

Equipping the Organization

# Raising Capital

By the end of this lesson you will be able to:

- Understand the financial needs of the organization.
- Consider how those needs can be met.
- If organization is a nonprofit, understand how that limits and potentially expands resources.

**Before you start to hunt for funds, take a look within your organization and see what resources may be there to help you in your search.**

For instance, board members, staff, and affiliated organizations' staff might know people in foundations, might have experience fundraising, etc. These are things you should consider when you're building your board and staff; actively seek out new board members with fundraising experience or connections, and on job interviews, ask what that person's experiences have been with raising money. In a small nonprofit, fundraising requires all hands on deck!

**What types of resources are best to cover what costs?**

There are exceptions to every rule. It can't hurt to ask a grant officer if they'd be interested in helping you buy quota, for example. But in general:

- Bank loans.
- Equity investments — where an investor (either an individual or an institution) gives you money up-front in exchange for a portion of your future returns, like your quota leasing income.
- Program-related investments — loans generally made by foundations, who are willing to accept a smaller interest rate in exchange for the community impacts you'll make that help the foundation further its mission.
- Grants and donations.

Bank loans, equity investments, and program-related investments are best for quota purchases because leasing out quota will give you an income that you can use to pay down those debts.

Grants and donations are good sources for operational funds, which will cover things like staffing and travel time — things that are essential to your organization being able to function, but don't necessarily make the organization money.

**Other things to consider if you're a 501(c)(3) nonprofit:**

- Make sure you get a charitable registration and IRS determination letter before you fundraise so your donors can get a deduction.
- Foundations are a good target because, in general (again, there are exceptions to every rule), foundations prefer giving money to nonprofits as opposed to for-profit companies.
- Do your research and tailor your pitch depending on what funder you're talking to. For instance, you might choose to highlight the environmental impacts of your plans if you're pitching an environmentally-focused foundation. If you're talking to a community economic development foundation, emphasize those impacts and projected outcomes, and so on. (Of course, don't make things up — target foundations that are already focused on appropriate issue areas rather than trying to get funding from a totally unrelated foundation and backfilling your project with impacts you don't actually think will happen.)
- Get pro bono assistance! Law firms, for instance, are often looking for opportunities to work (for free!) for local nonprofits. While that's not a direct financial donation, it will take a potentially-expensive line item out of your budget.

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