Nonprofit Education Initiative, College of Southern Idaho

January 22, 2015
1:00-5:00pm

Nell Edgington
President, Social Velocity
Competition is Growing

More Organizations
1.4 million nonprofits in US, up 19% since 1999
More for-profit social change orgs

Less Funding
Private donations level over last 30+ years
Government spending cuts at every level
The number of nonprofits grew 50x faster than businesses over the last 10 years.

Nonprofit revenues grew at double GDP growth rate.

Millennials bake social change into work and life.

Source: The Urban Institute
Baked Into vs. Beside the Economy

Systems vs. Symptoms

Experts vs. Volunteers

Demand vs. Apology

Investment vs. Pennies

“Charity”

“Social Change”
Then, Nonprofits Rated on...

Overhead Expense Ratio
20%+ is unacceptable

...And Now Nonprofits Rated on...

Financial Health
- Financial ratings tables
- Fundraising efficiency
- Working capital ratio
- Revenue & expense growth

Accountability & Transparency
- Independent board
- Audited financials
- Policies/procedures
- Information sharing

Results Reporting
- Align mission and $
- Results logic & measures
- Validators
- Client voice
- Evaluations
Growing Ratings Market

- Philanthropedia
- GiveWell
  - Real Change For Your Dollar
- Markets For Good
- GIIRS
  - Global Impact Investing Rating System
- GREAT Nonprofits
  - Real people. Real reviews about nonprofits.
Give based on values

Want to be engaged

Focus on impact

Pave their own way

Source: www.nextgen.org  Johnson Center for Philanthropy and 21/64
Move to Impact
What is a Theory of Change?
### Target Population(s)

What people or groups are you seeking to benefit or influence?

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### External Context

What relevant trends in or changes to the external environment are occurring?

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### Activities

How and where are your core competencies employed?

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### Short & Long Term Outcomes

What changed conditions do you believe will result from these activities?

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### Assumptions

What evidence do you have that this theory will actually result in change?

---

### The Theory of Change
Target Population: Tier 2 K-2nd grade children in AISD

External Context: High school drop out rate increasing

Activities: Provide daily, targeted literacy intervention

Short & Long-Term Outcomes: Students get to grade level in reading, improve academics

Assumptions: Literacy rate at 3rd grade predicts future academic, life success
ACE brings at-risk students to grade level in reading, resulting in:

- More succeeding students
- Better schools
- A more educated workforce
- A more equitable economy and community
Create a Theory of Change
Create a draft Theory of Change

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<th>Target Population(s)</th>
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Your Turn…

Create a draft Theory of Change
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Relates to Mission

Relates to Vision
Target Population
Tier 2 K-2nd grade children in AISD

External Context
High school drop out rate increasing

Activities
Provide daily, targeted literacy intervention

Short & Long-Term Outcomes
Students get to grade level in reading, improve academics

Assumptions
Literacy rate at 3rd grade predicts future academic, life success
Increased student reading level

Increased student performance on standardized tests
On your own answer:
Why should someone give to your nonprofit?
What do they get in return?

Find a partner and explain it to them

Then, switch
Donor invests in a nonprofit with shared values. The nonprofit is an intermediary that causes community change. Community change occurs.
“With your $100, we can house our clients tonight.”
Investing

With your $100, homeless adults gain…

A place to sleep
Access to tools for a job search

Which leads them to…

Find jobs, housing
Become self-sufficient
No longer be a burden

As a donor, you help create…

Lower social costs
More contributing citizens
Stronger, healthier community
Donation Vs. Investment

- Messaging Focus
- Fundraiser Mentality
- Donor Mentality
- Org Mentality
- ROI

- Fundraising goals
  - Tin cup
  - What’s in it for me?
  - Reactive
  - Recognition, benefits

- Community change
- Opportunity
- Let’s change the world
- Strategic
- Social change
What are you offering?

A. A new building

B. The opportunity to transform lives through state of the art research labs that will find a cure for cancer by 2030

Why should I give?

A. Because our nonprofit needs money

B. Because cancer kills 7.6 million people each year and our nonprofit is leading the fight for a cure
Find the RIGHT Investors

- Community Problem
- Nonprofit’s Core Competencies
- Donor’s Values
The Case for Investment

The Need
Solution
Impact
Financial Model
Strategic Direction
Resources Required
The Need

Relates to the “Target Population” and “External Trends” columns of your Theory of Change

What problem(s) exist?

Why are they significant?

Why should a donor/member care?

Just 8% of kids growing up in low-income communities graduate from college by age 24

source: postsecondary.org
Solution

Relates to the “Activities” column of your Theory of Change

What is your model?

How does it work?

Why is it the best solution?

PLAYGROUNDS THAT BUILD COMMUNITIES

KaBOOM! is well-known for helping communities build playgrounds. Just as importantly, the process helps build communities.

Since 1996 KaBOOM! has built more than 2,100 Playgrounds in more than 880 communities in all 50 states.

The KaBOOM! Approach

KaBOOM! partners with a local nonprofit
KaBOOM! helps nonprofit organize build day volunteers
Local children help design new playground
Over 2-3 months, planning committee gathers needed resources
Impact

Relates to the “Short and Long-Term Outcomes” column of your Theory of Change

What results have you achieved?

What proof of outcomes can you share?
Financial Model

How do you fund your work?

Why is this financial model sustainable?

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td>$250,000</td>
<td>$262,500</td>
<td>$288,750</td>
</tr>
<tr>
<td>Corporations</td>
<td>$75,000</td>
<td>$78,750</td>
<td>$86,625</td>
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<tr>
<td>Government</td>
<td>$300,000</td>
<td>$315,000</td>
<td>$346,500</td>
</tr>
<tr>
<td>Earned Income</td>
<td>$15,000</td>
<td>$15,750</td>
<td>$17,325</td>
</tr>
<tr>
<td>Foundations</td>
<td>$150,000</td>
<td>$157,500</td>
<td>$173,250</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td>$790,000</td>
<td>$829,500</td>
<td>$912,450</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff &amp; Benefits</td>
<td>$525,000</td>
<td>$551,250</td>
<td>$606,375</td>
</tr>
<tr>
<td>Rent &amp; Utilities</td>
<td>$26,000</td>
<td>$27,300</td>
<td>$30,030</td>
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<tr>
<td>Materials</td>
<td>$35,000</td>
<td>$36,750</td>
<td>$40,425</td>
</tr>
<tr>
<td>Marketing &amp; Website</td>
<td>$45,000</td>
<td>$47,250</td>
<td>$51,975</td>
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<tr>
<td>Office Supplies</td>
<td>$20,000</td>
<td>$21,000</td>
<td>$23,100</td>
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<tr>
<td><strong>EXPENSES</strong></td>
<td>$701,000</td>
<td>$736,050</td>
<td>$809,655</td>
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<tr>
<td><strong>Net Income</strong></td>
<td>$89,000</td>
<td>$93,450</td>
<td>$102,795</td>
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What is your long term vision?

What are your 3-5 year goals?

How will you get there?
How much money do you need to achieve your strategic goals?

What (broadly) will this money buy?
Your Turn…

Form groups of 3-4 people:

1. Choose **ONE** organization for which you will create a Case for Investment

2. Look at that organization’s Theory of Change

3. Create, one-by-one, each section of the Case for Investment (you’ll have 10 minutes per section)

4. Prepare a brief (2 mins) summary of your “Case” to present to the full group
Section 1: The Need

Relates to the “Target Population” and “External Trends” columns of your Theory of Change

- What problem(s) exist?
- Why are they significant?
- Why should a donor care?
Section 2: Solution

Relates to the “Activities” column of your Theory of Change

- What is your model
- How does it work?
- Why is it the best solution?
Section 3: Impact

Relates to the “Short and Long-Term Outcomes” column of your Theory of Change

- What results have you achieved?
- What proof of outcomes can you share?
Section 4: Financial Model

- How do you fund your work?
- Why is this financial model sustainable?
Section 5: Strategic Direction

- What is your long term vision?
- What are your 3-5 year goals?
- How will you get there?
Section 6: Resources Required

• How much money do you need to achieve your strategic goals?
• What (broadly) will this money buy?
Create an informal, conversational, and short (2 mins) summary of your final Case for Investment
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