

WWA DEVELOPMENT CHALLENGES AND STRATEGY

Bruce Ross, Executive Director WWA – January 2023

Executive Summary: WWA has benefited from slightly growing chapter event revenue over the past few years, but other sources of revenue are outpacing chapter event revenue growth. This is good news. And further, we are poised to capitalize upon programs and associated funding that has been developed over the past couple of years to accelerate this relative growth of alternative funding. Doing so requires additional marketing of these programs and specific outreach strategies by both staff and key volunteers. But the Board must also guide the organization to continue the programs and event-generated funding currently on WWA’s “plate”. The staff and the Board have critical roles. Accountability for fulfilling those roles will be important.

A. Background - Non-profit funding realities as applied to WWA

1. **UNRESTRICTED REVENUE:** Chapter events /raffles are our current primary source of revenue for overhead, like staff costs. Few other sources of unrestricted funding are available to WWA—until we gain benefactors who can provide such unrestricted funds. This event revenue includes funding for our Habitat contractor (HRP) and supports our various other mission initiatives that require cash. Risks to this source are relatively high: volunteer burnout, attendance drops, inflation, loss of trust, recessions, relevancy, etc.
2. **RESTRICTED REVENUE:** The vast majority of grants, corporate sponsorship and philanthropic donations are targeted to non-profits that can deliver mission results.
 - a. So generally, these funds can NOT fund overhead, but rather are financial resources to be used in a specific program to deliver results important to the funder. Think: R3 grant, EXPO sponsors, DNR Public lands ecologist, NRCS contract administration, Duck stamp, F&WS admin fee, etc.... Yes, each of these initiatives brings additional revenue, but they also cost money to implement or manage—usually more than the revenue source provides since funders often expect matching resources.
 - b. Sometimes if the funder allows, we can scrape off some small percentage (less than 10%) of program funds to support overhead costs.
 - i. If we have enough program-derived funds that allow some scraping of overhead funds, more overhead can be subsidized. But of course, these programs demand more of the overhead or staff to support it. Or, for WWA’s current reality, volunteers must step forward to manage or administer the programs until the programs (if worthwhile) can be “professionalized” as additional sustaining funds are acquired.
 - c. **IMPORTANT FUNDING BENEFITS OF PROGRAMS.** This sort of program-developed funding has been an important focus area of WWA fundraising effort since I onboarded. WWA must have visible, significant program impacts for us to be at all successful in our space. Such programs fundamentally do important things for WWA’s

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quest for sustainable funding:

- i. As noted, they provide some percentage of funding to support overhead
- ii. They demonstrate WWA's impact on behalf of state waterfowlers (encouraging membership growth = unrestricted funding)
- iii. They suggest a growing organizational maturity, which correlates to longevity (and worthiness of investment by individual, corporate, philanthropic entities).
- iv. They can attract interested funders to support the program (if they attract more investment than the program requires, excess funds can be used to cover overhead or be invested in new initiatives).
- v. There are other organizational benefits too. Specifically, attracting willing and capable volunteers to programs in which they are willing to invest their energy. (And attracting event attendees to events to support an organization doing the things they believe are important.)

Realizing the development benefits above means the programs must first exist, which takes time, staff energy and willing, capable volunteers. But it's not enough that the programs simply exist. The initiatives need to be exploited / marketed to achieve the parenthetical benefits above... which requires even more energy of staff and / or volunteers.

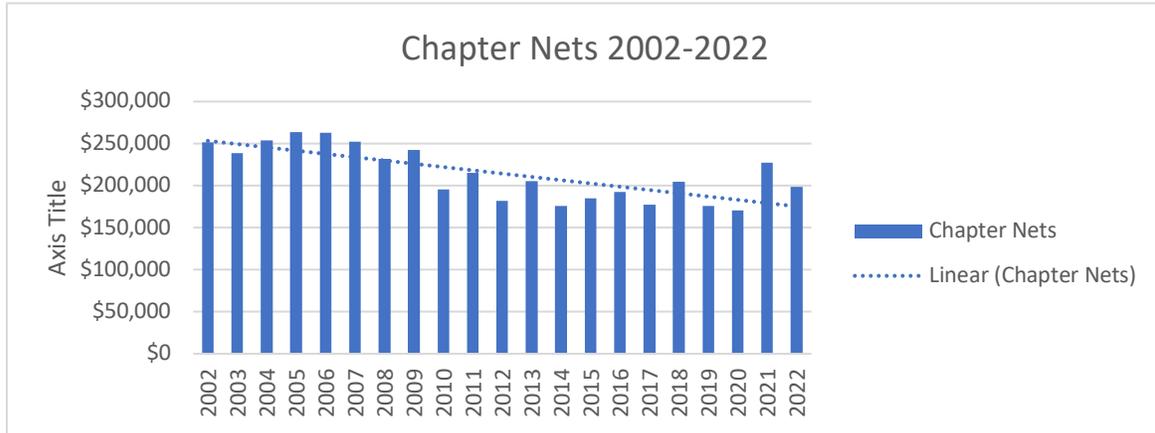
3. **EXPANDING NON-EVENT, NON-PROGRAM REVENUE.** The *holy grail* of individual, corporate or philanthropic support is large dollops of unrestricted funds that can be used to keep the organization's management/administration operating efficiently. Such funds are hard to come by, and typically require funders who understand points 2a. and 2b. above and value of the organization's impact in areas important to them—point 2c above.
 - a. **REVENUE DERIVED FROM INDIVIDUALS OUTSIDE OF EVENTS.** We have initiated some fundraising programs to tap these potential individual funders (sustaining memberships, legacy program, endowment, year-end appeals, etc.) but these are not yet producing the level of funds that are needed to cover overhead costs to any significant degree. They will grow in the future, I'm confident, if we stay the course. And it will benefit from increased marketing of new programs that show WWA relevancy. This work is almost exclusively due to the efforts of one volunteer – Russ Olson.
 - b. **CORPORATE- OR FOUNDATION-DERIVED REVENUE.** There are also some other, but limited number of, sources for overhead expenses which should be regularly approached to develop additional funds—these included philanthropic charities, and corporate sponsors, or deep-pocketed individuals. The development plan for 2023 includes these as a general objective, but more specific implementation is required. Those specifics are being worked on and should receive high level Board accountability.

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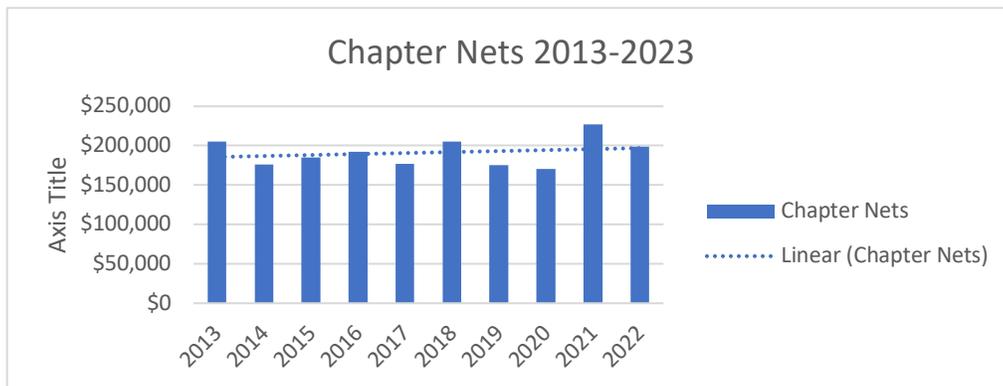
B. Revenue trends

1. CHAPTER EVENT AND NET REVENUE ANALYSIS

Long-term trend is down. Event/raffle revenue has been an important source of revenue for WWA. But as shown below, the trend of event revenue in the past two decades is downward. The factors causing this downward trend are beyond this analysis, but would include declining chapter numbers, reduced banquet participation, questions of efficiency, and individual effectiveness. Still, it forewarns that event derived funding has a shelf-life.



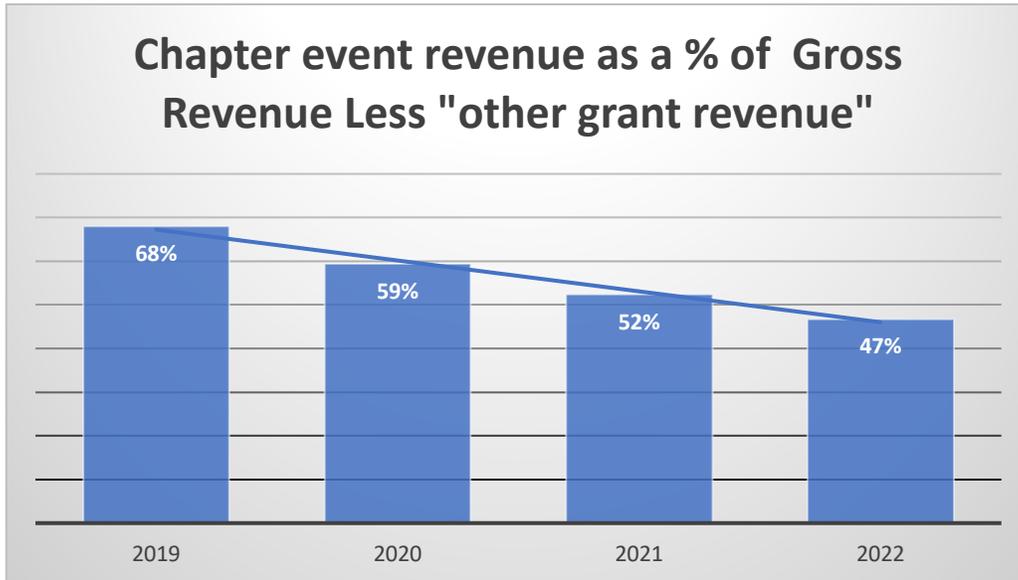
Short term trend is mixed. Notably, if the period of trend under consideration is shortened (say to just the last decade), the trend is actually positive but not significantly. WWA can move this trend line further upward by expanding its grass roots development activity: more chapters, more events. This is included in the Development Committee’s goals for 2023.



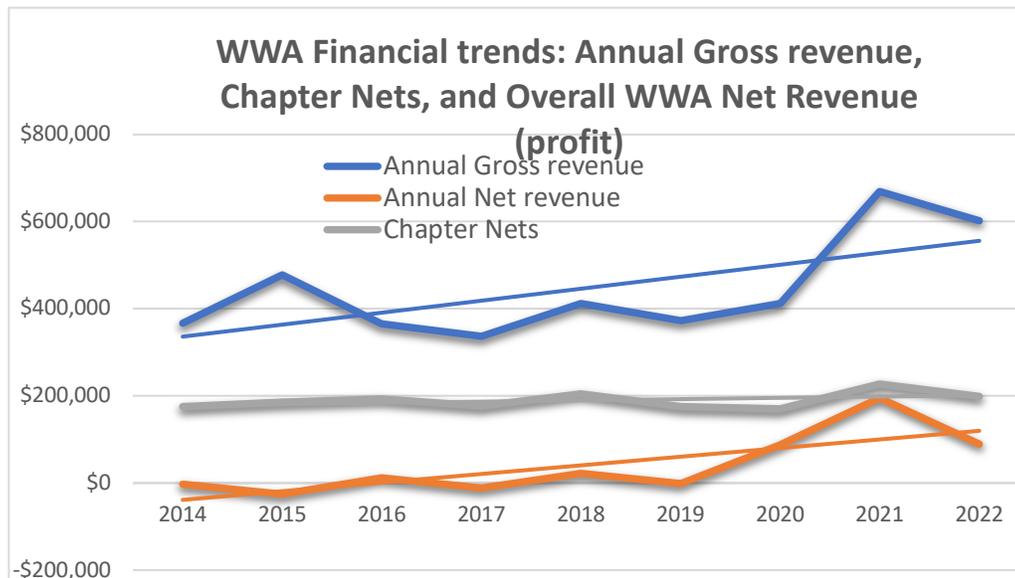
Chapter Event revenue is down relative to overall WWA Gross Revenue. Over the past 4 years, event revenue as a percentage of overall Gross revenue (i.e., before expenses) is shrinking relative to other sources of income, as shown in the chart below. These data exclude “other grant revenue” which is really associated with the FWS grant administration that we conduct for the FWS but is not subject to WWA control. Here, \$50K of Covid related PPP have been removed from consideration in 2021. This

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reduction of relative dependence on Chapter revenue is a good thing for WWA sustainment.

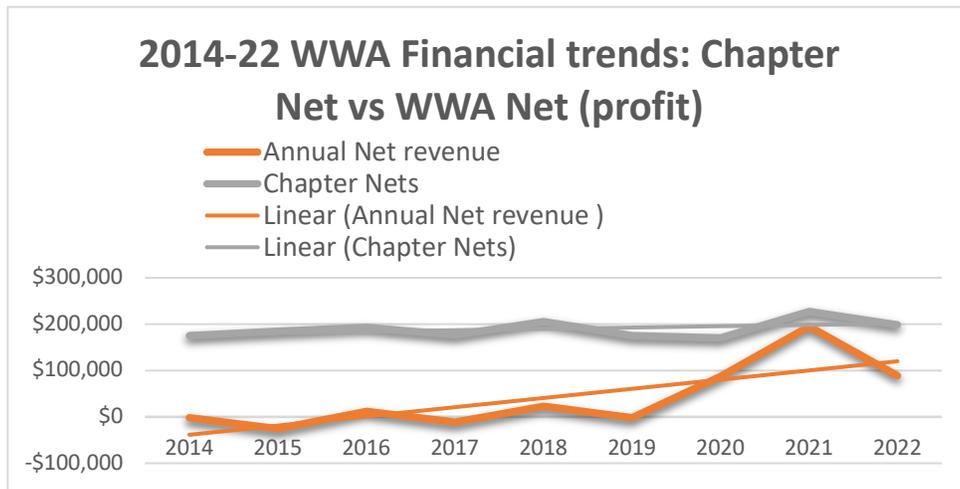


Other revenue sources are contributing more to WWA's overall Net Revenue ("profit") relative to event revenue. Comparing the trends of Chapter Net (grey line) trends with Gross Revenue (blue line--i.e. all sources of revenue) and WWA overall Net revenue (orange line--i.e., WWA 'profit') to Chapter Nets is revealing: WWA's other sources of revenue are growing at a faster rate than chapter net revenue, especially over the past 4 years, as shown below. While there are many factors that contribute to annual Net Revenues (including expense control), at a simplistic level it's clear that WWA is finding more revenue from sources outside of events. Note one anomaly: COVID PPP payments of ~\$50K are included in 2021 numbers, but still the trend should be clear.



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Average Net Revenue is up significantly for reasons beyond chapter events. And these additional funding sources are contributing to substantially greater WWA ‘profit’. Even with a relatively consistent of event revenue as shown below (orange line), WWA’s annual net revenue (orange line) averaged -\$1,100 for the 5 years between 2014 and 2019. In the three years since then, WWA’s annual “profit” has averaged almost \$124,000, while chapter nets have increased an average of “only” \$18,000 in that same time period. The COVID anomalous years deserve some, but certainly not all, of the credit for this significant change in balance of revenue. WWA’s recent financial success cannot be explained by chapter events alone.

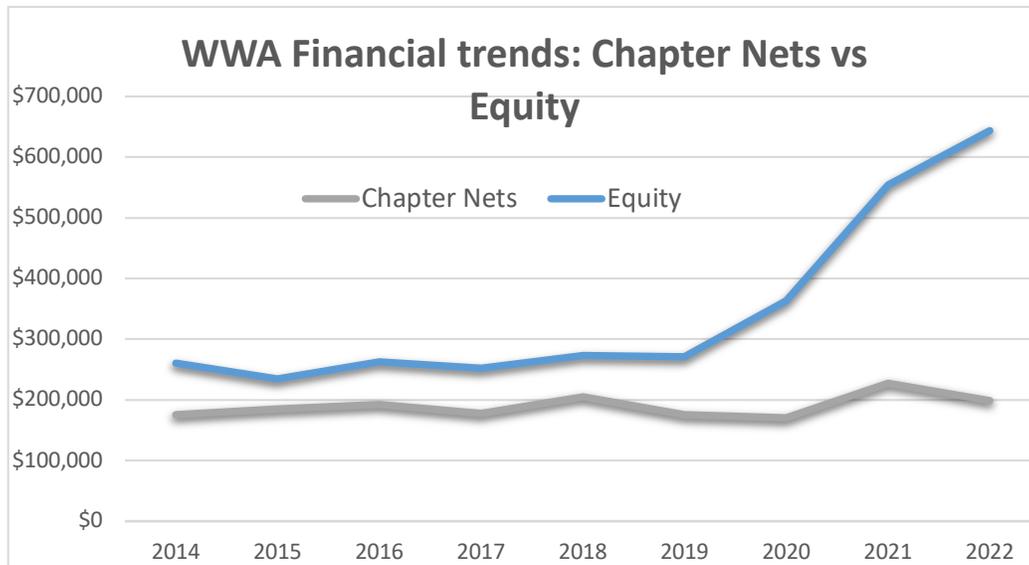


C. **Increased “profits” must be re-invested wisely.** This profit, or Net Revenue, may be re-invested in WWA priorities. In fact, over the last couple of years, WWA has funded priorities while creating rainy day reserve funding to mitigate against more challenging funding environments in the future. The strength of WWA’s balance sheet, as reflected in the blue line below, has jumped nearly 140% from 2019 to today. This unprecedented balance sheet strength:

- Provides some confidence to investors and charitable institutions that WWA will be around in a few years
- Allows sufficient operating capital to cash-flow programs in advance of funding. This is important to creating and sustaining programs underwritten by grant funding (et.al.) that is based on reimbursement of WWA expenses rather than up-front payments
- Past performance is not a guarantee of future results. If revenues were to ebb, WWA must have sufficient reserves to weather the downturn.

WWA investment opportunities should be carefully weighed to ensure a sufficient return on each investment to offset the opportunity-cost of that cash for the above purposes.

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- D. **Poised to grow other sources of revenue.** WWA is positioned to leverage the new program initiatives developed over the past two years to expand non-event sources of revenue even further. With strong marketing and targeted outreach, touting these programs can attract individual donor, charitable foundation and grantor support. They will also contribute to growing our membership and individual participation in recently established sustaining funding programs like sustaining membership, endowment contributions, and legacy gifting.
- E. **A lot of spinning plates.** This is all generally good news. But it is not a sufficiently stable situation to take WWA's foot off the gas or we risk sinking to irrelevance. If the Board wants WWA to continue a path of increasing impact and more balanced funding, there must be an informed commitment to doing several things simultaneously.
- a. **Balancing act.** The following activities **MUST** be done well for WWA to remain on an upward trajectory of increased impact that is supported by balanced revenue sources:
 - i. Running the newly added programs successfully
 - ii. Marketing those programs to gain maximum traction with funders, members and volunteers,
 - iii. Identifying and effectively outreaching to important potential funders
 - iv. Sustaining (and maybe growing) event revenue through more chapters, possibly more events / chapter
 - v. Identifying and smartly executing investments of energy and money that bring the greatest returns

The Board must be aware there simply is not enough staff capacity to do all the above activities that are necessary to increasing relevance. Fortunately, there seems to be sufficient volunteer talent and commitment to these activities—Director active participation and leadership is key.