Hooked on Grants: The Hidden Scourge

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Hooks / Francis Storr

Everybody remembers their first time winning a grant or landing their first major gift. The rush from winning those funds is not unlike the rush of winning any big bet. When your organization is heavily reliant on grants and donations, it puts your organization in a gambler’s funding cycle, with potentials for booms and busts. The rush of winning a grant or a major donation is huge; there is a sense of power in it. Your ideas have attracted money, and money gets the work done. Money attracts more money, and all of a sudden you’re a visionary social entrepreneur.

But in reality, you’re a gambler with a winning system on a hot streak. It’s temporary, it’s fleeting, and before you know it you’re addicted. You’re doing everything you can to get the next grant or major gift: grants outside your mission, grants you’re not staffed up to complete, grants with crazy strings attached. You’re doing anything you can, saying anything you can to get another hit of that grant money, to feel the rush again. Suddenly, your mission has spread all over the place, your staff is overworked, you're accepting ridiculous grant terms and requirements that probably lose you money in the long term, but you don't care—you're hooked on the win, regardless of the costs.

Signs of fundraising addiction

This happens every day—nonprofit leaders whose funding is drying up, desperately blowing their reserve assets on operating losses while they go after one more big hit. One last big win and they can save the ship and make everybody happy. They think that if they show any sign of weakness, if they're honest and transparent with their financial troubles, with their addiction, funders will start walking away, that their streak will end. So when they hit a losing streak, when funders "make a pivot," they hide the losses. They hide the problems instead of fixing them because they believe they can hit it big one more time. You keep going on this way, and one day, you see the assets are gone, the funders don't trust you, and the organization has hit rock bottom.

To recognize someone with fundraising addiction, you have to be able to recognize the signs. The three biggest signs of nonprofit fundraising addiction are: **Mission Creep, Asset Raiding**, and **Finger Crossing**.

- **Mission Creep** is often the first sign of being addicted to the money. This is where you start to compromise your beliefs and your mission in order to get any sort of funding you can, even if it means doing something you don't want to do, doing something you don't know how to do, or worst of all, doing something that you're going to lose money doing.
- **Asset Raiding** is something that nonprofit leaders will do with or without their boards' knowledge. They will take their rainy-day funds, their property, or money from prior-year surpluses and use it to fill cracks and holes in their budget. They keep doing this, like a kid putting his finger in the dam, hoping that as long as they can keep their water back, they might be able to win one more big grant and be the hero.

- **Finger Crossing** is one of the final signs a nonprofit leader is on the verge of hitting reaching rock bottom. Finger Crossing is when all you have is hope—hope that a miracle will happen. One out of the 10 grants they quickly wrote overnight will hit. Somehow, their silent auction will bring in six figures. If that one celebrity will retweet their fundraising link, they can get right again, buying them enough time so they can get ready for one more hit.

What to do if you think you've spotted someone with a fundraising addiction

Hold an intervention: Bring together a small group of board members and senior staffers, along with plenty of financial information. At the intervention, or "board retreat," have an open and honest discussion around finances, future plans, and expectations. It's important not to place blame here. Fundraising addiction has many triggers and is not any one person's fault; it's important to get to the root causes of the problem in order to break the cycle. Try to focus more on the numbers and not the emotions. Understand that what happened in the past stays in the past, and that we have to look forward into the future for the organization. Such a meeting is all about "next steps."

Bring in the professionals: Maybe your executive director cannot do everything all the time at peak performance. They can't be the development director, the grant writer, the major gifts officer, the program manager, and the janitor all at once. Remember, at one point they were really happy: They loved their job and got stuff done. Let your ED focus on what they are good at, and everything else should be outsourced. If your executive director only had one focus and more time imagine what they could accomplish.

Get healthy, stay healthy: Once the ED and the organization have broken free of this addiction, it's important for your org to stay clean, and that means regular and honest meetings between the board and senior leadership—*all* of senior leadership. Board members need to trust but verify the reports they are getting from the ED. Open and honest communication across staff and board is key. Also, be honest about your mission. Maybe you've done such great work that few people need your help anymore. Maybe a medical breakthrough occurred that renders much of your work as no longer needed. These are good things and should be celebrated. You’ve accomplished your mission.

When your organization is heavily reliant on grants, it puts your organization in a position not unlike a gambler’s. Every time you ask for one, you are making a small bet that the time you put into the ask will generate more money than it took to ask. Some orgs make lots of small bets, some make just a few big bets every year, and indeed, those foundation grants are fine in moderation. But it’s important to make sure that you have a diverse funding stream that includes some regular revenue streams made up of a balance of small individual donations, earned revenue, and contract work. Getting that big check is great—it’s an awesome feeling—but it’s not a long-term sustainability plan.