (2011) found that study participants expressed reservations about their organizations' reliance on government funding for their operations, due to considerable restrictions on how public funds can be utilized and the relatively large amount of time and resources consumed in complying with state and federal requirements. Additionally, over-reliance on government-contract funding may lead to the hiring of temporary staff, which may have negative implications for staffing patterns and delivery of quality services. In a case study of the Canadian Red Cross in the Toronto region, reliance on contract-based funding led to challenges with employee retention (Akingbola, 2004). Although contract funding has some benefits (e.g., providing opportunities for new programs), temporary staffing may be detrimental to a nonprofit's delivery of services and mission impact, as it may not only affect employee recruitment and retention but also negatively influence employee morale and training practices (Akingbola, 2004). Constant turnover or continually shifting staff responsibilities to align with short-term contract requirements may prove to be expensive to maintain in the long term, and ultimately reduces the effectiveness of the services nonprofits provide to their communities.

The recent economic recession has dramatically influenced trends in donations, particularly from individuals, as Americans have less disposable income to continue giving to nonprofit organizations at the levels they have in previous years. In a survey of 800 nonprofits at the end of 2008, 75 percent of nonprofits reported feeling the effects of the downturn, with 52 percent already experiencing cuts in funding (Renz et al., 2010). Nonprofit organizations are struggling financially, particularly those that rely on government funding (with 61 percent of nonprofits reporting cuts in government funding), as well those that rely on foundations for monetary contributions (with 48 percent of nonprofits reporting cuts in foundation funding) (Renz et al., 2010). In light of the substantial cutbacks in both federal and state funds with the current recession and subsequent declines in philanthropic giving, identifying promising strategies to sustain nonprofits is necessary to avoid cutbacks in community-based services (Besel, Williams, and Klak, 2011). Below, we highlight suggested practices from the literature that nonprofits can follow so as not to become overly reliant on one source of funding.

Develop a Coherent Fundraising Plan

Many fundraising plans, and indeed a large portion of the financial portfolios of nonprofit organizations, are met through fundraising efforts. However, nonprofits are negatively influenced by tough economic times, perhaps more so than for-profit organizations, because of their dependence on fundraising and philanthropic giving (Besel, Williams, and Klak, 2011). The relative absence of donations made to local nonprofits has been found to be more of a matter of “willingness to give” than “ability to give” (Besel, Williams, and Klak, 2011), although this may be less of the case in communities experiencing economic challenges. Additionally, there is a significant relationship between the percentage of budgetary funds from individuals within an agency’s service area and fundraising requirements for board members. Specifically, Besel, Williams, and Klak, (2011) found that four of the nine agencies that required their board members to participate in annual fundraising drives secured over 50 percent of their operating budget from individuals within their service area. This suggests the importance of the emotional connection in fundraising. In turn, challenges around obtaining fundraising dollars may include making an argument for “why this organization” and not another, establishing a social or emotional connection with donors to convince donors why this should be “their problem,” and establishing a consistent flow of fundraising dollars.

Developing a coherent fundraising plan to address the challenges discussed previously and best promote the mission of the organization is imperative. A strategic fundraising plan provides an opportunity to examine what is working well and where there are opportunities for improvement, encourages nonprofits to set specific goals, and motivates nonprofits to make a commitment to focus on the big picture. Developing the fundraising plan should be integrated into other planning efforts, such as strategic planning, program planning, and budgeting (Bray, 2010). Bray (2010, p. 56) suggest the following tasks in developing a fundraising plan:

- “Determine a reasonable dollar goal to work toward.
- Evaluate your organization’s greatest fundraising assets.
- Create a strategy that uses these assets to most effectively reach potential funding sources.
- Write down your strategy in a short, easy-to-understand document to keep everyone on plan.”

In some cases, nonprofit organizations have found success in starting small, particularly in communities where residents may be less familiar with the mission of the organization or where residents may have less to give on a consistent basis. In these cases, the notion of “all donations count” is important. These types of campaigns focus on participation rather than the dollar amount raised, at least in the first year or two. They educate donors about the importance of giving and build a habit for giving, thus laying the groundwork for continued—and larger—gifts in the future (Bray, 2010).

Incorporate Innovative Fundraising Techniques

A promising method for nonprofit organizations to overcome reliance on limited external funding sources is to think more creatively about their fundraising strategies and consider the role of nontraditional philanthropic organizations or individuals. One such approach is the role of giving circles in the financial viability of nonprofit organizations:

> Giving circles involve groups of individuals pooling their resources and then deciding together where to give them away. They also frequently include social, educational, and volunteer engagement components that seem to increase members’ awareness about community issues and philanthropic processes. (Eikenberry, 2008)

Giving circles can also be identity-based (for example, an African American or women’s giving circle) (Eikenberry, 2008). Data suggest that giving circles have been successful at engaging younger and female participants in philanthropic roles and that they are growing in popularity among various racial, ethnic tribal, and other identity groups (Eikenberry, 2008). Giving circles may be particularly advantageous for nonprofit organizations serving less-resourced communities, as giving circles often also bring less tangible resources to the relationship with the organization, such as new volunteers, additional resources, new contacts, prestige, and new donors (Eikenberry, 2008). Although giving circles offer great potential for bringing many value-added benefits to the funding relationship, they may also bring additional challenges or complexities unlike those typically posed by more traditional funders. For example, developing relationships may be more complicated in nature and may require a high level of interaction with the funding recipient (Eikenberry, 2008). Other challenges identified by Eikenberry (2008) included the tendency to largely fund for only the short run and that giving circles often seek out the organization as a potential funding recipient, as opposed to the nonprofit organization seeking out the giving circle.

Foster Relationships with Investors

Once the initial relationship with donors or investors has been established, there remain challenges associated with continuing the relationship. Community foundations and investors can play key roles in community development and promoting the mission of the nonprofit organization by identifying the niche opportunities in their communities and acting as conveners (Carman, 2001). However, investors expect to see returns on their investments (Rasler, 2007). In the nonprofit sector, this return on investment does not come in the form of shares of stock or legal claims on assets, but rather through a demonstration that the money invested has made an impact on the social mission of the organization. Therefore, nonprofits are charged with identifying what investors expect to see from nonprofits and communicating this information in a clear and consistent manner. When fostering a relationship with investors, it is important to recognize that the way nonprofits communicate value to investors is just as important as what is communicated (Rasler, 2007). Provide a clear connection between the financial support given by investors and the impact on program and service delivery or other organizational aspects. Doing so will allow investors to see the impact of their investment. Credibility is also key part of developing a relationship with investors and can be established and maintained by presenting results of investments (e.g., outcomes of services, number of community members served, etc.) that are independently verifiable and replicable. Finally, establishing open lines of communication with investors that help align investors' priorities with a nonprofit's social mission may help foster a relationship built on trust and transparency. As a result, investors may be motivated to continue financial support for nonprofits in the long term.

The Nonprofit "Brand"

Much like for-profit organizations, nonprofit organizations depend on marketing and branding efforts to help promote and sustain their programs and services. However, reliance on competing expectations form multiple external funding sources, as well as the motivation to address diverse social challenges within a community, often leads many nonprofits to a disparate social mission. Establishing a nonprofit "brand" that clearly and consistently communicates the mission of the organization and the services provided in a way that differentiates it from alternative nonprofit or for-profit organizations (Kirk and Nolan, 2010; Renz et al., 2010). Below, we highlight promising practices from the literature that nonprofits can follow to better establish and communicate their brand, which may ultimately insulate them from competition from other organizations.

Develop and Define the Organizational Mission

One component of establishing an organizational brand involves defining and developing the organizational mission, and in the case of nonprofits, the social mission. A brand embodies a set of characteristics that individuals external to the organization believe will be delivered consistently, and it can convey a nonprofits position in the community as well as the general market (Renz et al., 2010). McDonald (2007) notes,

> A clear, motivating organizational mission helps an organization to focus its attention on those innovations that will most likely support the accomplishment of that mission. Such a mission also creates a climate in which innovations are given a fair chance to succeed. As a result, firms with clear, motivating missions tend to be more innovative.

The development of a sufficiently clear and compelling mission statement can guide the strategic plan of the entire organization. In an exploratory study examining attributes of mission statements in women's rights nonprofit organizations, Kirk and Nolan (2010) found that mission statements with a more focused geographic scope were associated with lower overhead ratios, whereas mission statements that identified more target client groups were associated with larger one-year increases in contribution. These mixed findings call into question common assumptions about the importance of the mission statement to financial sustainability. However, such findings do not minimize the role that a clear and focused mission statement can play in the short term by focusing the organizations activities and helping to motivate and direct innovation (and in turn, promote sustainability) in the long term. Oftentimes, nonprofit organizations strive to be as broad and far-reaching as possible as a means of having a larger impact. However, this approach often results in a lack of focus, challenging the operations of an organization that may not have the capacity to operate so many moving pieces. Instead, McDonald (2007) suggests that the nonprofit organization's mission should be made as clear and fundamental as possible and stated in such a way as to motivate employees who read it.

Identify and Address Mission Drift

Once a nonprofit organization establishes its organizational mission, it is essential to operations and sustainability to periodically revisit the mission and ensure that programs and services remain in line with the identity of the organization. When a nonprofit organization's priorities and activities deviate from the organizational mission, they are said to be experiencing "mission drift" (Bennett and Savani, 2011). Mission drift is determined in part by external funders (i.e., chasing the funding). (Bennett and Savani, 2011). On the positive side, flexibility around funding and contract work allows a nonprofit organization to expand it services and programs to the community. Nonprofit organizations undertaking tasks beyond the scope of their original mission remain up-to-date on local and government public policy priorities and sometimes gain access to political decisionmaking. However, these advantages rarely outweigh the costs of deviating from the social mission, particularly if the capacity to deliver quality programming and services is diminished. As a result, mission drift may result in the distortion of nonprofits' activities, cause difficulties with donor/funder relations if the original relationship was established prior to mission drift, and result in possible financial destabilization (Bennett and Savani, 2011).

Develop a Marketing Plan

The financial sustainability of a nonprofit organization hinges on the success of communicating its organizational mission and services to the community in need of their services, the foundations and government agencies available for support, and donors interested in the cause. Marketing for nonprofit organizations offers the opportunity to define what makes the organization distinctive, what the organization is known for, and why its work is relevant. Nonprofits that approach marketing by appealing to both the heart and head of their audience have had success at communicating their brand and creating a distinct identity (Williamson, 2009). An example of one of the most effective advocacy groups of modern times,

> Mothers Against Drunk Driving (MADD) . . . is famous for the powerful emotional appeal of its advertising campaigns and legislative testimony, which prominently feature the victims of drunk drivers. But supplementing these classic marketing techniques, MADD also deploys equally classic communications strategies—position papers, voter's guides, legislative briefing books, and on-line advocacy, for example. (Williamson, 2009, p. 4)

The challenge for many nonprofits is balancing the use of a traditional "pull" strategy, which meets the audience where it is and steers them to the desired action or behavior through incentives or other inducements, with the complementing push strategy, which lays out the institutional perspective while trying to connect this information with the audience's interests.

In recent years, nonprofit organizations have been capitalizing on the technological and social media boom by increasing marketing efforts in these mediums. Social marketing may not be appropriate for all social missions and may not be appropriate for all nonprofits, as it can be expensive and require the capacity to develop social marketing tools. However, social marketing has been a successful communication tool for nonprofits targeting change in the behavior of people (Williamson, 2009). Utilizing tools such as organizational websites, social media sites, and live feeds of information (e.g., tweets) has the potential to keep an organization connected to a community, as well as communicating information about its mission and operations to funders. However, an outdated website is a poor signal to potential funders who may review the website to gain information on the organization: "A potential donor who sees all this stale material is likely to think that the organization is stagnating as well" (Bray, 2010, p. 413). To build information access across the community, agencies should enhance capacity to utilize information technology by providing training, staff, and technology sharing in programs as well as in administration (Schneider, 2003). Despite these potential gains through social media marketing, research suggests that technology is no substitute for face-to-face communication through meetings and conversations, and organizations must partner information technology use with these old-fashioned communication techniques and building a community reputation through good service (Schneider, 2003).

External Expectations of Partnerships

Historically, collaborations in the nonprofit sector took root in the 1980s, when social service agencies and health care providers, facing increased competition from for-profit entities, formed alliances to address community needs while ensuring their own organizational viability (Renz et al., 2010). In recent years, the economic recession has dramatically affected the nonprofit sector, resulting in an increased number of nonprofit organizations competing for decreasing funding sources; over 1.6 million tax-exempt organizations registered with the Internal Revenue Service in 2010 (Blackwood, Roeger, and Pettijohn, 2012). Due to the dramatic reduction in available resources for nonprofits organizations and the increased demand for services by community residents struggling with tough economic times, there has been even greater attention on the need for collaborative solutions among nonprofit agencies (Renz et al., 2010). Extant sources suggest that motivation for establishing formal collaborations typically comes from outside the organization. Mandates from higher authorities (e.g., government agencies, legislation, industry, or professional regulatory bodies) may provide the impetus for collaborative relationships that otherwise might not have occurred voluntarily (Oliver, 1990). In such cases, applicants for government or foundational funds must demonstrate their commitment to sharing organizational resources or formal coordination of services with other service providers and are often required to file joint grant applications (Provan, 1984; Snavely and Tracy, 2000). However, the potential cost of reduced operating autonomy and compromised social missions poses a challenge for nonprofits trying to balance the needs and operations of the collaboration with their own social mission and financial needs (Guo and Acar, 2005).

Establish High-Impact Collaborations to Offset Competition

Motivation for establishing collaborations among nonprofit organizations varies widely. Focusing efforts on establishing high-impact collaborations (i.e., those collaborations that allow an organization to best achieve its mission) may help offset potential for competition among collaborating partners. Research on collaborative relationships in the nonprofit sector suggests that an organization is more likely to increase the degree of formality of its collaborative activities when it is older, has a larger budget size, receives government funding but relies on fewer government funding streams, has more board linkages with other nonprofits, and is not operating in the education and research or social services industry (Guo and Acar, 2005). However, due to the dearth of literature in this area, it is unclear why these types of organizations would be more likely to establish formal collaborations. Although program mandates associated with government grants do not necessarily require formalized collaborations, they may encourage more formal types of collaborative activities on the part of grant recipients. No matter the impetus for establishing the partnership, research on nonprofit collaborations suggests the importance of sharing the spotlight within collaborations. In one study, agency executives reported expectations of public recognition for their efforts, and in an instance when this did not happen, problems of trust developed. Because participation in the partnership involved moderate to high investment of time by agency executives and a commitment to use their agency's resources, executives and their boards wanted equal public recognition as a reward for these investments (Mulroy, 2003).

Use Partnerships to Build Capacity to Achieve Financial Sustainability

Due to changes in the funding climate and the financial challenges faced by many nonprofit organizations during these turbulent economic times, nonprofit organizations have begun to consider formalized collaborations as a way to respond to the changing resource environment and minimize competition for funding sources (Connolly and York, 2002; Renz et al., 2010). This is occurring as nonprofit leaders are seeking each other out to explore potential partnerships, and also through funders themselves that are trying to maximize impact with limited resources (Renz et al., 2010). Strategic alliances or collaborations provide capacity building to organizations that may not otherwise achieve independently. Within this context, partners can align themselves in any number of ways and with varying degrees of integration (Renz et al., 2010). Collaborations help acquire critical resources and reduce financial uncertainty, which offsets costs associated with reduced autonomy of operations and may improve nonprofits' abilities to serve their communities.

Demonstrating Value and Accountability to Funders

Foundations and other donors increasingly want access to up-to-date information about an organization's operations and finances and how the organization is collecting the information: "Put bluntly, they're tired of seeing the ad hoc, often questionable data that many nonprofits throw together at reporting time" (Bray, 2010, p. 52). Accountability for nonprofit organizations is both a legal and ethical obligation for organizations that use resources received to further their charitable mission (Gordon et al., 2010). In the past decade, the push for accountability in the public sector has crossed over into the nonprofit sector, with efforts evident in many prominent organizations such, as Big Brothers Big Sisters of America, Girl Scouts of America, the Child Welfare League of America, and United Way of America (Zimmerman and Stevens, 2006). For instance, The United Way Association of South Carolina now requires all organizations that it provides funding to to complete comprehensive training and reports in order to continue receiving dollars.

Accountability may encompass a full report of activities as well as justification for the way resources are managed (Gordon et al., 2010). Research has established a clear connection between the clarity of an organization's mission and strategies and how well a performance measurement program works (Zimmerman and Stevens, 2006). Establishing a system to track information about operations and communicating this information using simple and accurate reports will improve an organization's ability to determine the profitability of programs, to evaluate outcomes and impact of programs and services, and to streamline budgeting efforts (Bray, 2010). Within the past decade, funders have begun to require more detailed documentation of outcomes from agencies seeking their support (Zimmerman and Stevens, 2006). Building the capacity to track operations in this way and communicating it directly to funders is imperative if nonprofit organizations expect to establish financial support. However, accountability efforts place heavy demands on some nonprofits that need the funding but lack the staff time to develop and maintain comprehensive outcome measurement programs (Zimmerman and Stevens, 2006). Below, we highlight high-impact accountability practices that speak most clearly to organizational development or program improvement and may help nonprofits strategically focus efforts on demonstrating value.

Use Program Evaluation to Demonstrate Value

Bell and colleagues (2010) provide a framework for evaluating sustainability in nonprofits using a "dual bottom line" that determines sustainability based on the financial profitability and mission impact of the programs and services currently offered. Profitability is based on the direct costs of the program, a percentage of common or shared costs, and a percentage of administrative costs (Bell, Masoka, and Zimmerman, 2010). In contrast to profitability, the "calculation" of mission impact is less clear-cut, and determining which programs have high mission impact may prove difficult for many nonprofits that do not have capacity in place to support structured program evaluation (discussed in a subsequent section). In most cases, the programs implemented by nonprofit organizations align with the mission in some form and often align with funding priorities of foundations and government agencies. However, the maintenance of many programs or activities that only loosely align with each other places excess financial and organizational burden on nonprofits and may threaten their long-term sustainability. In turn, the question of which programs and services demonstrate the greatest impact is the key in evaluating sustainability.

In an effort to remove some of the subjectivity in evaluating the impact of programs and services, Bell and colleagues (2010) provide seven criteria for evaluating relative impact that have been tested in nonprofits: (1) alignment with core mission, (2) excellence in execution, (3) scale or volume, (4) depth, (5) filling an important gap, (6) community building, and (7) leverage. The authors recommend using up to four of these criteria to evaluate the specific programs and services offered by the nonprofit organization. Organizations then rate each program or service according to the seven criteria using a 1–4 rating, where 1 = not much impact; 2 = some impact; 3 = very strong impact; and 4 = exceptional impact. These criteria are designed to be a "structured reflection" and may be done as a group exercise. There is also an opportunity to assign weightings to the criteria selected if some criteria are more important to the organization (Bell, Masaoka, and Zimmerman, 2010).

Once the profitability and impact of each program or service have been calculated, plotting each program as a circle on a matrix map, with the mission impact and profitability along different axes, will help nonprofits visualize the role that each of their programs plays in the dual-bottom line and aid in determining which programs to may be hindering long-term sustainability (Bell, Masoka, and Zimmerman, 2010). In addition to mapping the programs, sizing the circles based on the expenses associated with them may provide insight into the resources coming from and going to these programs and activities.

Prior to closing a program or activity, it is important that management closely examine whether the allocated revenue covers the direct expenses; and if it does, next examine the program's impact on the direct costs as well as the potential impact, if any, the program has on common or administrative costs (Bell, Masoka, and Zimmerman, 2010). Programs that have high impact but low profitability have been characterized as "soul of the agency" programs (Bell, Masoka, and Zimmerman, 2010). These are programs that have a large mission impact but that are losing money. "The strategic imperative is to keep [the "soul of the agency" program] but to control its costs" (Bell, Masoka, and Zimmerman, 2010, p. 87). Controlling costs may take the form of reducing the number of services offered or setting limits on the degree to which the organization can subsidize the program (Bell, Masoka, and Zimmerman, 2010). Additionally, decisions about the scale of these programs will depend on the number of programs or services that fall into this category (Bell, Masoka, and Zimmerman, 2010). A program or service with low mission impact but high profitability should be kept and maintained, with an eye toward increasing its impact. The resources generated from these activities and services help to subsidize the programs and services with high mission impact and low profitability. High-impact, high-profitability programs are key to an organization's growth. Bell and colleagues (2010) caution against the tendency to focus efforts on strengthening weaker programs while taking for granted high-performing programs. Instead, investing additional time, attention, or money in programs that are both profitability and demonstrate high mission impact allows nonprofits to gain a better understanding of their constituents' needs and may identify factors of success that may inform less-profitable or lower-impact programs.

Use Annual Reports to Demonstrate Accountability and Communicate Results

Program evaluation or outcome assessment data is one tool that can speak to important questions of whether progress is being made on key agency objectives. In outcome assessment, the goal is often to determine whether a program or service has made a difference or whether observed results are linked to specific program objectives, with the long-term goal of organizational development or program improvement, rather than simply measuring outcomes (Bozzo, 2000). Annual reports are one important communication device through which nonprofit entities can satisfy their duty to be accountable to donors and the public at large (Gordon et al., 2010).

Evidence from academic studies suggests that donors respond to accounting information in making their giving decisions (Parsons, 2007; Buchheit and Parsons, 2006). However, nonfinancial performance information is often the most interesting part of the annual report for the lay public, and very relevant to any decision to support a nonprofit organization through donations or volunteering. In 2010, Gordon and colleagues outlined five best practice recommendations for annual reports in the nonprofit sector:

- **Completeness:** Include the complete audited or reviewed financial statements in the annual report.
- **Accessibility:** Make annual reports readily available to investors and other parties of interest. Ostensibly, annual reports, no matter how complete, will not be used if not easily obtained.
- **Transparency in Financial Reporting:** Provide reports of voluntary and required financial information that allow the user to "see through" the numbers and understand the underlying activities and events portrayed.
- **Full Disclosure:** Present enough information in annual reports to ensure that a reasonably informed and prudent financial statement user will not be misled.
- **Relevance:** Provide information outlining the achievements related to organizational mission. This is the most relevant information a nonprofit can provide to its stakeholders. Although establishing financial sustainability is necessary, demonstrating funds in excess of operating costs may indicate that more services could have been provided. For donors and funders, what an organization does (its mission) is the most important motivating factor when it comes to giving.

Promoting Community Engagement and Leadership

Nonprofits often reside within the communities that they serve, creating a unique challenge of promoting ownership and collaboration among community members while maintaining programmatic and mission integrity. However, promoting engagement of community members in nonprofit operations has the potential to help nonprofits better address the needs of the community, and in turn promote financial sustainability, by capitalizing on community members' expertise on unique cultural and organizational challenges that nonprofits may face. While there may be multiple approaches to promoting engagement with nonprofits while keeping an eye toward the financial needs of the organization, community board leadership and volunteer participation are two strategies often used in the nonprofit sector. Community member board involvement provides a resource of varied experiences and expertise and, importantly, brings a sense of ownership to the community that the organization services. Similarly, community volunteers promote community engagement and ownership while helping to address financial sustainability issues. Despite the advantages, nonprofits must consider how the organizational mission aligns the vision of the board and the motivation or interests of volunteers in order to offset potential communication and retention challenges. Below, we highlight promising practices to address challenges associated with promoting community engagement and leadership.

Establish and Engage Community Board Leadership

In an effort to address operational challenges related to mission development, fundraising, and establishing value to a community, nonprofit organizations often establish a board of directors or advisory boards to provide guidance to organizations on their operations and programming. Board members provide important insights and counsel on the operations as they relate to significant issues related to the community, with members ranging from community members, political leaders, and other key representatives of the community to individuals from collaborating organizations or others who have a stake in the operations or success of the organization. Agencies that encourage board involvement in planning appear to be less vulnerable to quick downturns and are more likely to deliver services over a greater period of time (Hodge and Piccolo, 2005). The challenge in successfully establishing an effective board is encouraging consistent participation and commitment: "Engaging an organization's board of directors in a way that encourages member participation in strategic planning, committee involvement, and resource development will likely reduce the organization's vulnerability" (Hodge and Piccolo, 2005). In addition to performing monitoring and control functions, the board brings added value to a nonprofit organization by bringing access to resources, such as connections to additional funders (Brown, 2005). Research has found that the frequency of board meetings is not associated with any measure of board performance; rather, perceived organizational performance as well as increased board member occupational diversity is positively associated with greater social performance, fundraising, and overall board performance (Brown, 2005). These findings suggest that the quality of board interactions and the commitment from board members are more important than frequency of involvement for overall performance.

Establish and Maintain a System of Community Volunteers

For nonprofits, volunteer participation is a key strategy to addressing issues of financial sustainability and promoting community involvement in nonprofit organizations. Volunteers can complement existing staff, offer expertise that nonprofits may not have readily accessible, and enhance productivity and program delivery. In 2009, nearly half the nonprofits in the United States reported relying on volunteer recruitment as way to enhance current operations and address financial sustainability during a period of economic downturn (Bray, 2010).

Between 2008 and 2010, the average national volunteer rate in the United States was 26.5 percent per year (Volunteering in America, 2011). In 2010, volunteers served 8.1 billion hours, providing an estimated $173 billion value to their organizations (Corporation for National Security and Service, 2011). Between 2008 and 2010, volunteers worked in a range of areas critical to many nonprofits, with 17 percent of volunteers devoting time to working with youth through mentoring and 18.5 percent through tutoring or teaching, 26.5 percent participating in fundraising activities, 23.5 percent contributing hours toward collecting, preparing, distributing or serving food, and 20.3 percent contributing general labor or providing transportation (Corporation for National Security and Service, 2011). Most people that volunteer for an organization are drawn to the organization's cause, either emotionally or intellectually, and are looking to meet new people, develop skills, and feel needed (Bray, 2010). However, most nonprofits do not manage their volunteers effectively and fail to keep them engaged long term (Eisner, Maynard, and Washburn, 2009). Understanding and respecting individuals' motives, providing task specific training, and making volunteering as convenient as possible may promote retention among volunteers (Bray, 2010). Eisner and colleagues (2009, p. 34) suggest creating a strategic volunteer plan that utilizes volunteers in a variety of roles (e.g., fundraising and development, organizational development and training, marketing and communications, technology and information systems) and recommend that nonprofits incorporate the following best practices into their plan:

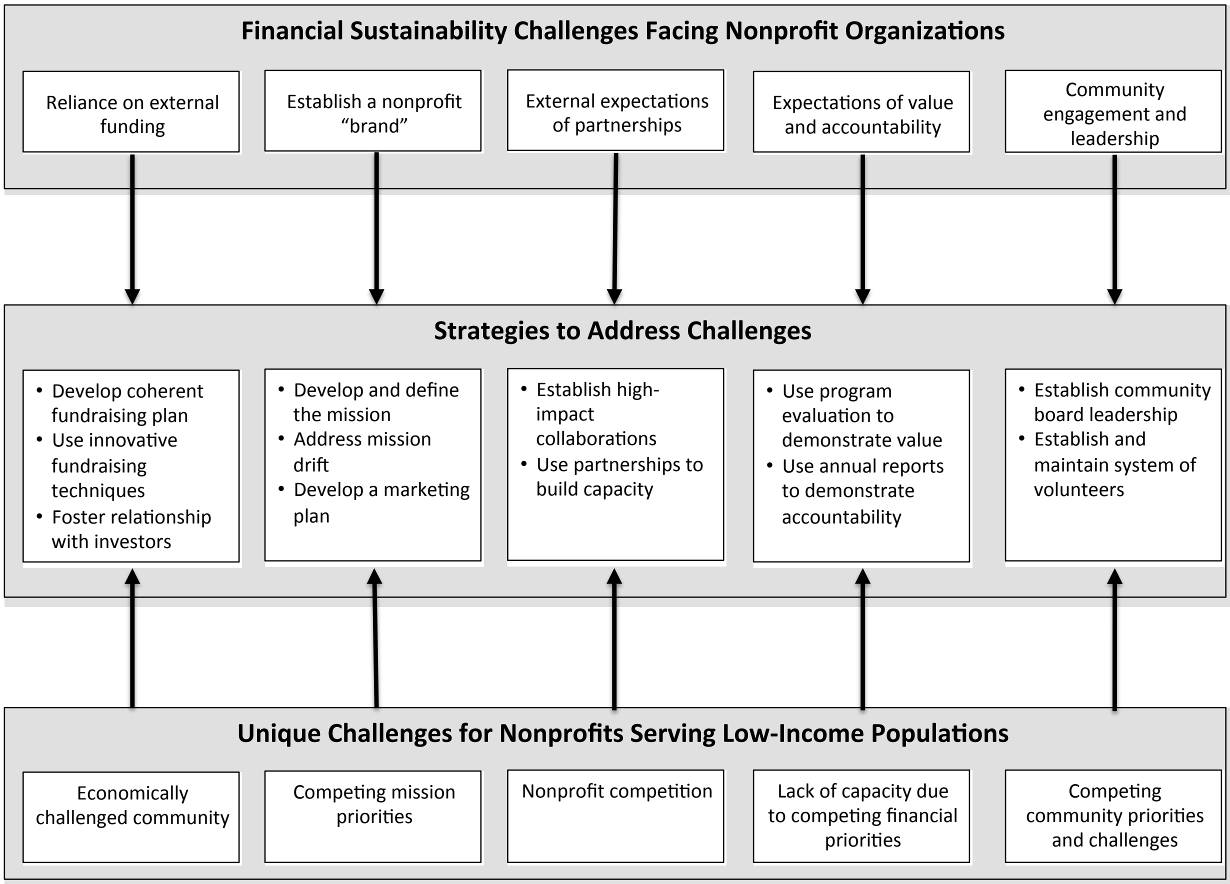
- "Matching volunteers' skills with appropriate assignments
- Recognizing the contributions of volunteers
- Measuring the impact of volunteers annually
- Providing volunteers with training and professional development
- Training paid staff to work with volunteers."

Developing a strategic volunteer plan that addresses these best practices and complements the organizational mission will allow nonprofits to capitalize on the large pool of highly skilled and motivated volunteers while addressing issues related to financial sustainability.

Chapter Three: Implications for Financial Sustainability in Nonprofits Serving Low-Income Populations

As highlighted in the previous chapter, financial sustainability is a challenge that most nonprofit organizations must address: maintaining financial security in an evolving funding landscape, contending with “competing” nonprofit organizations while establishing collaborative partnerships, demonstrating value and accountability to funders and investors, and maximizing the contribution of leadership within the community. However, these challenges become exacerbated, if not overshadowed, by other factors for nonprofits serving those communities most in need. Nonprofit organizations serving high-need or low-income, and sometimes minority, populations are faced with balancing multiple community challenges on multiple fronts that reach far beyond the mission of the organization (e.g., economic challenges, poor education, poor health, crime or safety issues, housing concerns, lack of business or community development). Understanding the interaction between the economic and cultural contexts of low-income communities and the sustainability challenges faced by nonprofit organizations is necessary to maximize strategies to address financial sustainability challenges and ultimately improving nonprofit services for high-need communities. In Figure 3.1, we illustrate how challenges unique to nonprofits serving low-income populations may influence the use of strategies to promote financial sustainability. In the sections below, we provide a synthesis of the literature on financial sustainability identified in Chapter Two, with a lens for the unique challenges faced by many nonprofits serving low-income and high-need populations, and we highlight promising practices to improve the long-term sustainability of these nonprofits.

Figure 3.1. A Conceptual Model of Financial Sustainability Challenges and Promising Practices for Nonprofits Serving Low-Income Populations



Raising Funds in an Economically Challenged Community

One of the primary challenges faced by nonprofit organizations serving low-income communities or populations is the struggle to raise funds for operations, as few community members have the means to help support the operations of the organization through donations. In a sense, nonprofit organizations in these communities are dealing with a catch-22 scenario, in which the communities of highest need often face additional challenges to establishing financial sustainability.

Findings from a community-based study of nonprofit human service agencies in a very low-income urban neighborhood found that the nonprofits were faced with constant funding uncertainty due to short timelines for programs, reporting and evaluation requirements beyond capacity, and expectations to demonstrate outcomes (Mulroy, 2003). This funding uncertainty resulted in (1) an inability to plan programs beyond one year, (2) an unevenness in delivering services that required worker continuity and time-sensitive interventions, (3) a product for the local community that deviated from what agencies had anticipated in the original grant proposal, and (4) a need for constant grant writing to sustain the implementation of frontline programs (Mulroy, 2003).

Fundraising in less-resourced communities can be especially hard when many members of the community have very limited resources to spare. Despite these significant challenges, there are some opportunities for engaging the community to assist with fundraising efforts.

Foster a culture of giving. Nonprofits can work with the community to foster a culture of giving. The premise of this is to educate community members about the interdependence between the organization and community members and the need for mutual support. This is especially important for nonprofit organizations that are primarily perceived to be service providers. Nonprofits in these situations must put additional emphasis on teaching community members that the organization requires support from the community and that organizational strength builds capacity and strength for the community. As part of this educational effort, it is important to communicate that the organization's reliance on community support does not compromise its ability to meet the needs of the community. A key piece of this education strategy is a focus on encouraging members to give, even if it is a small amount, and to involve community member participation in the fundraising effort. By encouraging donations from all community members, no matter how small, a nonprofit can broaden the funding base among community members and establish a culture of giving (Bray, 2010).

Address the "willingness to give" gap. It is important to help community members in less-resourced communities understand how the giving of their scarce financial resources will eventually help them or the things they care about. Helping community members make this connection can promote willingness to contribute to the cause. This will require clear messaging and communication from the nonprofit organization to the community. This marketing effort must be linked to earlier planning efforts, where nonprofits can integrate fundraising and programming goals to effectively communicate that connection with community members in a way that they can understand (Besel, Williams, and Klak, 2011; Bray, 2010).

Defining a Social Mission with Competing Financial and Cultural Priorities

Organizations in low-income communities have to strike the right balance between (1) meeting the expectations of mainstream funders and or governing bodies and (2) staying connected to the local community and being perceived as genuine. Research has found that organizations based in minority communities need to meet the expectations of mainstream funders while avoiding having the people they served view them as sellouts (Schneider, 2003). Organizations serving minority communities are caught between potentially discrepant expectations based on different cultural norms:

> On the one hand, stakeholders that allocate funding and other resources want organizations to meet their expectations in order to maintain social capital trust. On the other hand, participants in low-income programs trust organizations only

> if they maintain the communication patterns used throughout the community. Each of these stakeholder groups also prefers different program outcomes and strategies. The management challenges these organizations face stem from trying to please two networks with different goals. (Schneider, 2003, p. 394)

Cultural differences between the leadership and staff of the nonprofits and the communities they serve may pose additional challenges for sustainability. Being perceived as an outsider in low-income neighborhoods can strain community buy-in and trust (Mulroy, 2003). Having a physical presence in the community as well as a consistent track record of service accountability to area residents establishes trust in a community wary of outsiders' motives for engaging with the community. However, the pressure to adhere to funders' priorities and ways of operating business (without the input of the community) may threaten this relationship (Mulory, 2003). Furthermore, when nonprofit organizations are established in low-income areas, tensions can rise between "outsider experts" and the nonprofit staff and community members. This can cause a strain on the partnering relationship (Mulroy, 2003).

Develop a marketing strategy that clearly defines the social mission. When marketing services to high need populations, it is important to clearly and consistently communicate that the mission and services provided by the organization specifically cater to the unique needs of the population. By doing so, nonprofits in low-resourced areas can better establish their niche and increase their competitiveness within the larger market. Communicating this niche also serves a purpose in gaining the support of funders by communicating that an unmet need is being addressed through its services (Kirk and Nolan, 2010; Renz et al., 2010).

Utilize technology to reach new audiences. The effective use of technology for marketing of nonprofits serving low-resourced areas is important in remaining relevant in the community and among funders; however, depending on the strategy employed, IT approaches can be resource-intensive. There are lower-cost social media outlets, such as Twitter and Facebook, that could be utilized by these nonprofit organizations. These outlets can be useful in communicating up-to-date information without needing to expend significant financial or technical resources (Bray, 2010). One challenge with these lower-cost social media outlets is the need to increase the audience that these outlets reach. Therefore, it is important to advertise the availability of these social media outlets and to take active means to increase the number of followers or "likes." The use of organization websites is another marketing strategy. One challenge faced by many nonprofits serving higher-need communities is the inability to maintain or update their websites. A potential solution to this issue is to only include general, descriptive information that does not need to be updated frequently (Bray, 2010). Finally, it is important to keep in mind that the use of IT for marketing purposes does not substitute traditional outreach methods (in-person meetings, etc.) in maintaining effective communication pathways in low-resourced areas (Bray, 2010; Williamson, 2009; Schneider, 2003)

Expectations of Partnerships in the Face of Nonprofit Competition

Low-income communities are often faced with a myriad of complex challenges, such as high crime rates, poor school attendance, a lack of organized activities for youth, and limited access to fresh food. Although not typically viewed as a challenge by those outside the nonprofit world, nonprofits serving low-income communities are often faced with maintaining financial sustainability in an environment flooded with other nonprofits seeking to serve the same community. "Competition is often an idea that is troubling in the nonprofit sector. . . . Nevertheless, competition is a reality" (Renz et al., 2010, p. 309). In turn, nonprofits often find themselves competing for limited funds, as well as limited constituents to support their operations.

Balance financial and mission needs. For nonprofits serving low-resourced areas, a collaborative partnership could be beneficial in addressing financial constraints to operations. However, it is important not to compromise important relationships with community members in an effort to achieve financial stability and achieve mission. When considering and establishing a collaborative partnership in less-resourced community, it is important to take into account the implications that the partnership will have on financial stability, the ability to achieve mission, and relationships between the nonprofit and the community members it serves. By keeping these important points in mind, these partnerships can also serve in maintaining legitimacy among funders and governing bodies that value collaborative partnerships as well as the perception of authenticity among members of the community (Renz, 2010; Mulory, 2003; Carman, 2001).

Establish collaborative partnerships with other nonprofits. Establishing collaborative partnerships offers a means to efficiently and effectively meet the needs of the community while managing financial constraints of the organization. However, when creating collaborations in low-resource areas, it is important to be intentional and strategic when addressing and resolving conflicts that come with a scarce funding environment and high competition in a small "turf." Establishing practices that clearly outline overlap of missions, funding needs, and collaboration objectives may help agencies cope with collaboration conflict (Mulroy, 2003).

Limited Capacity to Demonstrate Value and Accountability

Many nonprofit organizations in low-resourced areas have limited capacity to do formal evaluations within such a complex environment. In many cases, small nonprofits cannot afford adequate technology to track services, maintain financial data, and maximize other information technology services. Because information systems are secondary to mission, small nonprofits do not give them the priority needed to effectively develop tools that can aid agency activities (Schneider, 2003) and often choose limited computerized systems to fit budgets and agency knowledge, and they need training to use systems effectively (Stoecker and Stuber, 1997; Fasano and Shapiro, 1991; Berlinger and Te'eni, 1999). Although this digital divide, which by definition limits the ability of many nonprofit organizations to conduct formal evaluations, causes concern for people focusing on organization management, it becomes even more critical in low-income minority communities because it is further exacerbated by longstanding inequities of education, income, and opportunity that community members already face (Schneider, 2003).

In these situations, nonprofit organizations should select and optimize resources and approaches that work around capacity challenges. For instance, collaborating with university-based researchers to develop evaluation efforts can help in measuring outcomes (Mulroy, 2003). In one case study of a nonprofit organization serving a low-income community, the project manager developed relationships with university-based researchers who helped design and implement a baseline study, designed new neighborhood-level instruments, and planned a four-wave quantitative study with the goal of publishing preliminary results (Mulroy, 2003).

Build capacity to conduct evaluations through collaborations. For nonprofits that mainly focus on providing goods and services, allocating limited resources toward evaluation efforts can cause a significant strain on general operations and the ability to provide services. Despite this limitation, understanding and communicating outcomes is vital in strategic planning and reporting to funders and governing bodies. Nonprofits in low-resourced areas could consider developing collaborative partnerships that leverage the systems and expertise of entities that have the skill sets, knowledge, and resources to conduct quality evaluation efforts (Zimmerman and Stevens, 2006; Mulroy, 2003).

Promoting Engagement in a Community with Competing Priorities

Strategically engaging volunteers in operations could be a key factor in promoting sustainability of nonprofits and fostering support from the community. However, in less-resourced communities, engaging community members in a way that substantially contributes to the organization's mission can be difficult when many of these community members may rely on the services of the organization and may face financial, time, and other constraints that would hinder them from being engaged.

Promote engagement through community outreach. Actively engaging residents who live in poor and distressed neighborhoods and are the recipients of the services and programs of the nonprofit organization allows residents to have a say in how programs are created and implemented, and may alleviate potential strain between the nonprofit and the community (Carman, 2001). Additionally, nonprofits can strike a balance between funding expectations, programmatic opportunities, and cultural expectations through community leadership involvement. This strategic approach may be particularly salient to nonprofits serving communities with economic challenges and unique cultural contexts. Specifically, establishment of community advisory councils may provide important insights and counsel on the operations of the branch as it relates to community needs, as well as help nonprofit leadership to better understand how to engage the general community. One of the challenges in a low-income community where other needs and issues take priority may be successfully establishing consistent participation and commitment. Developing and communicating a strategic plan to outline the role of community advisors and how best to incorporate their guidance may build trust and a sense ownership of ownership among board members and, in turn, the community at-large.

Promote engagement through volunteerism. Nonprofits have an opportunity to communicate the mutually beneficial relationship between the organization and the volunteer. When volunteers can see that they are getting something out of the experience as well as contributing to a cause they care about, it can help them justify spending their time without pay. This is especially important when volunteers are faced with competing life demands that limit their availability to volunteer (Bray 2010). Nonprofits can maximize the use of volunteers by understanding the specific assets of volunteers and building volunteer tasks around those assets. This strategy can be especially effective in engaging volunteers and establishing trust within minority communities. For example, an organization that is serving a less-resourced immigrant population could consider engaging volunteers in developing communication and outreach strategies that can resonate with that population (Eisner, Grimm, and Maynard, 2009). There is also an opportunity to focus volunteer engagement efforts on creating an environment in which volunteers can easily identify and feel included. This is especially important for minority communities. Fostering an environment for volunteers to serve for a cause that they care about and within an organization where their culture and values are appreciated can promote a sense of loyalty and commitment among volunteers (Bray, 2010). Finally, it is especially important to attempt to understand and meet the specific needs of volunteers as they relate to their ability to volunteer (e.g., meals, bus pass). In less-resourced communities, making an effort to meet the tangible needs of volunteers is especially important (Bray 2012).

Chapter Four: Conclusions

Sustainability for nonprofit organizations has long been of interest to organization leaders, funders, and the communities in which nonprofits reside. However, in the face of the recent economic downturn and increased expectations of mission impact and accountability, nonprofit organizations face a myriad of challenges in establishing and defining sustainability in the long term. These challenges are particularly salient for nonprofits serving vulnerable, high-need, and low-income populations because of the need to juggle a higher reliance on external funding streams (e.g., grants and contracts) with a range of economic, cultural, and social demands that go beyond the social mission of the organization. Understanding how the community context affects organizational operations, community engagement, and financial support is key to establishing financial sustainability for nonprofits serving low-income communities. Our synthesis of the existing literature on financial sustainability uncovered a host of implications and associated recommendations for nonprofits serving low-income and high-need populations. Establishing financial sustainability should be viewed by nonprofits as a dynamic and continual process. Creating a clear strategic plan that defines the social mission and builds programs, community support, and collaborative partnerships that closely align with the mission may help nonprofits overcome the challenge of establishing sustainability in the short and long term.

Our hope is that this review will enhance the limited literature on financial sustainability in low-income or high-need communities and will contribute to an evidence base for promising practices, providing leaders and investors of nonprofits the ability to support and promote growth among organizations serving those most in need. Most research studies on nonprofit organizations focus on outcomes of programs (i.e., whether they work) rather than on organizational processes and factors influencing organizational impact, and such studies rarely adhere to the "gold standard" of research (i.e., large-scale, representative studies that synthesize findings across many organizations). Future research evaluating factors that support financial sustainability and operational growth in nonprofits serving low-income and high-need populations will build an evidence base for promising practices and provide leaders and investors of nonprofits the ability to support and promote growth among organizations serving those most in need.

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Appendix: Financial Sustainability Challenges and Promising Practices References Categorized by Literature Review Themes

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