

# Part 1 - Sources of funding



There are many sources of funding available to youth organisations and other non-profit organisations working with young people. In general, one can distinguish three kinds of funding source:

- own resources, revenues and fund-raising from individuals;
- public funding from various levels of government, ranging from international/ European to local;
- independent funders, mainly foundations.

Part One gives a short introduction to all of these sources of funding and their characteristics. You should consider all of them carefully in order to develop your individual funding strategy, whether for a specific project or your organisation as a whole. In most cases you will combine at least two of the three sources of funding. So a good grasp of the differences between them is important for your success as a fundraiser and financial manager.

## Section 1 – Own resources, revenues and fund-raising from individuals

When thinking about the various sources of funding, you should never overlook self-help: first of all it is important to identify all the possible ways in which your organisation can raise money without approaching an external funder or donor organisation.

For any organisation it is essential to consider all the possible ways of achieving financial sustainability. Experience shows that the best way is to be as independent as possible of external factors, such as frequent changes in funders' policy. We would therefore like to draw your attention to various ways of unlocking finance in your more immediate environment or community.

### 1) Membership fees – key to ownership and participation

Most youth activities are organised by youth organisations with young people as the individual members. Membership fees are important not only because of the money raised, but even more because they develop members' ownership of and responsibility towards their organisation. People who pay membership fees are periodically reminded that they are part of an organisation, which exists for them and because of them. When members understand how their membership fees are used, it may even become easier to raise the amount or to call for special donations.

Paying members also want to get something in exchange for their money: services, opportunities for volunteering and participation, social events, new friends, etc. Therefore fixing the right fee is important. If the fee is too low, being a member might be felt to be irrelevant in terms of financial engagement. Thus the higher the fee the more motivated the members tend to be. They become involved members instead of passive ones.

#### Coyote's hint #1



Too high a membership fee in youth organisations can discriminate against or be an obstacle for young people from a disadvantaged background. Some might not be able to pay a fee at all. However, just exempting them from paying the fee is not always a solution. Adapting the fee to the financial situation or replacing it by some contribution in kind is a better way round the problem. Never forget that paying a fee makes people feel responsible and part of an organisation's activities. Fees may also involve members in further fund-raising activities.

### Own resources



## 2) Participation fees – get your project off the ground

Members are committed to a youth organisation and its goals. They often participate in its activities but they are not necessarily the only ones who take part. Therefore you might wish to have different participation fees for members and non-members. Often organisations recruit new members through their activities by offering membership in combination with participation fees. This has the advantage of creating a source of income over and above the basic project.

### Coyote's hint #2

Youth activities should be open to all young people who are interested, so the same holds as for membership fees – participation fees should be non-discriminatory and adapted to young people's financial situation. They should never become an obstacle to participation.



In general, if someone wants to take part in an activity and is directly benefiting from a specific project, there is good reason to ask her/him to contribute financially. Sometimes the participation fee is symbolic or low because other sources of funding are available. In this case participation fees are the best source of the “own contribution” part of the budget that funders or donors request. Participation fees are also a good check on whether your project is relevant and attractive to your target group. Asking participants to pay some of their fee in advance secures good cash flow for your project as well: most funders will only advance the agreed money in instalments.

### Participation fees

If a project is especially relevant and attractive to those who are involved in it but it is difficult to raise funding, participants might be asked to cover all the project costs with their fees. This includes indirect costs, such as administration, staff time, etc. Here, participation fees might be quite high but it is still acceptable to set the same participation fee for all. In this way you can pool all available financial resources so that everyone is participating under equal (or at least similar) financial conditions.

For some youth organisations participation fees are an essential part of their budget. In particular, organisations offering work camp and exchange activities often rely on the fees collected from the people interested in taking part. If you can charge participation fees it also tells you how relevant and attractive your projects are to your target group.

### Coyote's hint #3

Collecting participation fees is not always straightforward. Charging fees may be taking you into the sphere of commercial transactions as you are offering a specified service in return for payment. The transaction might be regarded in your country as producing taxable income and conflict with your organisation's not-for-profit status. In some countries all income labelled as fees is treated as revenue from a commercial activity, in others only fees totalling more than a certain sum fall under the heading of commercial activity. It is therefore important to check the legal conditions for charging participation fees.



## 3) Providing services – your hidden financial potential

Services provided by your organisation might actually be a part of your “core work” which you never thought of offering to others for payment. Most youth organisations have a lot of expertise which is of interest to others. It might take the form of volunteers or staff who are experts in training or other fields your organisation is engaged in. All youth organisations know a lot about young people in their community. This knowledge or expertise could be offered to companies, other organisations or individuals in a position to pay for it.

If you do not want, or are not able, to offer knowledge or expertise you can also raise funds by “creating work” for yourself and earning money from it. Your organisation's members and volunteers are valuable human resources who can offer their labour for money, which they can then donate to the organisation.

### Services



It does not take a big effort to distribute leaflets or wash cars for a couple of hours. Members and volunteers of the organisation can be mobilised for a good cause. The good cause could be earning enough money to cover the office rent or buy educational materials for poor children. The more people participate, the more money can be raised by offering services in your community. Though this sounds easy, bear in mind that this kind of fund-raising activity needs careful planning and good co-ordination. Most importantly, people need to feel that they themselves are ultimately getting something out of it.

#### Coyote's hint #4



Whenever money enters your organisation's bank account you need to be clear about its nature. Ask yourself: "Do I need to pay taxes on it or not?", "How can I avoid paying taxes?" etc. It is important that you check the legal situation before you start a fund-raising activity.

In most European countries organisations do not have to pay tax on donations (at least up to a certain level), so you can organise events where people earn donations to your organisation. When the organisation receives a donation it can often issue a receipt stating that the donation is tax deductible so that donors get some benefit out of it as well.

#### Real-life experience #1

Schüler Helfen Leben – Raise 3.5 million Euros in a day

"June 18, 2002 was welfare day (Sozialer Tag). Classrooms in northern Germany (Schleswig-Holstein, Hamburg, Lower-Saxony and Berlin) remained empty as school pupils opted to work for a social cause instead of attending classes. 210,000 school pupils tended gardens, carried suitcases in hotels, cleaned aircraft. What they earned they donated to youth organisation Schüler Helfen Leben (School Pupils in Aid of Life). Some 3.5 million Euros was earned by the welfare day. More than 150,000 companies and private individuals supported the project and offered little jobs for a day. Afterwards northern-German school pupils could relax, but for Schüler Helfen Leben the hard work in Bosnia-Herzegovina and Kosovo is only just starting."

More information available in German at [www.sozialertag.de](http://www.sozialertag.de)

#### 4) Fund-raising classics

Never forget that business raises money from almost everything. If business can do it you might as well, particularly since it is for a good cause. You can raise money from anything and there is a lot of experience in this field. Some ideas for fund-raising events are:

- seasonal bazaars
- auctions
- tombolas
- street collections
- parties/discos
- sports competitions
- lotteries

If you are organising an event where the main priority is to raise funds there are two ways you can do it. You can cut costs to a minimum and you can raise as much income as possible. Cutting costs does not necessarily mean that you have to cut services or



facilities. It means that you cut costs for your organisation. Increasing income means that you look at every aspect of your event and exploit all areas to generate extra cash. In general it is better to hold fewer, larger events than a lot of small ones because they raise more money with less effort and they mean you are not asking people to turn out again and again.

### 5) Publications – a difficult tool

Many organisations produce their own publications. Some try to target a wider audience than their own membership. Publications with a wide circulation can potentially generate more money through sales than they cost to produce. In addition you can sell advertising space. But many organisations communicate via the Internet and production costs are high, so you should make careful calculations before going into print. A key challenge for publications is good distribution. All of us have seen piles of brochures gathering dust in youth organisations' back rooms because nobody worked out a proper distribution plan beforehand. But how about an advertisement on your website?

### 6) Mail campaigns – European diversity

Mail campaigns are a very specific way of raising funds from individuals. You will never have met most of the people you ask for support. Your organisation will not know anything about them, except their addresses. Most probably they will not have heard of your organisation either, so the success of the campaign depends totally on your message and its presentation and credibility. The success of a mail campaign may be influenced by external factors such as public awareness about the issue you are addressing. This often depends entirely on how much coverage the issue gets in the media.

First of all you have to make sure that you are asking for money for a cause that people are likely to support. On the whole – to take an example – people are not going to be interested in paying your office rent. Excellent graphic appearance, a clear, concise message, good examples of your previous and current activities, easy-to-understand text and pleasant style are all essential to the success of your campaign.

It is also important to include precise information on how the contribution can be made. As a rule of thumb, make it as easy as possible. For example, use forms (credit card debit, bank draft, bank transfer, etc) which people can send back easily. If you opt for one of these forms make sure that donors can post them to you free of charge (this means you have to pay or arrange for postage).

There are considerable cultural differences in Europe regarding direct mailings. In some countries people are used to giving in this way and have considerable trust in organisations. In other countries (most of central and eastern Europe, for example) a mail campaign has little chance of success. Another important factor is how well off the people you are targeting are. The very poor clearly lack the means, while the very affluent may prefer a more personal approach. You may also get negative reactions to unsolicited letters. Some people perceive them as intrusions into their privacy, in some countries more than in others.

Mail campaigns thus need to be well planned and thoroughly discussed in your organisation as they have high costs to start with. If you are thinking of running one, even on a small scale, try to get advice from people who have run similar campaigns in your community. Their experience might provide good guidance.

### 7) Payroll giving – an interesting option in some countries

One area of individual fund-raising which needs the support of employers is “payroll giving”. This is where staff decide that they want to support a specific project or organisation by giving direct from their pay cheques. Employees decide which organisation, and employers set up the system so that the money is deducted from monthly or weekly pay and sent direct to the organisation benefiting.



In some countries the portion of salary donated is exempt from income tax. Some countries also have a requirement that the employer respond to the employee initiative by paying the administrative costs.

## Real-life experience #2

Catholic Youth of Kastl – year round mobilisers of local resources

Catholic Youth Kastl (Katholische Jugend Kastl) is a registered youth group in Kastl, a village with a population of 1,500 in southern Germany. The group has around 70 members, of whom 30 are really active. It is a self-organised group and their activities are mainly for the membership: a youth club, excursions, parties, local volleyball competitions and participation in sports tournaments organised by youth groups in surrounding villages. All the members pay a membership fee, which only covers insurance costs.

The group is very active in organising events for its members and the whole community which serve both social and fund-raising purposes:

- A disco during Carnival: this is entirely organised by the group. Money is raised through entry fees and by selling drinks. The event generates around 2,000 Euros – the group keeps external costs (DJs, rent of equipment etc) as low as possible.
- A traditional celebration on 1 May (the “Maibaum” or Maypole). The group is responsible for buying, installing and decorating the tree in the centre of the village. Volunteers also organise food and drink stalls. The event raises around 500 Euros.
- A Johannisfeuer, another traditional celebration at the beginning of summer. Waste wood is collected from local people and used to build a huge bonfire. At nightfall the bonfire is lit. At this event the youth group again sells food and drinks and income is around 500 Euros.
- A Christmas bazaar: sale of Christmas decorations made by the members of the group.
- The village organises a big celebration every ten years – a great opportunity for the youth group to organise larger events. Last time they organised a rock concert, which raised almost 10,000 Euros.

Note that none of these events is merely a fund-raising event. The youth group is organising a celebration for the local community. The events are well attended because local people welcome them. At the same time the group makes the most of all the fund-raising opportunities the events create. They keep costs down by co-operating with other local organisations (such as the fire brigade), using volunteers and taking advantage of personal contacts in order to get better rates for the goods they need.

The money raised at these events is used to cover the group’s costs, such as heating the room the group uses, excursions and camps (partially, as participants also pay some of the cost here) and small parties for active members. The group often donates money to charity – all the money raised by the Christmas bazaar, for instance.

