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The Funding of Start-up Nonprofits: An Exploration of Funder Perceptions, Attitudes, and Advice

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Introduction

There are over 1.5 million nonprofit organizations registered in the United States (Francis and Talansky, 2013). These organizations vary in size and have a great impact on communities, however data from the U.S. Census Bureau on organizations started in 2005 found that a mere 43 percent of these organizations still existed five years later (Bielefeld, 2014). Start-up nonprofit organizations face challenges and are vulnerable from problems in raising capital, recruiting and training workforce, and handling regulatory compliance (Bielfield, 2014). Despite a plethora of research and articles that address the dos and don'ts that nonprofits should follow in order to thrive, they continue to close their doors leaving communities with diminished resources, such as access to financial and educational assistance, immigration services, pregnancy counseling, food and clothes closets, re-entry programs, etc. These nonprofit organizations fill the gaps in unmet societal needs and when they dissolve, not only are the organizations affected, but so are the communities that they serve. So why are so many start-up nonprofit organizations unable to sustain themselves? Are they not equipped for economic or social challenges? Are they mismanaging resources? What are they doing differently from well-established nonprofit organizations? Is there reluctance to supporting start-up nonprofit organizations?

Funders provide important perspective to consider while addressing these questions. To be clear, the term funder refers to *organizations* that provide financial support to nonprofits, and this group is the focus of this study. As nonprofit organization entry continues to increase, they are met with challenges that can potentially threaten their sustainability. Although many start-up nonprofit organizations thrive, there are factors that potentially influence organizational failure such as organization age and size, perceptions and stereotypes, and funding challenges.

The purpose of this research is to explore the ways in which perceptions of start-up nonprofit organizations can affect their growth and financial viability. The author explored possible implicit and/or explicit bias and the impact that has on start-up nonprofit understanding and support. To gain insight into the impact that perception has on funder giving behavior and support, the author conducted interviews with funders in the Greater Richmond area. The author collected and analyzed data to identify themes and provide recommendations to start-up organizations and the funders who support them. Through this research, the author is hoping to discover strategies and/or policies that may increase start-up sustainability.

Problem and Significance

The challenges of an organization's size and age has significant implications on the likelihood of its survival. The challenges that start-up nonprofit organizations face hinders the perception of their ability to thrive. Stakeholders question the impact, capacity, capital, and the value of the organization as a whole. These reservations can directly or indirectly affect an organization's sustainability. Financial stability is imperative to the existence of any organization, whether for-profit or not-for-profit. When stakeholders question the value and worthiness of an organization, it impedes the organization's ability to secure funding. This in turn impacts the organization's ability to carry out its mission, programs, and services, as well as cover overhead expenses, leading to the decline of an organization.

Sustainability is the ability to withstand challenges over time while fulfilling a mission by effectively and efficiently utilizing all resources available (National Council of Nonprofits, 2018). Studies have found that start-up organizations have been in jeopardy of failure at a higher rate than other organizations that have transitioned into another phase of the life cycle (Searing, 2015). Due to the uncertainty and general misconceptions about nonprofit organizations, this can lead to negative perceptions of their capability to thrive. Because of the contribution that nonprofit organizations make to communities, it is imperative to research the influences of giving behavior and support and to better understand what threatens nonprofit success.

Research Objectives

This article aims to gain insight and understanding into the influence that perception has on funder giving behavior and support of start-up nonprofit organizations. The question that guides this study is, *is there a relationship between perception and giving behavior?* The main objective of this study is to determine the effect that funder perception has on start-up nonprofit growth and financial sustainability in hopes to formulate a method to attract more committed stakeholders and increase funding. To achieve this, data collection was conducted through a qualitative method approach. This approach was used to better understand perceptions of the importance and impact that start-up nonprofit organizations have on the community. The study consisted of semi-structured interviews regarding driving factors of funding and support. The participants in this study were Richmond area funders from nonprofit foundations and corporate organizations. In analyzing the data that resulted from these interviews, the author explored the relationship between perceptions of the impact of start-up nonprofit organizations and what affect that may have on their fundability.

Literature Review

What is a start-up?

As organizations, such as non-profits, develop they typically progress through predictable stages. It is imperative that there is not only an understanding of the stage that an organization is in, but also the necessary steps to be successful in that phase in order to obtain long-term sustainability. (Thriving Throughout the Stages of a Nonprofit Organization, n.d.). When operating any establishment, there are well-defined stages of progression within an organizational life cycle. This includes organizations within the nonprofit sector. As internal and external factors influence how nonprofit organizations develop and transform, some nonprofits thrive while others do not survive beyond the startup phase (Norris-Tirrell, 2011). Norris-Tirrell indicates that the stages of the nonprofit life cycle follow a pattern where each stage aids to shape structure, processes, and outcomes. Each stage poses challenges in growth, and understanding this model is the key to successful transitions from one phase to the next.

According to Norris-Tirrell (2011), the nonprofit organization life cycle consists of seven stages: "(1) idea and exploration… (2) start-up and formation… (3) growth and formalization… (4) maturity and sustainability… (5) decline… (6) turnaround/reinvention… (7) termination/dissolution" (pp. 4-5). The Nonprofit Life Cycles Overview (n.d.) has the stages placed into 6 categories, which are very similar to Norris-Tirrell's model to include "grassroots (invention)… start-up (incubation)… adolescent (growing)… mature (sustainability)… stagnation and renewal… and decline and shut-down" (p. 1). Both grassroots and start-up organizations are in their early stages of development and these terms are sometimes used interchangeably. The exploration and formation of ideas and establishment begins here. The duration of the grassroots stage is zero to five years and the start-up stage lasts one to two years (Nonprofit Life Cycles Overview, n.d.) In these stages, organizations are particularly vulnerable to failure. According to the U.S. Small Business Administration, newly formed organizations have a fifty percent chance of surviving at least five years (Freeman and Siegfried, Jr., 2015).

In the start-up phase, programs and services are simple with a strong commitment to delivering services and a formal governance structure is in place. The board tends to be "small, passionate, and homogenous" (Nonprofit Organization Life Cycle, n.d. p.1) and staff are typically volunteer-driven and enthusiastic about the impact that they are making. Although market entry is easy for nonprofit organizations, they face countless challenges in implementing a sustainable business model, building a strong and cohesive team, as well as gaining customer, donor, and volunteer support. “Three of the most important challenges are: developing a vision, achieving optimal persistence, and executing through chaos” (Freeman and Siegfried, Jr., 2015, p. 36). An organization’s vision is imperative for success. It is a clear outline of what an organization aims to achieve and provides a direction for future desired change. Without a clear vision statement, it is easy for an organization to lose sight of its original purpose. Perseverance and the ability to adapt to change and function in times of disarray will serve as a safety net in times of uncertainty.

Due to environmental fluctuations in the marketplace, the stages of the nonprofit organization life cycle may occur in different sequences and may sometimes repeat a phase to achieve success. Either way, the life cycle model can help nonprofit leaders in assessing strengths, weaknesses, opportunities, and threats (SWOT) as an organization transitions from one stage to the next.

The role of grantors in nonprofit sustainability

The ability of small nonprofit organizations to sustain themselves has been in question for many years. “Sustainability in the nonprofit context includes the concepts of financial sustainability, as well as leadership succession planning, adaptability, and strategic planning” (National Council of Nonprofits, 2018, para 1). One of the primary functions of nonprofit organizations is to help fill the gaps between public and private sectors in communities. Despite the growing contributions of the nonprofit sector, they face challenges that impact financial sustainability. This in turn affects organizational success including “reliance on external funding, the nonprofit ‘brand,’ external expectations of partnerships, expectations of value and accountability, and community engagement and leadership” (Sontag-Padilla, Staplefoote, and Morganti, 2012. p. 7). As continued service and societal needs are met, it leaves the private and public sectors open to pursue their own commitments (Weerawardena, McDonald, and Mort, 2009).

Nonprofit organizations’ funding depends on diverse streams of resources to include government and foundation grants, donations (monetary, in-kind, volunteers), and fees for services. As nonprofit leaders perceive government and foundation funding as essential for financial viability, they realize that there are challenges with the reliability of grants and other sources of funding (Sontag-Padilla, Staplefoote, and Morganti, 2012). In a study of twenty-six health, human services, and community and economic development organizations in Mississippi, it was found that participants expressed uncertainties about relying on government funding. This was due to:

> “considerable restrictions on how public funds can be utilized and the relatively large amount of time and resources consumed in complying with state and federal requirements […] additionally, over-reliance on government-contract funding may lead to the hiring of temporary staff, which may have negative implications for staffing patterns and delivery of quality services” (Sontag-Padilla, Staplefoote, and Morganti, 2012. p. 7).

In addition, the recession drastically impacted individual contributions made to nonprofit organizations. A 2008 survey of eight hundred nonprofits found that seventy-five percent of nonprofits reported feeling the brunt of the economic downturn, with fifty-two percent having already experienced cuts in funding, leaving nonprofits struggling financially (Sontag-Padilla, Staplefoote, and Morganti, 2012). As these challenges are significant for nonprofits organizations, especially those serving vulnerable, low-income populations, identifying sustainability strategies is imperative to continue providing community services.

Understanding nonprofits using organizational theory

Within the study of organizational theory, the Liability of Newness refers to the developmental jeopardies related to where organizations are in the life cycle (Searing, 2015). The issue with newness is associated with processes that are both external and internal to the organization. The main factors that affect success in newness are time and development. Internally, new organizations are establishing new team members who are learning and discovering new roles to perform, as well as developing trust amongst organization members (Kale and Arditi, 1998). Learning these new roles, developing skills, and building trusting relationships is a process that typically cannot be effective in a short amount of time, leading to inefficiency. Externally, lacking the time needed to establish relationships with clients, stakeholders, and other organizations impacts the organization's efforts to access resources (Searing, 2015). According to Bielefeld (2014), the problems that may occur during newness are interpersonal conflict, governance and decision-making processes, and lack of support systems to aid in meeting stakeholder expectations.

The size of an organization is another aspect that influences its chances of survival or failure. This liability of smallness merges from a lack of financial resources and the absence of solid support from creditors (Kale and Arditi, 1998). "This smallness-related vulnerability results from problems in raising capital, recruiting and training workforce, and handling regulatory compliance" (Bielefeld, 2014. p. 4). As the Liability of Newness requires quick development of skills to fulfill new organization roles, the liability of smallness requires organization leaders to wear many hats which can lead to burn out resulting in loss of key players. Kale and Arditi

(1998) touch on managerial weakness and "difficulty in attracting qualified and competent personnel" (p. 459) when compared to the benefits of working for a larger, more established organization.

Another relevant element from organizational theory to consider in this study is the concept of the survivor principle. This principle "asserts that competition will weed out inefficient new entrants to a sector" (Bennett, 2016, p. 336). There must be a competitive advantage in order to survive against other organizations. This is an area of opportunity for a new nonprofit to complete a SWOT analysis in order to identify strengths, weaknesses, opportunities, and threats of its own organization as well as its competitors. By doing this, an organization is able to create a strategic plan to withstand the uncertainty of the market and become a firm contender when competing for charitable donations. In addition, environmental turbulence, the implied uncertainty and difficulty of foreseeing circumstances and proper decision-making (Bennett, 2016), is significant in predicting sustainability. To survive in a highly competitive environment, a start-up nonprofit organization must be equipped with the knowledge, expertise, and the ability to differentiate itself from its competition.

Perceptions of nonprofit organizations

There are many different opinions on the effectiveness, impact, capacity, and viability of start-up nonprofit organizations. These attitudes contribute to stereotypes and biases that may affect the way that nonprofits are connecting with community members, funders, and other organizations. According to Heller and Reitsema (2010), nonprofit organizations may be judged on their ability to achieve their goals, the effectiveness of management, organizational values and goals, and strategic planning. One way in which the perception of nonprofit organizations has been tarnished is the concept of "image spillover." This occurs when public perception of an individual nonprofit is stigmatized due to basic negative images of similar organizations (Ritchie, Swami, and Weinberg, 2006). This affects the way an organization is viewed and trusted. An example of image spillover is the 1992 incident where the president of United Way of America had “engaged in nepotism, used charitable donations to finance a free-spending lifestyle, and transferred funds to spin-off organisations in which he and other officials had financial interests” (Ritchie, Swami, and Weinberg, 2006, p. 38). This type of scandal caused damaging attitudes toward nonprofit organizations’ reputations and made them the target of public scrutiny.

In a study conducted by Aaker, Vohs, and Mogilner (2010), it was found that consumers perceive nonprofit organizations as targeting worthy causes and being more caring than for-profit businesses, but that they lack higher levels of competency. The study proposed that stereotypes of organizations may exist based solely on whether a firm is for-profit or nonprofit. Another common belief is that “nonprofit professionals exploit their power and misuse funds” (Fisher, 2015, p. 1), causing society to view nonprofits as dishonest and self-serving. All of these factors create a negative perception of nonprofit organizations, impacting effectiveness, growth, and sustainability.

Factors influencing donor behavior

Perception influences the way in which we behave and make decisions. Personal values, as well as likes and dislikes, play a major part in how we perceive people and organizations. If trust or accountability is absent from an organization’s reputation, especially due to immaturity, there is an increased likelihood that there will be hesitation in funder and/or donor giving. Studies have found that when a nonprofit organization with a positive reputation forms a partnership with a negative reputation organization, the willingness to donate to the positive organization significantly declines (Fisher, 2015). This leads to the assumption that consumers do in fact present bias to organizations that they feel are socially responsible. According to Heller and Reitsema (2010),

> The decision to donate to a nonprofit organization is also bound up with personal and societal values in a way that doing business with a private sector is not… Hence, reputation is critically important to nonprofit organizations… reputation is closely tied to people's willingness to donate. (p. 137)

Another study revealed that stereotypes exist for both nonprofit and for-profit organizations, and these beliefs influence crucial marketplace behaviors (Aaker, Vohs, and Mogilner, 2010). Further, Sargeant, Ford, and West (2005) state that the determinants of nonprofit giving behavior are influenced by a variety of extrinsic factors to include demographics such as age, gender, social class, social norms, and religious belief, as well as intrinsic factors to include empathy, sympathy, emotions such as guilt and pity, and the way in which a person views the world in terms of social justice. These factors are significant indicators of motives when deciding to support a nonprofit. For example, if a person received some form of support from a community project or nonprofit organization as a child, they may feel an obligation to support other children in the same way. This underlying sense of obligation may come from a feeling of appreciation for the impact of that organization, or even a feeling of guilt for leaving a community need unmet. In the same way, a person may feel convicted to support a public charity or tithe to a church due to their religious beliefs.

In contrast to the research previously discussed that supports the connection between donor perception and giving, there is also research that suggests the contrary. Fisher (2015) conducted "there is no statistically significant relationship between the independent variables, being donor perception, and the dependent variables, being donation history and future giving" (p. 26). Many factors that could contribute to negative perception of a nonprofit organization showed no evidence of change in monetary support nor volunteerism. These factors range from changes in charity rating, operational efficiency, low overhead, and decline in charitable confidence (Fisher, 2015). This study implies fluctuation in giving could be due to other motivating factors not discussed in this research such as donor benefits to include tax breaks, organization paraphernalia, invitations to organization events, etc.

Research Methods

The author administered interviews with various funders in the Greater Richmond area. The author collected and analyzed qualitative data to identify themes and provide recommendations to start-up organizations and the funders who support them.

Using a phenomenological approach, the author interpreted the individual perspectives of three Richmond area donors who provide funding to nonprofit organizations. Although only three telephone interviews were conducted, there was overlap in the themes that emerged in these conversations. The resulting data presented here is an exploratory first step in looking at issues of perception in funding startup nonprofits. The Institutional Review Board (IRB) of the University of Richmond approved this study to include the recruitment email, consent form, and the interview questions (see Appendix A for interview questions).

The three interviewees were female professionals in the Greater Richmond area familiar with grant/funding processes and procedures. These women are decision-makers in Richmond area foundations that provide grants to support nonprofit organization growth. Participant A is the Vice President at a foundation that provides community impact and capacity-building grants to eligible 501(c)(3) organizations serving the Richmond and Central Virginia region. This organization has a focus on community vibrancy, economic prosperity, educational success, and health and wellness. Participant B is a Managing Director at a foundation that provides support for registered 501(c)(3) organizations, as well as organizations working toward their tax-exempt status in the Richmond region. Their initiatives include access to health care and health equity grants. Participant C is a Senior Manager of a major corporation that heavily supports 501(c)(3) organizations and community service projects. This organization crafted an initiative that provides a comprehensive training and coaching model that strengthens nonprofit organizations by helping them to better leverage volunteers strategically and build capacity, in addition to providing grants for education initiatives and affordable housing.

Research Findings

Five major themes emerged from this research process: mission alignment, life cycle stage, perception, elimination of bias, as well as organization barriers and common mistakes.

Mission Alignment

In order to determine how start-up nonprofit organizations are affected by funder perceptions, the researcher first had to clarify with the foundation interviewees what criteria they use when evaluating a proposal. According to both foundation interviewees, the most important factor in considering a grant proposal is how closely the proposal and organization mission and/or program was aligned to their strategy. One participant stated that their organization asks "does this proposed project or even the whole organization align to our strategy for promoting the change we're trying to be a part of in the community?"

Participant A's organization's grants are open to any nonprofit organization and provide a framework of specific strategies for promoting the change they are trying to be a part of in the community. Participant B's organization offers grant acceptance primarily through responsive grant making, which is either a call for application or request for proposal from particular nonprofit organizations. She did state that historically they will, from time to time, give organizations the opportunity to come and present a proposal for funding. Participant C's firm offers grants through invitation only to organizations in which they have established relationships. From time to time they offer a "shark tank" approach and allow nonprofits the opportunity to submit a grant proposal. They specifically seek out "passion projects that align with the strategy" of their organization. As there are specific agendas for community improvement for each organization, alignment with a priority area is also a factor. Both foundation participants are a part of the screening process of grant proposals. Specific requirements also need to be fulfilled. Participant A stated that, in her experience, start-up nonprofits do not always have a clear mission or vision for their organization and that can hinder the chances of being funded.

Life Cycle Stage

As previously described, the start-up stage of the organizational life cycle is within the first five years, where organizations are still in the early stages of development and vulnerable to failure. When asked if life cycle stage had any impact on seeking funding, it was found that there were no eligibility criteria for organizations related to operating budget, size, or age. Each of the three grantors accepts proposals from nonprofits at every stage of the organizational life cycle. Participant B's organization will even approve grant proposals from certain organizations that are working towards obtaining their 501(c)(3) status if the work aligns with their mission. They offer funds for general operating support to aid organizational growth. Participant A's organization seeks risk-takers and gives them the opportunity to try something new and innovative. Participant A's organization seeks to identify and fill gaps in community services.

That being said, historically more established, sustainable organizations are funded at a higher rate. Participant A stated that, “organizations that have transitioned into the maintaining stage have identified a gap and figured out their business model.” She also stated that the maintaining stage organizations have strong leadership in the organization and are sustainable. Participant C stated that when her organization is considering funding a new organization, they are looking for sustainability; however, she did not explain how sustainability is measured.

Perception

Start-up nonprofit organizations were held in high regard in terms of being visionaries with a passion for change and serving the community. When asked to characterize start-up nonprofits, Participant B responded that “they come in all shapes, sizes, and capabilities” and are all coming from a good place. There was a shared theme that all three interviewees’ organizations want to support start-up nonprofits, and sometimes do, but they all reported that start-ups make common mistakes. For example, start-ups often submit grant proposals or applications with incomplete information or fail to research the organization from which they are requesting funding. In addition, at times they do not meet the criteria that larger, more established organizations are able to provide, such as appropriate financial history or an active portrait, or profile of the nonprofit, on GiveRichmond.com. Participant A continued, “There is sometimes pure genius in there and we want to nurture that or connect it to someone that could help keep that moving.” They never want to completely discourage potential grantees because they could be discouraging the solution, so they try to find a way to connect them to the support or resources that they need, just not always financially.

Interviewees were also asked if they agreed with the perception of uncertainty that start-up nonprofits mismanage income or resources. None had that perception of start-ups. Participant

A stated that she had seen very sophisticated organizations mismanage money. She felt that it was not just an issue with start-up organizations and one that is a large area for improvement no matter the size, age, or life cycle of a nonprofit. She did, however, state that start-up organizations may not be able to budget for bookkeeper, accountant, or finance officer.

Interviewees were also questioned about the influence that nonprofits' reputations held in the acceptance of proposals. All participants stated that reputation is a factor that is looked at when making decisions on an organization. Participant B stated, "I think probably it does, again that's not a criterion we use, but just human nature I would imagine that it must influence to some degree. But again that is partly why we like to use external reviewers and have concrete criteria for evaluating our proposals." Participant A discussed how reputation is taken into consideration when decision making, but they do "take it with a grain of salt" and look at who gave the organizations that label, whether it be negative or positive. Their organization still researches the nonprofit seeking funding. Participant C's organization base their decisions heavily on reputation as they are particular to the brands that they are tied to.

Elimination of Bias

As it has been found that perception, reputations and bias can factor into decision making, interviewees were asked how their organization balances personal preference and official grant criteria. Participant A stated that you "can't completely separate it" and you just need to "call it out." There are various ways for funders to eliminate bias of certain organizations. At each organization, decisions are never made by one single person or party. Participant A's organization has numerous reviewees and they make group decisions. Participant B's organization accesses external review committees to make decisions regarding which organizations to fund. Another method to stay unbiased in decision making is to develop specific grant criteria. Grant application guidelines allow for fair and equal opportunities for all nonprofit organizations no matter the stage in life cycle, age, or size. As Participant C's organization offers grants by invitation only, they are not determining their prospective organization by size or life cycle stage, but by mission alignment and sustainability.

Organizational Barriers and Common Mistakes

While all interviewees agreed that start-up nonprofit organizations can have great impact in the community, there were barriers that could possibly hinder their chances of funding. All participants found that lack of financial statements was the number one barrier for start-ups. As they are still in the early development stages, they typically do not have the financial history needed or financial audit required for proposal acceptance. Either they do not have the time established to provide prior financial records or they do not have it in their budget to have an audit completed. Another barrier is the lack of experience to properly write a grant proposal or manage a grant effectively. This is crucial as foundations receive numerous grant proposals and minor errors can eliminate the chances for the proposal to move forward in the review process. Participant A's organization also requires that the nonprofit organizations seeking funding register with Give Richmond, which is a time consuming process. Participant B stated that these processes can be very intimidating to a start-up nonprofit organization, which can cause hesitation to apply or submit a grant proposal.

Interviewees were asked if they observed mistakes that start-up nonprofits make when submitting a grant proposal. Start-up nonprofits have the passion to bring forth change and serve the community, however, funders did recognize some common mistakes made by start-up nonprofit organizations. Having a zest for doing good, potential grantees can sometimes "jump the gun" and their inexperience causes them to miss significant steps in establishing an organization. Participant A found that first-time organizations have a tendency to ask for an extremely large amount of funding with no support from other resources. Participant B saw that inexperience caused many start-up nonprofit organizations to overpromise what can be accomplished. In addition, it was found that many times for new start-up nonprofits, the foundational work had not been completed. They were unprepared and had not conducted any research on the community, need, or partnership, and had no clearly articulated strategy; the factors that lead to long-term success and sustainability. Participant A felt that many start-ups have a better chance for sustainability if they partner with existing organizations to build capacity and purpose.

Implications of the Research Findings

The findings in this study provided valuable insight into start-up nonprofit organizations' understanding of their funders and their giving patterns. For instance, in order for start-up nonprofit organizations to take advantage of the opportunities for funder support, it is imperative that they understand how they are perceived, how that affects their viability, and how they can strategize to overcome any negative perceptions. From the research, it was found that there are in fact stereotypes and biases that question legitimacy and capability that affect decision making when giving financial support. Because it is difficult to separate perceptions and giving behavior, there are procedures set in place to ensure fair disbursement of funding, such as external review of proposals and precise grant criteria. Nonetheless, negative perceptions may still undermine funding. When applying for or submitting a proposal for a grant, there were a number of explanations that were given as to why some start-up nonprofits were denied funding. The most common and important explanations were unclear mission, lack of research, and impractical requests and/or outcomes.

As indicated in the interviewee's commentaries, an organization's mission is imperative in more ways than one. The mission defines the core purpose of an organization; its goals and desired outcomes. It guides that organization's values and principles. The mission must be clearly articulated, easily communicated, and have measurable anticipated outcomes. To achieve this, an organization must ensure that their principle values, passions, and services align. Funders must plainly understand what an organization is seeking to address in the community so that they are fully informed as to what cause they are supporting. In most cases, this mission must also be closely aligned with the funder's strategy or priority area in order to procure funding. In this way, the funder is able to collectively make a lasting impact in the communities and/or demographics that they serve.

This is also why it is important to ensure that programs and services are consistent with the organizational mission. When nonprofit organizations begin to shift their focus to secure funding, this can undermine the work that it originally set out to accomplish. The mission is then no longer in line with the identity or core values of the organization and may affect quality of the services provided. This too can cause funders to question the clarity of an organization's mission. Once a clear, focused sense of desired impact is formulated, the nonprofit organization is able to identify which funders are a natural fit for their cause.

The next factor influencing start up grant funding is whether or not the organization has done all of their homework. As a start-up nonprofit, organization leaders are often passionate about a cause and are eager to "do good" and provide services to the community. This enthusiasm can occasionally result in inadequate foundational work such as understanding community need, community access, existing organizations with the same or similar mission, competitive landscape, and normal business basics. All of these factors are important when starting a nonprofit organization, when seeking funding, and for growth and longevity.

Due diligence is imperative for attaining financial sustainability. A start-up nonprofit must research the organization from which they request funding. There needs to be an understanding of what the organization does, its goals and how it achieves them, and the leadership of that organization, in addition to the grant process, criteria, and history of giving. Simple ways to achieve this include searching the organization's website, using grant directories such as Foundation Directory Online and Grant Finder, and consulting grantor databases such as GuideStar.org and Charity Finder. Developing a strong mission and vision, creating a business model and business plan, as well as creating a budget and understanding financial management are also vital processes in achieving support and sustainability. Completing these steps displays that the nonprofit has carefully and thoughtfully researched all aspects of their idea. Detailed research is necessary for success. When this ground work has been completed, start-up organizations are better equipped to stand alongside larger, more established organizations.

Lack of research can also play a role in the impractical ask. In addition to the significance of researching the market, organizational leaders must also have an understanding of what is realistic when strategizing and submitting a grant proposal. Overpromising outcomes and requesting excessive amounts of funding, especially without other sources of support, show signs of inexperience and lack of proper examination. It is important to be aware of expenses for programming, overhead, salaries, marketing, etc. and having the ability to appropriately budget for these costs. An organization must be able to explain how funds will be allocated and how this will impact the community or recipients of service. It is important that funders can see that there is some knowledge in the management of grants and a sustainability factor. If a nonprofit, especially in the start-up phase, does not have any staff with this type of knowledge then it can be obtained through workshops and classes on grant writing and financial management of grants and nonprofits. These are offered locally through Nonprofit Learning Point, Virginia Commonwealth University and the University of Richmond, as well as through online webinars. In the same way, an organization must demonstrate knowledge of the population that they serve. Unrealistic outcomes, whether due to time restraints or limited resources, indicates to the funders that adequate research has not been conducted which can lead to mission or organizational failure as a whole.

In addition to the five well-articulated themes impacting grantor decisions, there were a few additional elements that interviewees mentioned as significant to funding, but these are not within the control of the start-up nonprofit organization. For instance, most funding organizations require financial statements to include a financial audit that many start-up nonprofits do not possess due to expense. Some funders require three years of financials, which if under three years of formation, is unavailable. Other smaller start-ups have also been intimidated by the financial requirements. If this is the case, start-up organizations should keep accurate financial documentation using accounting software as some exceptions are made for organizations that do not have official financial audits.

Value of the Research Findings

For foundations and corporations, these findings provide valuable insight into methods of nurturing and promoting the growth of start-ups serving populations in need. In order for this to be done, funder organizations should provide access to a clear framework for proposal submission. Participant A’s organization’s website provided detailed requirements for submitting a grant proposal for each of their focus areas. In addition, direct contact information is provided if questions arise and new organizations or first-time grant seekers are required to contact an organization representative before submitting proposals. If this protocol were to be followed by other funding organizations, it could minimize errors as well as save valuable time for both the nonprofit and the funding organization. With the number of proposals received, time could be saved on unqualified organizations and/or incomplete requirements.

Another method to further and possibly expand support is to reduce criteria restrictions of start-up organizations that are beyond their control. For start-up organizations that are newer and do not have the required financial documentation or a financial audit, they could be required to submit valid accounting documentations such as bank statements that coincide with financials created with accounting software, the Form 990 EZ (Short Form Return of Organization Exempt Income Tax), as well as an impact report. It is understood that without such forms, funders are taking a higher risk in providing financial support. However, if these same organizations are proving effective, lack of financial resources should not hinder their chances of being funded. These grants may be the key to their sustainability.

Start-up nonprofit organizations are significant contributors to the communities and populations that rely on them. As the number of nonprofit organizations continues to grow, survival rates have not increased. Understanding how the community, funders, and recipients perceive start-up organizations affects financial support and community engagement. As there was limited research in the perception of start-up nonprofit organizations, the data that currently exists is inconsistent. Although the results of the qualitative study did find perceptions affect start-up organizations, it was not necessarily in a negative manner, which is contrary to what the researcher anticipated. This research model can be used to further explore giving behavior of funders and extend that research to community members to help start-up nonprofit organizations overcome obstacles to sustainability. The results also shed light on the negative connotation associated with the nonprofit sector, which can be used to improve and rebuild the reputation of this sector. Any additional findings can also be applied to for-profit organizations also in the start-up stage of the organization life cycle.

Future Research and Conclusions

As the rates for start-up nonprofit organization failure is over 40 percent, it is important to understand why sustainability is highly vulnerable in this stage. The findings presented in this research were derived from organizational research and interviews conducted with Richmond area funders. Due to time restraints, the researcher pursued interviews with a limited sample. As there is limited research available with consistent outcomes, continued data collection and analysis should be conducted in order to find any true association with perception and giving behavior. This study should be extended to other donor populations, such as individual donors and government grants to gain a broader view of start-up nonprofits so that they are able to focus their energies on various sources of revenue.

In conclusion, this research has identified some major themes to help start-up nonprofits better position themselves in preparation to solicit financial support from foundations and corporate funders. This study examined how funder perception could possibly affect funder giving behavior. Biases do in fact exist for nonprofit organizations, however, it is still uncertain whether or not perceptions impact donation behavior. These findings emphasize the importance of conducting foundational research, establishing mission statements that align with the identity of the organization itself, and setting realistic expectations for the organization's ability to create impact and outcomes. The results of this study are fairly consistent with previously documented studies. In the author's opinion, the results and implications will positively affect the nonprofit sector by making more transparent the factors that motivate grantors to provide funding to start up nonprofits. It will also affect research in determining proper preparation and implementation of aligned organizational strategy and financial sustainability.

Through this exploratory study, the author has identified meaningful, relevant information that can be used by start-up nonprofits and the organizations that support them. This benefits not only individual organizations, but the community at large. When nonprofits thrive, communities have better access to valuable services that address community needs. As the survivor principle illustrates, having a good idea is not enough to ensure success. Start-ups must consider what they can do to get a competitive advantage. By better understanding the factors that influence funder decision making, start-ups are better equipped to achieve their mission.

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Appendix A

1. What is your position with your organization?
2. What role do you play in the decision making process for funding organizations?
3. What are key organizational factors you or your organization look at when inviting an organization to apply for a grant or when considering their application?
4. Does it matter what stage of the life cycle (i.e. start-up, well-established) that an organization is in when seeking funding?
5. What is your personal perception of startup organizations? How would you characterize them?
6. Are there any criteria that would hinder the chances of a startup organization receiving funds?
7. What are the most common mistakes you see from startup organizations when applying for grants?
8. How do funders balance their personal preferences and official grant criteria when making funding decisions?
9. I read that there is a perceived uncertainty of income/resource management of small nonprofit organizations. Do you agree with this statement? Why or why not?
10. Does organization reputation factor into the decision to fund a program? If so, why?
11. Do you and/or your organization provide grants to a particular subsector? If so, why?
12. For grant making purposes, do you particularly fund larger or smaller nonprofit organizations? Why?
13. Once grant applications are received, how are they organized/categorized for review? What does the review process look like?

14. Is it more important for your organization to fund a program that would deeply impact a small number of recipients or one that would provide resources to a large number or range of recipients? Why?