

Better Funder/Nonprofit Communication

	Funder	Nonprofit
Overall Considerations	<ul style="list-style-type: none"> • Create a safe space • Don't make assumptions • Remember that both debt and deficits can be a result of strategy • Don't be afraid to let organizations know the challenges with funding • Know that both parties desire to benefit/positively impact the community – we are all on the same team 	<ul style="list-style-type: none"> • Avoid defensiveness • Don't make assumptions • Have a definitive strategy • Own your financial story and tell it with confidence • Don't be afraid to ask for something different or reject something that doesn't work • Know that both parties desire to benefit/positively impact the community – we are all on the same team

Scenario 1	<i>Why did you run a deficit in the last two years?</i>	
Desired Impact/Potential Impact	<ul style="list-style-type: none"> • Expressing concern • Need for understanding of organization's challenges/opportunities • Attempt to elevate undisclosed issues 	<ul style="list-style-type: none"> • Defensiveness • Concern that this inquiry may prohibit funding • Anxiety about challenges faced
New Approach	<ul style="list-style-type: none"> • Create a safe space • Rephrase question to demonstrate concern for organization not their potential incompetence 	<ul style="list-style-type: none"> • Clearly articulate challenges/plans to address • Ask how funder views deficits
New Response	<i>Sample: I have a number of grantees who had deficits in recent years – some because of a tough fundraising environment, some because of a strategic choice. I'd like to hear more about your last two years of deficits. What was their cause? How have they impacted your organization?</i>	<i>Sample: We lost two key funders when they changed their strategies. We cut expenses in the following ways... and we are seeking new funding in the following ways... Thankfully, we have been able to draw down our reserves as we develop new funder relationships.</i>



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Scenario 2	<i>We reviewed your proposal and would like to offer you funding; please cut your budget from \$100,000 to \$50,000.</i>	
Desired Impact/Potential Impact	<ul style="list-style-type: none"> • Support for organizations having community impact • Spreading funding to more organizations • Avoiding being sole funder 	<ul style="list-style-type: none"> • Frustration • Fear of rejecting funding/compromising funding relationship • Compromise resulting in failure and/or unfunded expenses
New Approach	<ul style="list-style-type: none"> • Explain that the desire is to spread funding to more organizations • Allow organizations to adjust their deliverables to meet funding available 	<ul style="list-style-type: none"> • Adjust committed outputs to reflect offer • Reject funding
New Response	<i>Sample: We won't be able to fund your full ask because of our internal budget constraints. We can probably fund \$50,000, and of course we would only expect \$50,000 of work. Can you put together a revised budget and deliverables based on a \$50,000 award?</i>	<i>Sample: Yes, let me talk with my team about how we might adjust. There are some upfront costs that remain the same whether we deliver 10 [units of service] or 100 [units of service], so you will likely see deliverables reduced by more than 50% in the revised proposal.</i>

Scenario 3	<i>You have surpluses and over \$100K in unrestricted cash. Why do you need additional funding?</i>	
Desired Impact/Potential Impact	<ul style="list-style-type: none"> • Clarity about current financial practices • Understand value-add of our grant 	<ul style="list-style-type: none"> • Fear that organization's strength will prohibit additional funding
New Approach	<ul style="list-style-type: none"> • Acknowledgement of the benefit of surpluses/unrestricted cash/reserves/working capital • Attempt to identify a purpose or need for the unrestricted cash 	<ul style="list-style-type: none"> • Definitive explanation for purpose of unrestricted cash – working capital/reserves • Strategy for using surplus/unrestricted cash (working capital/reserves)
New Response	<i>Sample: I was really impressed that you have been able to generate surpluses, and I noticed you have built up your unrestricted cash. I'd love to hear more about how you are thinking about this cash and how it supports your mission.</i>	<i>Sample: Thanks! It has taken lots of work by staff and board to build up that safety net. \$60,000 is used to manage our receivables. We have many reimbursement-based contracts that require we do the work upfront before being paid. \$40,000 is a board designated reserve for facility repairs and upgrades. Our goals to save another \$200,000 over the next 5 years to replace our roof and HVAC system.</i>



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Scenario 4	<i>Why should we change the way we structured this grant for your organization? Other organizations have been able to comply with the terms offered.</i>	
Desired Impact/Potential Impact	<ul style="list-style-type: none"> • Need to answer to foundation trustees regarding success of grants • Concern for integrity/failure of program • Assessment of desired outputs/outcomes 	<ul style="list-style-type: none"> • Defensiveness • Fear of losing funding, inability to properly service community, inability to meet terms, and/or damaging funding relationship
New Approach	<ul style="list-style-type: none"> • Remember organizations are doing direct delivery and may offer substantial insight into helpful restructuring • Be open to new ideas • Emphasize the need to meet funder's own philanthropic mission and answer to trustees 	<ul style="list-style-type: none"> • Offer strong evidence of desired outcomes • Be prepared to walk away/seek other funding
New Response	<i>Sample: I definitely want to hear about your needs and how we can better structure the grant to meet them. I'd like to do what I can. I also want to be clear that I can't make that decision unilaterally, and would need to get buy-in from our CEO, the board of trustees, and...</i>	<i>Sample: We sincerely appreciate your willingness to hear our proposal and recognize that what we are asking may not fall in line with this particular grant; however, we believe that we can provide greater outcomes with the following adjustments: X, Y, and Z. and why...</i>