

Funding Recommendations for OSM:

1) Before you start seeking any grants or large donations:

It is ESSENTIAL to have **tax-exempt status** in the US if you want to raise money there. You won't get many donations if there is no tax exemption for the donor, since that is a major motivation for giving. You won't be able to approach foundations without this, either. Here's a basic list of what is involved: <http://nonprofit.about.com/od/nonprofitbasics/ht/startingsteps.htm>. Also - if you plan to deal with large donations and a sizable budget, you won't want to pay taxes on it like a regular for-profit business. This could end up being financially crippling to your organization. Be sure to ask a lawyer or accountant about this as soon as you start to receive any donations.

The UK probably has similar benefits to becoming tax-exempt and charity status.

HOWEVER, you might want to find a fiscal sponsor or umbrella organization instead. Becoming tax-exempt is a very laborious process, and should not be undertaken in the US until you're ready to establish a full operation here. If you have a sponsor, a bigger, more established organization agrees to take care of some of the legal and fiscal responsibilities in order to help you get up and running, simply because your missions are related. They may even be established purely to support grant-seeking by others in your field. Here's a very good source to learn more: http://foundationcenter.org/getstarted/faqs/html/fiscal_agent.html. Here is a directory of fiscal agents: <http://www.fiscalsponsordirectory.org/>.

If you don't already have one, set up a **fundraising committee** on your board. Everyone will be participating in this task, but for now you will need a few people to focus on this.

You'll also need a detailed budget and strategic plan for the year, particularly what are the target amounts of money you want to raise for what programs. You will need to develop your project ideas and proposals, and make a budget for each of them before you start seeking the funding.

2) Do NOT hire a grantwriter on commission:

This person would send out grant applications and otherwise seek funding, and receive a percentage of the money raised.

Problem: This is generally considered **bad practice and unethical**. The main problem is that your budget should not include fees for a grantwriter, at least not one paid on contingency (based on how much they raise). A funder won't pay for their own solicitation costs, and if you hide the cost in your budget that is even less ethical. This is because the funder wants to see that you have a strategy, a full business plan, a sustainable and professional approach including multiple income sources, and seeking money this way simply doesn't show a lot of forethought. It's a big gamble for anyone to fund an agency with this approach, because the temporary grantwriter is the only source

of potential income. No funder wants to be the lone source of funding. They want to fund actual programs and not the costs of the grantseeking itself. Also, no quality fundraiser will accept a percentage deal. They don't want to put in all the time and effort just to not get paid in the end if the grant isn't funded (which is mostly out of their control).

In order to raise money, the fundraiser needs to represent the organization itself and be fully invested in the work of the agency. They will be the "face" of OSM to the potential donor, and should therefore not be a temporary hire. The process of fundraising is one of creating partnerships with donors and building relationships. The funder wants to be involved and wants to trust the organization, which usually happens through a personal relationship with members of the organization. That is why the current board is the best starting place to begin fundraising. Hiring a fundraiser or grantwriter at this stage of OSM's development might even send out a red flag to your savvy supporters.

One thing to note is that you won't be able to fund your administrative costs right away through grants (at least, not most of them). You usually have to start by funding programmatic work. This is unfortunate, but overhead costs (including fundraising costs) are the least likely to receive funding while something like a mapping party or purchasing GPS would get funded through a grant or large private donation. **The percentage of total expenses going to program costs is the most common measure of nonprofit organizational efficiency** - meaning if you FIRST fund overhead, you end up with a very inefficient rating. You need to be spending 25% or less on administrative costs in your overall annual budget. At worst, you can end up on lists like these: <http://www.charitynavigator.org/index.cfm?bay=topten.detail&listid=10>

More information on the problems with hiring temporary fundraisers:

<http://www.grantwriters.org/grantwriters/ethics-and-commissions>

<http://www.raise-funds.com/c98forum.html>

3) Who you should hire (when you're ready):

Your first real staff hire should actually be the executive director. During the start up phase, board members take on the duties of the executive director including leadership, day-to-day administrative work and fundraising. Once the organization grows to the point where a paid office staff is required, you will want to hire an executive director. This will remove the burden of daily activity from the board. Once you have raised enough money to guarantee the salary of the ED, and have a solid plan for your continued fundraising, the ED can come on board and help manage the administration of the organization.

You might also consider hiring a fundraising adviser. That person would be a consultant in the more traditional sense of offering advice and guidance as you develop your funding strategy. They would help your board define its goals and navigate the world of fundraising, help refine your communication documents and templates, and otherwise guide your efforts. They would not do the work of asking for funding themselves, but would support your board to successfully do so. However, you will have to raise the funds to pay the consultant first through another means first. If you don't already have a solid team on your board working out the details of your fundraising and programmatic plans for the year, then start with that. The main thing is **not to make the mistake of thinking that an external fundraiser will absolve your board of their primary role in the fundraising process.**

4) Raising funds through personal contacts and soliciting major individual gifts:

The good thing is that you already have relationships with some funders or potential funders. Those relationships should be fostered through personal meetings by all board members with their various contacts. Each board member should have a target list of people and organizations who are in their network, and actively pursue and sell the organization. This is one of the primary responsibilities of the board (as you grow, the board will take on more and more of a fundraising focus). Then, keep track of these meetings so you all know who you've met and when through shared documentation. These should also include not only foundations like OSI, but individual donors and philanthropists interested in your cause, as well as supportive tech companies. You should have a one-page document that you can all share - like your mission statement but for public consumption - a persuasive statement of purpose. Also - remember that you're building a partnership with the funder and the idea is that they care about your mission as well, so there should be plenty of grounds for a meeting with a contact. You have to continue to maintain this type of collaborative relationship. They might hold the purse strings but you have all the info on your work and you know what's best for the organization. You can ask them what they'd like to see from you, but you should also be prepared to propose direction yourself (this mostly applies to reporting and request processes). Look for both private individual donors and corporate funding.

Don't be afraid to simply state that you're raising money for your cause, and have in mind how much you need and for what, exactly. "We're hoping you can support us with a \$5,000 donation to help fund xyz."

5) Grantwriting by your current board/volunteers:

You can also begin grantwriting yourselves or have other knowledgeable volunteers work on this. Start with technology-related foundations, companies that have a charitable foundation, as well as democracy-focused foundations (similar to OSI). Government funding is also a possibility if you tailor proposals to fit either democracy building or technology access. You'll need to frame the organization to fit the different profiles of funders - promoting democracy vs. promoting technology access, etc.

It's important to vary your income sources in any case - don't rely entirely on grants or any one source. Grantwriting is very time-consuming and you might do better to focus energy on the other options at first. However, once you get a "boilerplate" proposal done, which might take several rounds in your fundraising committee, it will become much easier to just modify this document and send it out to many foundations.

You can research grantmakers here:

<http://foundationcenter.org/findfunders/> - some of this is a paid service, but it is very reputable.

<http://www.efc.be/> - try this for European research.

This document is actually a pretty good preparedness checklist for your own grantseeking and general organizational soundness:

<http://www.grantwriters.org/files/Grant%20Readiness%20Checklist.pdf>.

6) Create an advisory board:

It sounds like you already have a board of directors but it's not an advisory board. That would be a group of leaders in the field who sign on to help guide OSM, and to help fundraise. An advisory board is a committee or group without governing responsibility. They support the nonprofit's activities by providing information, resources, prestige, money, etc. If you have a list of people you'd want to include in this board, you can start to form it. Sometimes these people are just big names and won't really be hands-on, but will donate annually; other times they are going to want to get more involved in the progress of the organization.

7) Solicit individual small donations:

This is actually the way most charities are funded, at least in the US. About 80% of charity funding comes from individual donors. Can you start an online campaign through email or your website? It might be slow going at first, but eventually you'll build a base of financial supporters. In fact, you should start with your current volunteer network. A blast email campaign to them will probably bring in some money, and you will begin a culture of volunteer financial support. The OSM mappers are your best salespeople! They can solicit friends and family to donate, and the funds they donate will be unrestricted, meaning they won't be tied to a particular project so they can begin to support your overhead costs. It doesn't matter if they only donate a small amount, it's the quantity and dedication of your base that counts. An added bonus here is that once you want to secure corporate and foundation funding, you can use this to demonstrate your organizational sustainability and reach.

Eventually, you should think of ways to parlay this base into more interesting fundraising campaigns and events.

Other Resources:

- This webinar is probably worth watching (though I can't see it on my Mac)
http://foundationcenter.org/events/archive/ny_startup_series/startup_5.html
- LOTS of information to peruse on all aspects of nonprofits: <http://www.idealists.org/if/i/en/faqcat/100-7>
- Here are sample grant proposals in a well-organized website:
<http://www.npguides.org/>
- Much of the book [Nonprofit Kit for Dummies](#) is online here, see chapter 8 about hiring your first staff.
- A great website on fundraising: <http://www.raise-funds.com/library.html>

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