

Reliability—Autonomy Worksheet

Calculate Your Score

To analyze an organization's revenue using the worksheet, first calculate the percentage of revenue from each of the funding types. Enter these amounts in the Percentage of Revenue column on the spreadsheet. (A blank copy of this spreadsheet is available at the *Nonprofit Quarterly* Web site with built-in formulas). Multiply the Percentage of Revenue by the Reliability Rating and Autonomy Rating for each funding source and total all the scores. This will produce two numbers for an organization's funding: a total reliability score and a total autonomy score. (*High: 1.0 - 1.6, Medium: 1.6 - 2.3, Low: 2.3 - 3.0*)

These scores can help an organization understand the nature of its management challenges, and point to available strategies to offset disadvantages of its funding profile.

Calculate an Organization's Autonomy Reliability Score: Sample Worksheet

	Percent of Revenue	Reliability	Reliability Score	Autonomy	Autonomy Score
Government, ongoing contracts	30%	1	0.3	3	0.9
Government, new grants		3		3	
Individual, small to medium contributions/ memberships		1	0	1	0
Individual, major contributions		2	0	2	0
Corporate Sponsorships		3	0	2	0
Corporate Contributions		2	0	2	0
United Way/ Federated Funds	20%	1	0.2	3	0.6
Fees for Service	15%	2	0.3	1	0.15
Rent/ Advertising		2	0	1	0
Interest/ Endowment/ Royalties		1	0	1	0
Foundation, operating grants	10%	3	0.3	1	0.1
Foundation, project grants	25%	3	0.75	3	0.75
Other		?		?	
Index (Total)	100%		1.85		2.5

Plotting Funding Sources on the Reliability—Autonomy Matrix

Since each type of funding (government, individual donations, program service fees, etc.) varies in its reliability and autonomy, it is useful to plot funding attributes by these two scales to understand the maneuvering room and management challenges an organization faces.

Of course, each organization's experience will vary, depending on existing relationships and the attributes of the specific funding source and negotiated terms of funding. Particular funding sources may also vary in their time period and willingness to renew commitments, and the extent of conditions attached to their support. The reliability-autonomy ratings represent a consensus norm for each type.

Ongoing Government Contracts

Taxpayers, legislators and contract officers have high expectations that government funds will be used in a particular way, and government contracts are well known for the number of conditions, reporting requirements and restrictions. Particularly in cases where a government program is the primary or even sole funder of a nonprofit organization, the contract relationship can turn into a principal-agent relationship, in which the agency behaves as a quasi-government office carrying out activities at the government's explicit direction. The conditions applied to government funding usually originate with specific legislative mandates (such as not permitting federal funds to be used for lobbying), or are created at the administrative level.

For ongoing government contracts with nonprofit service providers, the reliability tends to be high, since governments have the power to tax and control its own income stream (subject to political fluctuations, depending on jurisdiction). However, nonprofits as outside contractors are often easier to cut in times of budget shortfalls; so in the current economic situation, government funders are somewhat less reliable than usual for nonprofits. (Reliability: 2, Autonomy: 3)

Government Project Grants

Short-term government demonstration or project grants are more competitive and speculative on the front end, and far less likely to be renewed, though just as restrictive. (Reliability: 3, Autonomy: 3)

Small to Medium Individual Contributions/Memberships

While an individual person's behavior is unpredictable in the short run, in the aggregate an organization can learn its own renewal rate for larger numbers of small and medium sized contributors. Small donors are unable to exert specific preferences over an organization, though may be asked to contribute to special funds defined by the organization itself. (Reliability:1, Autonomy: 1)

Interest/Endowment/Royalties

Organizations with substantial passive income are most commonly larger institutions with a long history, frequently in higher education or the arts, and of course private foundations. (Reliability: 1, Autonomy: 1)

Corporate Contributions

Corporations donate funds to benefit their local community, generate good will and gain legitimacy as good corporate citizens. Corporate contributions programs are increasingly targeted by subject area, and the amount available is subject to corporate profitability. In comparison to private foundations, corporate contributions programs are more willing to provide general operating support, and more likely to make regular annual contributions, placing them in the middle range for both reliability and autonomy. (Reliability:2, Autonomy:2)

United Way/Federated Funds

The United Way and other federated funds operate as a giving club, in which many individuals and institutions contribute to a single pot, jointly committing to devote the total money raised to priorities developed through a planning process. Applying similar due diligence goals to government, United Way campaigns attach substantial budget and reporting requirements to document how funds were directed to specific populations and issue priorities, and reported back to donors. United Way campaigns can also restrict the fundraising schedules and solicitation lists of the agencies they support. (Reliability: 1, Autonomy:3)

Major Individual Contributions

Unlike small individual donors, large donors have more interaction with the organization, and are more likely to have organizational representatives offer choices or seek input regarding the use of their funds. (Reliability:2, Autonomy:2)

Fees for Service

Charging for services, whether tuition or orchestra tickets, puts nonprofits in the marketplace, where the "invisible hand" of supply and demand is at work. The selling organization has broad authority over decisions about how it will provide the goods and services, though it must pay close attention to satisfying customer demands.

This funding stream can keep organizations solvent, make them aware of current tastes and needs, and can lead them far beyond their founders' original vision. Since market failure is a common rationale for the existence of nonprofit tax exemptions, relying on paying customers presents temptations to stray from an organization's original mission and intended beneficiaries. (Reliability:2, Autonomy: 1)

Rent/Advertising

While not passive income, organizations with the capacity to generate rent or advertising revenues generally have a reliable source, as long as they deliver what the customer needs. (Reliability: 1, Autonomy:2)

Corporate Sponsorships

Corporate sponsorships are a marketing expense to the company, generating publicity and good will, and most importantly attracting or retaining customers for the sponsor. The demographics of the people an organization reaches is the key selling point for sponsorships. Corporate sponsors make clear demands for visibility and marketing benefit. The life cycle of corporate partnerships, sponsorships and advertising campaigns is generally short, related to a one-time event or sometimes a 2-3 year relationship. (Reliability:3, Autonomy:2)

Foundation Grants (operating)

Operating grants reflect a decision by a foundation to grant unrestricted support the overall activities and direction of an organization. The Foundation Center reports that 11.5 percent of foundation grants in 2000 were generally for one year's operating support. Foundations are reluctant to create an expectation of funding in perpetuity, though the relationship between a specific funder and grantee can greatly increase the reliability of this source. (Reliability:3, Autonomy: 1)

Foundation Grants (project)

The other 88.5 percent of foundation grants are specific to a particular activity (a project, building or equipment) and are generally limited to one to three years. While most organizations would prefer operating support, foundations exhibit a strong preference to select projects and negotiate their design, considering this scrutiny and selection activity as the key value they add to the process. The conflict between the foundation's need to express their identity and the organization's need for autonomy is unlikely to change; making yes-or-no decisions and setting conditions for support is the foundation's primary mechanism of adding value.

Special projects are frequently designed and discussed in advance with foundations by their applicants, seeking to gain insight as to the likelihood of having a grant approved. While many projects are approved, the risky nature of the process and the need to design, segregate, start up and wind down projects is a substantial expense to the organization. The added costs and dislocations required to implement special projects lowers the value of these funds to an organization (in comparison to operating grants). A little discussed question is what foundations believe occurs after one of these projects ends. (Reliability:3, Autonomy:3)

Other

Organizations have a variety of other specialized sources that are unique to their situation, from special events to charitable gambling and unrelated business income. (Reliability:?, Autonomy:?)