3 Ways Not-for-Profits Generate Revenue

**Fees for Services or Goods** – Not-for-profit organizations earn income by charging for services performed such as performances, tuition, counseling, etc. as well as by selling items such as t-shirts, food, advertising space in programs, thrift store items, etc.

**Contributions** – Whether current or planned, not-for-profits receive donations of cash, stock, or tangible personal property from individuals, corporations, and service organizations (Rotary, Kiwanis, etc.). Grants are a form of contributions and are awarded by foundations (community, family, corporate), governments (federal, state and local), and other public charities. Fundraisers are typically a hybrid of fees for services and contributions where the donor receives something of value (usually a meal) in exchange for a donation. The cost of the meal is a fee for goods and the excess value of the donation is a contribution.

**Endowments** – Endowments build a permanent source of dependable income for an organization. This permanent pool of assets is intended to both grow and help financially stabilize an agency forever. An endowment fund at a community foundation is comprised of donated assets that provide income for the maintenance of a, or programmatic support for, a not-for-profit organization.

*Importance of endowments* – Most not-for-profit organizations do very well with the first two sources of revenue. Where they often fail is in endowment building. Many can only focus on the immediate needs they see and are unable to plan and allocate finances toward an endowment. It’s like only having a checking account—no savings. Endowments provide a steady stream of income to the not-for-profit organization each year forever. Some donors like to support today’s needs and other donors like to leave lasting legacies for the future of charities they love. Without an endowment, donors who prefer this charitable option are overlooked and not-for-profits lose one of the three ways to generate revenue.