

STARTING A JEWISH NONPROFIT? THINK AGAIN.
BEST SOURCES AND METHODS FOR STARTUP FUNDING

By

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Abstract

The United States has experienced a significant rise in the number of nonprofits, and the Jewish community is no exception. Jewish nonprofit startups span across wide industries from arts to advocacy to social services. Organizations have developed to address a problem or produce an expected result specifically for a Jewish population or with Jewish values, such as *tikkun olam* and *tzedakah*, in mind; these startups attempt to fulfill Jewish needs in innovative ways, especially by focusing on niche communities and by using social media.

This thesis examines how Jewish startups find funding. I based the information on twelve interviews, seven with entrepreneurs and five with donors and organizations that support innovative Jewish ideas. I found that three strategies were common among successful startups and were recommended by donors: 1) strong and stable leadership, 2) networking, and 3) partnerships and collaboration, specifically in the form of intrapreneurship. In addition, interviewees effectively raised money for their startups in a number of ways, including grants, fellowships, crowdfunding, self-funding and friends and family. While entrepreneurs used social media to market their projects or organizations, they expressed challenges in using the Internet successfully to raise money.

Recognizing that this research can help current and future Jewish organizations and projects succeed, I provide recommendations for Jewish entrepreneurs regarding attaining seed funding, which includes a list of Jewish foundations and fellowships. Donors to innovative Jewish organizations and projects can also use the information presented in this thesis when selecting programs and participants to fund.

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Chapter I: Introduction

Matthew¹ had a great idea and wanted to start an organization that caters to a select group within the Jewish community; however, no Jewish organizations existed that addressed the issue he wanted to address. He did not know where to begin searching for funding sources, so he began by networking in the Jewish community. He eventually met people who led him to apply for grants and connected him with other leaders. Since then, Matthew's organization has helped many young Jews meet, engage in Jewish life, and connect to their Jewish identities. If it were not for Matthew's networking efforts, his organization would most likely not exist or his journey of attaining funding would have been much more difficult.

Many Jews today have ideas for new programs and organizations, and they often experience difficulty in searching for available funds to develop their ideas. With people like Matthew in mind, I decided to research Jewish startup organizations and projects, with the goal of identifying the best sources and methods for raising money. I identified two groups of people who can benefit from my research:

1. Individuals considering starting a new Jewish organization or project, or current organizations looking to launch new projects within their organizations.
2. Current and potential donors to Jewish startup organizations and projects who are seeking to understand better the process in which entrepreneurs seek startup funding.

This thesis provides information about the types of funding sources and fundraising methods identified through my interviews, including their advantages and

¹ Pseudonym

disadvantages. This thesis also includes common themes consistent among my interviews that contribute to the success of startups.

I chose to research this topic because it complements my academic background, my professional experiences and my personal interests. The research delved into the inner workings of nonprofit organizations and my passion for entrepreneurial ideas. I also wanted to help the Jewish nonprofit industry, which is in need of diversified sources of revenue. I was particularly interested in exploring microfinancing and other new Internet-based options.

For the purposes of this thesis, I needed to define the terms microfinancing and startups. Microfinancing refers to businesses or organizations that pool small amounts of money from various sources in order to further fundraising endeavors. I define startups as organizations founded in the past ten years (since 2003), because of the increased influence of the Internet on businesses, organizations and communities during that period. In addition to organizations that meet this criterion, I also interviewed some older organizations, still considered startups by their constituents, to further my knowledge about the struggles of sustaining their organizations and building donor bases. I also frequently use the term entrepreneur in this thesis, indicating the individuals who started an organization or project.

Chapter II: Methodology

This study collected information from Jewish startup projects and organizations about their sources and methods for fundraising. My research questions were:

1. Where do individuals search for funding when looking to start a Jewish project or organization? (Sources)
2. What methods are Jewish organizations using to raise money, and which methods are most effective? (Methods)

In order to collect this information, I began by searching the web, journal articles and books for information about nonprofit funding strategies and various forms of raising money for startups. I also looked into the role of social media, microfinancing and the Internet in fundraising and other organizational functions through online research and questions for my interviewees. I then narrowed my focus by researching various Jewish specific funding sources. I interviewed twelve people in Los Angeles: seven Jewish people who either started their own Jewish nonprofit organization or began a Jewish project for which they needed to raise money; the other five subjects were either staff members or lay leaders of organizations that support innovative Jewish startups.

I created and used two separate interview guides throughout my research; I designed one for the entrepreneurs and the other for the staff and lay leaders of organizations that help support Jewish startups. In the interviews with entrepreneurs, I split the questions into three categories: diagnostics, action pursued and outcomes/learned experiences. The diagnostics section included basic questions about the startup, such as plan of action and the process of searching for funding sources. The action pursued section included questions about the actual process of raising money, success

measures, funding strategies and timelines. Finally, the outcomes section included questions and stories about how the entrepreneur thought his or her work plan would turn out versus how it actually turned out, as well as the most important lessons learned in that process.

The interviews with donors included questions about key elements that attract funders to consider a project or organization and their personal or organizational definitions of innovative ideas. I also asked about their perceptions of the necessity of fundraising strategies and their thoughts about why Los Angeles is a unique location in terms of resources available for successfully beginning and sustaining a startup. I chose to interview donors, organization supporters and entrepreneurs because I wanted to understand how funders choose to allocate their money to support startups. This information proved useful in my research, and I discuss this information in depth in the Business Strategies section of this thesis.

I wanted to analyze and examine information from both funders and entrepreneurs in a uniform manner so that I could compare results among interviewees. In order to do this, I extracted common themes from both sets of interviews and created lists of responses from each organization/project and funder. I also made consolidated lists of all funding sources mentioned so that I could analyze them and identify correlations between types of funding methods and types of startups. I also synthesized information about the advantages and disadvantages of each funding type mentioned by my interviewees.

I originally planned to focus on microfinancing and crowdfunding as well as the use of social media for fundraising for Jewish startup projects and organizations. However, I found that the Internet was not a popular platform that startups used to raise

money. Organizations engaged in social media platforms for marketing an organization or project, or to publicize an idea, but not as a main source of fundraising. In all interviews, entrepreneurs struggled with the question of efficient use of the Internet to raise money.

Chapter III: Literature Review

Rise of Nonprofit Sector

The number of nonprofit organizations in the United States rose over 30 percent from 1998 to 2008, from about 1.1 million to 1.5 million. The number of private foundations grew over 60 percent in that same period, from 70,000 to 115,000 organizations. (Fine & Kanter, 2010, p. 11)

There are many reasons that account for the upsurge in the nonprofit sector.

During times of economic recessions, nonprofits' role in society becomes stronger than ever. In light of uncertain economic times, nonprofits absorb the services to citizens that are usually provided by government. Also, the change in demographics, especially the aging of the baby boomers, has increased the demand for these types of services. The nonprofit sector has also experienced entrepreneurship, with the creation of innovative organizations and new ways to tackle old problems.

Many of the startups that Fine and Kanter discuss in their (2010) book focus on community engagement and identity building rather than social services. The majority of the startups report small average annual budgets of around \$80,000 and relatively small donor bases. Many nonprofits have adopted business models to help their organizations remain sustainable and produce impact (Schmitz, 2012).

Rise of Jewish Nonprofit Sector

The rise of nonprofits is also seen in the Jewish sector. The number of Jewish nonprofit organizations continues to grow despite the economic crash in 2008,

...reaching more than 600 initiatives serving more than half a million people across North America. In addition to money—nearly \$200 million per year flows to the Jewish startup sector each year—a robust portfolio of education, leadership, and organizational development programs is powering the innovation sector and its leaders—and in turn, broadening the reach of their startup initiatives. (Jumpstart, Natan Fund, Bronfman Foundation, 2011, p. 1)

Many of the Jewish nonprofit startups have relatively low budgets and incorporate volunteers to help run their programs. Most Jewish startup founders have high levels of Jewish social capital and are able to use their networks to help support projects. The Jewish startup sector is demonstrating increased capacity for growth and sustainability (Jumpstart et al, 2011).

The correlation between the rise in Jewish nonprofits and the economic downturn is especially fascinating. Rather than restructuring organizations to fit new budgets due to the recession, Jewish entrepreneurs used the Internet to deliver cheap and effective ways for Jews to engage in Jewish life. Organizations incorporated the Internet as a way for people to network and build sustainable institutions for Jewish communities of the future. Online discussions and Facebook event invitations are two examples of this. The recession has partly sparked the sharp rise in the Jewish nonprofit sector (Herman and Landres, 2009). A study by Herman and Landres indicated that,

Inspired by the entrepreneurship economy of the late 20th and early 21st Centuries, enabled by tectonic shifts in technology, and supported by a range of venture philanthropists who operate outside of traditional Jewish giving structures, American Jews — especially young Jews — are building and inhabiting a new Jewish ecosystem that resonates with their value systems and worldviews. (Herman and Landres, 2009, p. 10)

In 2009, 170,000 individual charitable donations made up the majority of donations to Jewish startups in North America. Many startups usually have small donor bases and the majority of these startups experience stagnant or small amounts of growth in early years of operation. Budgets fluctuate based on donor giving levels. As individual donations decreased, budgets shrunk. (Jumpstart et al, 2011).

Nonprofit Funding

The Stanford Social Innovation Review released an article in 2009 highlighting ten funding models for nonprofits.

1. *Heartfelt Connector*. This model includes organizations that focus on causes that resonate with constituents of all backgrounds. The heartfelt connector model creates a structure for people to connect in ways that had not previously existed. This model allows for people to connect on an equal level because it addresses concerns that speak to large numbers of people across all income levels.
2. *Beneficiary Builder*. This model includes nonprofits that are reimbursed for services they provide by past beneficiaries of their services.
3. *Member Motivator*. Member motivators include nonprofits that are driven by membership fees and cooperation.
4. *Big Bettor*. Organizations that rely heavily on a small number of large donations by individuals or grants are considered big bettors.
5. *Public Provider*. This model includes nonprofits that provide government services, therefore they receive some reimbursement from government funds.
6. *Policy Innovator*. Similar to public providers, policy innovators also rely on government reimbursement, but they deliver government services in new and innovative ways.
7. *Beneficiary Broker*. These nonprofits compete with one another to provide government funded services, however beneficiaries can choose which nonprofit they would like to receive services from.
8. *Resource Recycler*. Nonprofits grow their organizations by collecting in-kind

donations and distributing them to needy populations who would not be able to afford the items at a regular price.

9. *Market Maker*. Some nonprofits provide services motivated by market forces because it is illegal or unethical for for-profit business to provide these services. (For example, organ donation funds)

10. *Local Nationalizer*. This model includes organizations that grow by creating national networks of locally based operations around the country.

Although the ten nonprofit funding models listed above are not mutually exclusive and do not necessarily encapsulate all nonprofit funding models, they serve as a good source for understanding the ways in which many nonprofits fund their organizations and projects within their organizations.

Nonprofit organizations obtain funding through various sources such as foundations, individual donors and corporate gifts. While organizations still apply for grants and cultivate individual donors, organizations constantly seek new funding streams, and one of these is crowdfunding. Organizations attempt to identify new funding streams through the use of social media as well. Michelle Singletary writes, “Fundraising challenges have made a number of organizations realize that they need to find new forms of financing so they aren’t as heavily dependent on donors or public grants” (Singletary, 2011). As organizations grow in their early years, they build legitimacy in the eyes of grant makers. After a couple years of programming, organizations that have quantifiable measures, such as number of people served and evaluation strategies, such as feedback surveys can use them to support their need for additional funding.

These traditional sources of obtaining funding are still popular, but the Internet

allows for new forms of giving.

The Internet abounds with social networking tools raising money for good works. These sites and platforms let users connect with charities and each other, plan events, donate directly or create projects to fundraise among friends. (The Economist, 2012)

Websites solely dedicated to raising money through crowdfunding have become more popular, including Kickstarter, Crowdfunder and PledgeMusic. Entrepreneurs pursue the emerging field of crowdfunding, which is both a more intimate and high-tech way to attain seed funding than traditional methods and sources (Yu, 2012).

Donors are more inclined to give to an organization when their personal values align with the values of the organization. This results in a strong donor-agency relationship and contributes to successful fundraising. Many nonprofits struggle with the issue of sustainability due to lack of funding. Shari Harvin contends that, “Few people know where to find it [funding] or how to keep it” (Harvin, 2012). According to Harvin, organizations should implement three key strategies of funding. First, be clear about how much money the organization needs for a certain operation or project; funders want to know numbers and exactly where their money is going to be used. Second, organizations should not rely on foundations as a key funding source; nonprofits should have a diversity of funding sources, including money from grants, corporations and individual donors. Third, nonprofits need to effectively measure their success and the impact of their efforts. Unlike for-profit businesses, nonprofits do not measure their success through income; nonprofits measure success based on ability to fulfill the organization’s mission. Funders who see tangible results are more inclined to give (Harvin, 2012).

Most nonprofit startup organizations are limited to raising funds from individual donors and fundraising events; however, when these organizations become more

established, they are eligible to apply for larger grants (Entrepreneur, 2006). Smaller nonprofits have a difficult time raising money because they do not have established names, adequate or competent fundraising staff or functional and effective boards. Nonprofits can successfully obtain funding when they leverage their current resources and set and reach measurable and realistic goals. Grouping donors into categories according to giving levels can sometimes inhibit successful fundraising. Organizations should avoid focusing on one group of donors over another to prevent favoritism. The idea is to build relations with all levels of donors to ensure a base level of operating support and to make donors feel included regardless of giving level (Garecht, n.d.).

Growing and diversifying the donor base can increase sustainability of an organization because the organization becomes less reliant on a small number of donors for the majority of funds. The need exists to provide more sustainable and long term funding for organizations. To address the issue of sustainability, organizations can broaden networks among each other and create partnerships and share resources, which in turn will foster growth in funding sources and platforms.

One new model of fundraising is crowdfunding, a form of microfinancing that takes place on the web. Crowdfunding involves individuals and organizations that raise money via the web from the public in order to fund projects and organizations where donors have interest. Crowdfunding differs from websites that have a “donate” button. Although the donate button also serves to raise money from various individuals, crowdfunding is a separate form of online giving. One example of crowdfunding is Kickstarter.com. Kickstarter allows donors to choose projects and pledge any amount. The donor can then follow the project through its fundraising mission and see the success

of fundraising goals along the way. Usually a project does not receive its donation until it is fully funded, or else the money goes back to its donors. The Jewish version of Kickstarter is called Jewcer.com. Jewcer raises money for Jewish projects using the same crowdfunding model. The Internet presents donors with more outlets for giving, such as organization websites and platforms dedicated to crowdfunding, including Kickstarter and Jewcer.

According to Markets for Good, an organization that attempts to improve the system for generating, sharing and acting upon data and information in the social sector, “More of charitable giving is happening online- while total giving has declined since 2006, donations made online have grown 36% per annum during that period” (Markets for Good, 2012, p.12). Debra Askanase, a digital engagement strategist, offers a different estimate: “Online giving as a whole is up across all channels between 10%-20% every year” (Pickus, 2012). Nonprofits are still trying to figure out how to use the Internet in a way that will effectively raise money. The crowdfunding model helps organizations and individuals to better organize and communicate their fundraising efforts. People can launch their own crowdfunding efforts as sub organizations or projects of existing organizations. Crowdfunding is an innovative fundraising method that does not require much effort on behalf of any individual (Pickus, 2012). It also helps link donors to their beneficiaries and allows donors to view progress and impact of their gifts.

Besides raising money, crowdfunding allows for other positive outcomes; people feel a personal connection to the organizations they support, and the organization’s presence on the web serves as a form of advertising for the organization. Crowdfunding sites in particular allow for advertising to occur in a more personalized fashion. Donors

choose the projects that align with their personal values. Today's generation is more hands-on than ever, and people want to feel as though they give directly to a cause rather than give to a large institution that will later allocate their funds. Crowdfunding helps entrepreneurs become motivated about their ideas and allows them to raise money in ways that would not otherwise be possible. However, since crowdfunding requires people to make small one-time gifts, cultivating long time donors proves to be a challenging endeavor (Pickus, 2012).

Jewish Nonprofit Funding

The Jewish nonprofit sector parallels the trends occurring in the general nonprofit sector discussed above. “\$100 million was invested in this sector alone in 2008” (Horwitz & Beery, 2009). Many foundations and organizations administer funding in the form of grants to Jewish nonprofits. Some groups, such as the Jewish Community Foundation, help philanthropists manage their giving and allow them to define their giving goals and sometimes create a family legacy (Jewish Community Foundation, 2013).

There has been an increase in innovation among Jewish organizations, and funders have taken notice. Innovation in this context refers to organizations that create new ways of addressing issues or providing opportunities in the community, such as Moishe House. Moishe House is a place where residents receive subsidized housing in exchange for offering community events that they plan for their peers (Jewish Venture Philanthropy Fund, 2013). Some grantmaking groups, such as the Jewish Venture Philanthropy Fund, Natan Fund and Slingshot, offer grants specifically for innovative and creative Jewish startups. Instead of traditional charitable models, such funders have adopted businesslike models. This means that instead of funding for a “Jewish need,”

these funders fund for an organizational mission. They focus on the quality of leaders and organizational infrastructure, core values in the private sector (Raucher, 2009). Aharon Horwitz and Ariel Beery, co-directors of PresenTense, agree with Raucher that nonprofits should adopt business models. PresenTense attempts to “foster the next generation of social entrepreneurs by helping innovators and entrepreneurs build new ideas into transformational ventures. We do this through our Fellowships, seminars, and local innovation Hubs” (PresenTense, 2013). They discuss how organizations can learn from the business world in order to build Jewish organizations that attract creative talents (Horwitz and Beery, 2009).

Naomi Leight, co-founder of Jewcer, a Jewish crowdfunding website, believes that the changing ways in which people fund Jewish ideas help to measure success. One change is that donors demand more information about performance measures and evaluation throughout a program’s implementation. Giving money and attaining certain levels of funding help the donor understand if there is belief in the entrepreneur’s idea (Pickus, 2012). If the Jewish community can create new innovative ways to fund Jewish ideas, it can help promote growth in the field in an effective way that speaks to funders and entrepreneurs.

Although there are many options for Jewish organizations to seek Jewish funding, Jewish donors give a large portion of their philanthropic dollars towards secular causes. Jack Wertheimer, provost of the Jewish Theological Seminary in New York, stated “there is a hemorrhage of Jewish money flowing out of the Jewish community” (Garifo, 2000). Many Jews give their money to secular causes, and Wertheimer sees this as a loss to the Jewish community. His argument lies in the assumption that Jewish people should give

their money to Jewish causes and this could significantly affect Jewish life (Garifo, 2000). Raising awareness among Jewish funders about Jewish efforts that need funding can help Jewish money flow into the Jewish community. The information gap, or lack of public information about performance of organizations, also adds to the reason why Jewish philanthropic dollars flow out of the Jewish community.

Chapter IV: Findings

Funding Strategies

“A fundraising strategy is a plan that identifies the financial requirements of an organization or group so that it may conduct its work and carry out its objectives” (Grantfinder, 2008). Organizations create funding strategies to include actions and a timeline of goals; this allows the organization to measure goals against a benchmark strategy and gauge the success of their funding plans. It also allows organizations to present their funding needs to potential grant makers and funders in an organized fashion. Among donors and entrepreneurs alike, thoughts about the need for fundraising strategies were split. Some claimed that funding strategies are absolutely necessary and others claimed that fundraising strategies are not always a positive aspect to a business plan because they can limit and constrict the innovators’ creativity.

In fact, some participants mentioned that they believed people focused too much on the funding aspect as opposed to executing ideas. Sometimes people can raise more money than needed, not realizing that their efforts should focus on developing programs instead. For example, one participant claimed,

...not all ideas need money, as a starting place; learning what the scale of the project should be really influences the way in which I would see fundraising strategies. The mistake sometimes is that your planning does not always align with the scale of your work.

Measurable outcomes in a funding strategy should reflect the realistic size and efforts of an organization or project. According to the same interviewee, some projects may raise more money than they need because entrepreneurs do not understand the scale of their projects or organizations.

One participant whose project involved creating a film explained that she was not able to receive all the money she had originally hoped for, but that this ended up being a positive aspect during the production of her film:

I thought it would be an easy sell because it's a Jewish project. Initially I was bummed, but it was so easy to realize afterwards that since the production was much smaller, it allowed the film to be sensitive and intimate and more personal. It's about playing in a price range that suits the project, and at a certain point, you have to just go for it.

Like entrepreneurs, funders also had diverse views about the necessity of fundraising strategies. Some foundation staff mentioned that their foundation applications require strict funding strategies, which include quantifiable measures for the amount of money raised during each step of the execution process. According to many interviewees, specifically funders, once an organization reaches a certain budget size, a general funding strategy is necessary. However, all entrepreneurs interviewed were challenged with periodically updating funding strategies throughout the process of starting their organization or project, requiring flexibility on the part of entrepreneurs.

When asking the interviewees what could improve their funding strategies or what they would do differently, one program manager at a startup organization mentioned, "We could use help with research on individual donors. If there were a way to comprehensively do individual donor research, that would be very successful." She believed that targeting individual donors would lead to reaching fundraising goals for her type of organization. She manages the fundraising and programming aspects and would like to hire more staff to help lighten her burden.

Funding Sources

I identified five different methods of raising money. Each method has its

advantages and disadvantages, and some types are more successful for certain nonprofits than others. These include:

1. Grants (Foundations and Corporations)
2. Fellowships
3. Internet crowdfunding and social media
4. Self funding / friends and family

Grants

Four of the seven entrepreneurs interviewed used foundation grants as a way to raise money when they started their organizations. Two of the entrepreneurs still rely on these grants and reapply for them. However, the concern that foundation grants are not a sustainable source of income caused concern for a few of the interviewees. One participant who is the only staff member of the organization she runs mentioned:

Small family foundations are a continued source of funding for us. We are also gaining more interest from larger family foundations but those may not be sustainable so we are looking to hire someone for a full-time programming position so that I can focus my time on donor cultivation.

Foundation grants distribute their money throughout a fixed period of time, which allows new organizations to feel financially secure while they focus on creating and implementing programs and think about future funding strategies. Some foundations even allow organizations to use some of their grant money for hiring staff or for overhead. A one-time foundation grant gives organizations the ability to jumpstart programs and hire new staff.

Of the participants interviewed, the larger organizations received foundation grants and other types of corporate grants. The entrepreneurs applied multiple times to foundations and corporations before receiving a grant. They also applied for multiple

grants at once and felt it was a time consuming process. However, the money from Jewish foundations as opposed to non-Jewish foundations was easier to attain. This is mostly because people were able to establish contacts through their Jewish networks, and the Jewish foundations were smaller and more willing to follow through with the grant recipient and offer support throughout the grant process. One board member of a grant organization confirmed this by saying that “it is not just writing the check, but members of the fund getting involved in the long term is really helpful to organizations.” She continued to describe that her colleagues at the Jewish fund are very proud of the projects and organizations they fund and that they usually build an emotional connection to the projects and organizations. This results in strong relationships and increased networks for grant recipients. It also exposes them to more resources for their projects.

Fellowships

Two of the interview participants were part of a fellowship program, and two worked for fellowships. Fellowships proved a popular way to fundraise because not only did the participants receive funding, they received support and professional development as well as a cohort of people working on similar projects, which also increased their ability to access new networks. Fellowships allow candidates to have a group of people to brainstorm with and share ideas who are all in the same stages of building a startup organization or project. Some fellowships also connect fellows with professional mentors in the field. One participant in a fellowship program mentioned that her involvement in the program helped her with personal professional development.

A number of Jewish entrepreneurs around the country thrive in fellowships, including Six Points (focused on the arts), Joshua Venture, PresenTense and Bikkurim.

Because of the nature of the communal efforts of fellowships, people encourage each other and share ideas. The staff offers support and advice through each step of the process. Fellows also have a stronger résumé upon completion of the program. However, a disadvantage to this form of raising money exists: the challenge of securing continual funding and transitioning to independence once the fellowship ends. Even so, the fellowship helps them expand their networks so they have an easier time securing funding later.

Internet Crowdfunding and Social Media

The general notion among those interviewed was that online crowdfunding works best when trying to fundraise for a particular project or short-term goal in an organization. Crowdfunding is not a sustainable funding technique for the long term, because it does not work well to raise large amounts of money. By its nature, crowdfunding also serves as a marketing tool for organizations or projects. It allows the project to gain an online presence by providing information about the project and publicly tracking funding goals on the website. Although crowd funding is a new and innovative way to fundraise, one interviewee, who has done much research about crowdfunding and has published about the topic, said, “It is still extremely difficult and you have to be dedicated and constantly networking with people to meet your goal. It’s a lot of work like traditional fundraising.” Similar to face-to-face networking, crowdfunding requires the entrepreneur to market his or her project to family, friends and other potential donors. Crowdfunding is a form of networking that takes place on the web. One participant who raised all the money for her project through a crowdfunding site confirmed this: “I almost exclusively used Facebook to engage my network in my

crowdfunding campaign.” This interview participant exhibited an idea that Alison Fine and Beth Kanter, authors of *The Networked Nonprofit*, highlighted as a premise to a successful nonprofit. Fine and Kanter contend, “Networked nonprofits also know how to identify, reach, and cultivate the influencers within their social networks, which is the key to growing very big quickly and inexpensively.” (Kanter & Fine, 2010, p. 25)

Another successful crowdfunding case involved an entrepreneur who raised money through Jewcer for a project relating to young Jewish girls’ health education. When speaking about her experience, she said, “I really enjoyed using crowdfunding--it allowed me to find creative ways to engage my networks, get them interested in and excited about my venture.” She posted a link on her Facebook page to her project’s crowdfunding page, which allowed her to tap into her network of friends and family. As an additional benefit, she also mentioned that crowdfunding “created a community that bought-in to my venture.” By community buy-in, the interviewee referred to engaging the community in her idea and using crowdfunding as a way for the community to understand and support the idea for her project. Community buy-in reassures the entrepreneur of significant communal interest in his/her project. Another interview participant confirmed this by saying that “crowdfunding is a way to get communities to support a project and indirectly identify if the community is interested in being a part of the project.”

Despite these benefits, a number of the entrepreneurs interviewed had not yet embraced crowdfunding. Some organizations said that crowdfunding was still a very new form of fundraising and that people have not figured out how to best use it yet. Others hoped to implement this method as a way to raise money in the short term for specific

projects. One program manager stated:

We anticipate using social media to raise money for future projects, Kickstarter style. We might incorporate Kickstarter, but it is not something that we are thinking of doing permanently. It is not anything that will affect the larger budget, but it could be successful for smaller projects.

Many organizations and projects mentioned donation options available on their websites, but donations made through organization and project websites are usually minimal.

Closely related to crowdfunding is social media, defined as “forms of electronic communication through which users create online communities to share information, ideas, personal messages, and other content” (Merriam-Webster, 2013). Social media is another way in which nonprofits use the Internet to further their fundraising and marketing techniques.

One staff member of a fellowship program said, “social media is most effective when someone can translate who they are into the space of social media.” Kanter and Fine describe social nonprofit organizations:

The ‘social-ness’ reflects more than the individual habits; it refers to organizations...that work differently from traditional organizations in fundamental ways...It forces organizations to think hard about what’s important to manage and what can be left uncontrolled. Social culture strikes at the heart of what organizations value and how they operate. (Kanter & Fine, 2010, p.43)

Kanter and Fine express the benefits of incorporating social media in one’s organization. Organizations should use social media outlets that allow the entrepreneurs to highlight organizational values and visions.

In my interviews, social media did not play a large role in the majority of the interviewed entrepreneurs’ funding strategies, but many mentioned their awareness of its importance and their social media goals for the future of their organizations. Although many interviewees expressed their beliefs in the importance of an online presence for

their organizations and projects, it was mostly through their organizational websites, Facebook and/or Twitter.

A couple of organizations have found successful ways to use social media to boost their presence. One fellowship professional stated:

We believe in a professional web presence and developing professional materials for our fellows. We really work with the fellows who are the strongest representatives in their social media.

The idea is that a professional web presence can increase funding for fellows because potential funders have more access to information about the projects. Social media is “the power of engaging in your subject matter, not only project material, and we see this as really dynamic.” Of all the interviews conducted, this organization used social media the most. Many interviewees could not identify great funding opportunities in the social media realm, so they chose not to spend much time or effort pursuing social media strategies for their organizations and projects.

Organizations can use the web to create spaces for their organizations to exist, allowing for a geographically diverse group of donors and beneficiaries to be aware of what is available.

Geography is decreasingly an indicator of programmatic or even participant location: more Jewish startups have no local programming (44%) than do only local programming (30%). 42% report interacting with their constituents online in some form, and 16% are exclusively or almost exclusively web-based. (Jumpstart et al, 2011, p. 12)

Despite these trends away from localism, there are many opportunities for innovation and fundraising in Los Angeles, due to the local culture of experimentation outside of traditional ways of doing business. According to one funder, social media and social networking are an increasingly important part of the Los Angeles business culture:

Los Angeles is a place where people come to in order to chase their dreams. Raising money for a film used to be impossible 5-10 years ago. Some things might be more successful here than anywhere else. New York gets most of the press for being newer and edgier, but the East coast is still very traditional in its ways of doing things.

This funder reaffirmed the benefits of Los Angeles in terms of the opportunities and resources available relating to Jewish community engagement and Jewish funding. She emphasized that the entrepreneurial culture in Los Angeles creates an atmosphere open to innovation.

Self-funding and Friends and Family

One organization I interviewed chose to self-fund because the startup costs were extremely low and the entrepreneur and her co-founders had the ability to fund it through family and friends. Also, she and her co-founders wanted initially to start by funding alone to prove they believed in the success of their idea. She shared that she wanted to “prove the concept first, then go out to investors.” This interviewee believed by self-funding, it would give her an advantage to attain funding from investors and donors in the future; however, at the point of the interview, her organization was going through structural changes and could not prove if this theory was a success or not.

Another entrepreneur chose to fund through friends and family because she had proof of enough interest in the community for the project and enough people willing to share the startup costs. In this case the funders chose to work together to support the entrepreneur and had a great amount of trust in the entrepreneur to carry out their missions in a timely fashion. One interviewee mentioned that self-funding helps the entrepreneur save the time of searching for other funding sources. Negatively, it attracts people who do not have professional donor support nor do they become familiar with the

professional funding strategies, which they will most likely have to use to fund their projects in the future. Many entrepreneurs also do not have the resources to self fund their projects.

Chapter V: Business Strategies

While funding sources are important, my interviews also focused on other business strategies relating to fundraising. I have identified three strategies, or common themes, among the majority of interview participants, from both the entrepreneurs and the donors or supporters of startups:

1. Leadership and Innovation
2. Networking
3. Partnerships, Collaboration and Intrapreneurship

Leadership and Innovation

Staff leadership and board leadership are essential in helping guide an organization to make good decisions in both programming and development. One participant emphasized the importance of leadership and the role that leadership should embody: “It really depends on the content of the organizations and how dynamic the leadership is. Can the leaders motivate the people involved in the project?” One staff member of an organization that supports Jewish startups said:

The people who are leading these organizations, it is more about them than the project itself. It is not necessarily that every person in [this organization] has a good project, but that they are mobilizing their networks and resources in the right ways and that they are open to collaboration.

According to this staff member, leadership in the organizations plays a macro role in fulfilling an organization’s missions. Strong leaders have the ability to use their networks and leverage resources to further their organizational goals.

Donors saw the role of leadership as one of the determining factors in the grant making process. A number of grant making organizations and foundations focus their grants towards grantees that exhibit a passion for innovation and creativity. One board

member of a grant making organization that funds innovative Jewish ideas stated,

To identify new and innovative organizations, we ask questions like ‘have we heard of this before?’, ‘Is there passion for the idea?’, ‘Would we want to sit on the board of this organization?’

Organizations that attempt to address issues in new ways must have the right leadership in place to guide them and ensure sustainability. Clearly thought-out succession plans for leadership are vital to the survival of organizations. This is key to sustainability and one of the reasons nonprofits fail.

One theory known as the “leadership crisis” exists among many nonprofits. Due to the large increase in nonprofits, organizations had to hire professional staff to take over jobs of volunteers. Organizations also used staff and budget size as measures of organizational success (Kanter & Fine, 2010, p. 12). This results in two negative outcomes. First, nonprofit organizations tried to address problems internally in order to prove their level of professionalism, and this severed many ties with people outside of the organizations. Second, success measurements based on mission statements allow organizations to link inputs, resources invested, directly to outcomes, impact created. According to one interviewee who worked for an organization that supports Jewish startup ideas, these success measures described by Kanter and Fine are directly related to the leader of an organization or project.

According to one board member of a Jewish grant making organization, the leaders’ growth in an organization presents challenges to the nonprofit. The founder of a nonprofit usually begins his or her position performing many of the same duties as everyone else. Eventually the leader grows into a higher position and roles become more defined once the organization expands. But the issues of scale and capacity as well as

succession become challenging. One of the funding organizations asks potential grant recipients:

Are they using too many resources and to what extent does the visionary founder continue to stay involved? Are there plans for succession that will make the organization more sustainable? What does the organization look like beyond the founder?

Networking

Networking and partnership can lead to stronger teams and shared resources and can help expedite goals. According to one person involved in an organization that supports Jewish innovation, “Networks emerge with a structure for encouraging innovation and startup culture. Those networks usually network with each other. There are a lot of opportunities and some people are nimble enough to adapt their goals.”

Networking, partnerships and collaboration are not always about sharing money, but also about sharing knowledge and marketing the partners involved. Collaboration can help an organization publicize its ideas and attract potential donors or volunteers.

Networking specifically with people who share similar interests and relate to an organization’s mission and values proves just as important as raising money for a startup project or organization. When one young man was looking for funds to start his innovative Jewish nonprofit organization, he said:

I had no idea what I was doing. I just started power networking at the Federation and in the community in Los Angeles. I met with everyone and power networked every possible contact. Every time I went somewhere, I asked them to hook me up with another person. Through channels of networking, I was eventually introduced to the person I got funding from, and had them tell me about funding opportunities and connect me to the right people. I met with them and became aware of what was available. The Jewish community was much more open to my idea than I thought they would be.

In previous literature research, I also found that networking was a theme for

successful Jewish startups. “New organizations and projects, either directly or indirectly, share social capital by introducing each other to people and sharing ideas” (Jumpstart, Natan Fund, Bronfman Foundation, 2009). Networking was a commonality among all people interviewed. In order to gain money and support for an innovative idea, people found it necessary to promote their ideas and meet with people who had similar values. This also helped some people gain confidence in their projects. One staff member of an organization that offers financial support and leadership development to Jewish entrepreneurs spoke about networks and their role in the organized Jewish community;

The network effect strengthens each organization within it. This connectivity also encourages reconsideration of how to measure success and return on investment in Jewish organizations, because investment in one may indirectly benefit many others.

Networks allow entrepreneurs to “float” among various organizations. Barriers to entry are low, and organizations strengthen their connections to one another by engaging in networking opportunities such as attending events and meetings.

Partnerships, Collaboration and Intrapreneurship

Starting a project or organization from the ground up requires resources and networks and is usually a risky venture because the organization has not yet proven its ability to succeed. One interviewee confirmed this by stating that her organization engaged in collaboration. However, controversy arose around the question of mission drift and goal alignment.

We partner with existing organizations together to do major events that are not entirely on our own money. These events are tremendously successful but we had an internal debate within the organization if this was mission drift.

Partnerships and collaboration present a funding challenge to organizations. Although

pooling resources can create great benefits for an organization, it can also result in problems with maintaining funding, directly related to the issue of mission drift, for one or more partners involved.

Although access to increased funding was cited widely as a benefit to participation [in a partnership], the challenge is in maintaining new levels of support. If donors feel that their contributions are being misdirected, it is unlikely they will continue to support.

Wherever possible, entrepreneurs should look to work within an organization that shares their values and vision, instead of trying to reinvent the wheel and produce duplication in the sector. This collaboration approach, known as intrapreneurship, slightly overlaps with that of partnerships, but takes a different form. This approach can allow for increased profitability and security: although autonomy is somewhat diminished, the partnering entrepreneur has the security of remaining part of an established organization. According to a staff member who works for an organization that supports Jewish startups, the benefit of intrapreneurship is that the entrepreneur has an advantage when seeking funding because funders view this as a less risky venture. One board member of a funding organization stated that funding intrapreneurial ideas “is less risky because there is already a proven model.” The idea would have support from the “umbrella organization” with which it joins. Support comes in the forms of human resources, knowledge, funding, etc.

One interview subject whose organization is almost eight years old mentioned the difficulties he experienced while obtaining seed funding. When asked about advice that he would share with current and future entrepreneurs, he said he would tell them to “try to find another nonprofit to partner with and go to them with your terms and tell them how much it will cost you to do it on your own and how much it will cost you to do it

with them and share your resources.” He said that if he could start again knowing what he knows now, partnering with a similar organization would result in significantly reduced startup costs. When asked what he would change if he had the opportunity to start his organization again knowing what he knows now, he said that the challenges to fundraising proved a thousand times more difficult than he imagined.

I constantly hear that people want to start a nonprofit but I want to discourage them because they are exactly where I was and they don't know where their funding is going to come from. It's hard because I want to encourage them to keep going but I also want them to realize what they are about to undertake. We are doing good but we still don't have the budget that our fundraising plan called for eight years ago and it wasn't even that demanding.

Sometimes entrepreneurs can get caught up in their creativity and ideas and forget about the difficulty of sustaining their project through funding.

A woman who works for an organization that supports Jewish innovators agreed with this statement. When asked about intrapreneurship, she stated the following:

There is a lot of competition and repetition, but one thing that the Jewish startup world is coming to terms with is that not every project needs to be its own organization. Projects can also work within existing organizations. The challenge is in convincing both that they need each other.

This interviewee spoke to the challenges of creating an initial partnership, mostly due to the fact that partners fear they will lose autonomy and decision-making authority.

Intrapreneurship incorporates strong leadership and collaboration. Intrapreneurs can work independently but as a part of a collaborative team, adopting the culture of the host organization.

Intrapreneurs are most successful when management/leadership empowers and supports them and in turn the intrapreneurs represent the best interests of their organizations while earning the respect of corporate peers. (Armano, 2012)

The rise in the number of entrepreneurs behind every startup increases demand for

intrapreneurs, people willing to collaborate with other organizations and bring their innovative ideas and skills. This is especially important in large organizations where entrepreneurial minds are necessary to keep organizations afloat and competitive (Armano, 2012).

Roles of lay leaders and paid staff change in order to sustain the organization, which poses a challenge to the success of intrapreneurship. According to one board member of a funding organization, “Many organizations do not find their sustainable size before expanding, and this contributes to our decision in funding a project.” Some organizations do not have the capacity to scale up, but intrapreneurship presents organizations with an opportunity to grow in a sustainable manner.

Chapter VI: Conclusion and Recommendations

The field of Jewish startups is growing and evolving. As more organizations are being created to address the various needs of the Jewish community, entrepreneurs need more funding to support their ideas. The traditional ways of attaining funding, such as applying for grants or self-funding, prove to be successful. Although new ways of fundraising – including fellowships, Internet crowdfunding, and social media – have yet to prove long-term success, they have been helpful for many new nonprofits and projects.

Fundraising is currently in a transition phase, between traditional methods and those based solely online. The Internet and other new technologies allow organizations to connect and raise money in unprecedented ways, and they help to advance traditional ways of fundraising. The Internet holds much promise for the future in terms of connecting prospective donors to beneficiaries and allowing for new and more effective forms of fundraising.

The organized Jewish community has a number of roles to play in order to tap into these trends and address the leadership crisis mentioned above. First, organizations and funders should recruit passionate and networked young Jewish adults who understand the needs and wants of the future generations. These young Jews are also more literate in the use of the Internet and can suggest ways in which to use the Internet to raise money. Avi Rubel, Director of Masa Israel North America, discusses the issue of leadership in the Jewish community. Rubel writes:

I regularly get requests from these Fortune 500 executives to refer the best and brightest Masa alumni to them. Yet the Jewish community has yet to engage this population in a serious way. We have the opportunity to attract more of these young, energetic talented young adults to Jewish careers or they will find other fields that are easier to penetrate. It's time for the Jewish community to start investing in them so that they will choose to invest in us. (Rubel, 2013)

Second, the organized Jewish community would benefit from easier access to information. Some of the entrepreneurs I interviewed reported difficulty accessing information about funding opportunities and best practices. Individual organizations should publicly share details about their funding so that future entrepreneurs can learn from their successes. In addition, I recommend a central resource guide for all Jewish startup organizations and projects to find and share information. This would take the form of a website where funders and fellowship coordinators can post information, entrepreneurs can view the various sources of funding available to them, and stakeholders can share experiences and suggestions in an open forum. This would help donors reach their grantee base and identify new candidates, and it would also help reduce the time entrepreneurs spend searching for funding sources. The website would create a network among funders and grantees to exchange information and ideas if they so choose. It could also help organizations and projects look for partners so the wheel is not reinvented.

In addition to these suggestions for the organized Jewish community, I can offer a few recommendations for people considering starting a new project or organization, based on funders' expectations and entrepreneurs' experience. First, consider not starting a new organization. Instead, consider intrapreneurship: accomplishing innovative goals within existing organizational structures. Through networking, entrepreneurs can find opportunities to partner and collaborate with others who share their values and visions.

Second, research funding opportunities. Before creating an (optional) funding strategy and pursuing funding, entrepreneurs should perform as much research as possible. In the absence of a centralized information source such as that described above, entrepreneurs can find limited information about funding through various websites, such

as marketsforgood.org and charitynavigator.org. Although these websites are not specifically Jewish websites, they can help the entrepreneur understand the factors that attract funders to a project or organization. In addition, entrepreneurs should seek out relevant foundations and fellowship opportunities that focus on their particular areas of Jewish innovation. Please see Appendix A and Appendix B for more information about resources for Jewish entrepreneurs and a list of Jewish funding platforms.

All subjects interviewed for this project, regardless of their organization's missions and personal agendas, held a strong belief in the need to create outlets for Jews to connect to their Jewish identities. And they all agree that funding is necessary to accomplish this and other Jewish communal goals. Increased funding for new projects and organizations translates into increased opportunities for Jews to connect to their Judaism and personal interests. Networking, intrapreneurship and other forms of collaboration will help organizations and funders foster strong, innovative leaders, in turn building a stronger organized Jewish community.

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Appendix A: Resources for Jewish Entrepreneurs

Links to useful grant-writing tips:

1. <http://www.dailywritingtips.com/grant-writing-tips/>
2. <http://www.guidestar.org/rxa/news/articles/2006/grant-writing-102-tips-from-successful-grantwriters.aspx>

Links to websites that include practices for nonprofit startups:

3. The 12 Habits of Highly Collaborative Organizations
<http://www.techrepublic.com/blog/tech-manager/the-12-habits-of-highly-collaborative-organizations/8197>
4. Nonprofit Startups are Just like their Counterparts
<http://online.wsj.com/article/SB10001424127887323829504578270381504454200.html>
5. Variety of Nonprofit Startup Resources in California
<http://foundationcenter.org/gainknowledge/map/california.html>

Appendix B: A Funding Guide for Entrepreneurs of Jewish Organizational Life

1. Jewish Community Foundation- Cutting Edge Grants Initiative

This Foundation offers grants for up to \$250,000 over a three-year period for innovative programs that fulfill a need in the Los Angeles Jewish community. Their motto is “Together, we can transform Los Angeles”.

<http://www.jewishfoundationla.org/grants/cutting-edge-grants>

2. Jewish Venture Philanthropy Fund (JVPF)

This fund provides grants to organizations that incorporate business principles to ensure sustainability and scalability of an organization; they emphasize projects that have the ability to leave a large impact on the community. Members of JVPF have pooled their resources together to support innovative Jewish ideas.

<http://www.jewishla.org/jvpf-la>

3. Slingshot Fund

Slingshot Fund is a peer giving network that supports Jewish organizations aimed at engaging young Jews in their 20s and 30s. The Fund provides opportunities for developing philanthropic skills and learning from experts in the field.

<http://www.slingshotfund.org>

4. Natan Fund

The Natan Fund is a giving circle that supports new ideas that transform the Jewish world and Israel. The Fund makes grants to nonprofits with operating budgets below \$1.5 million.

<http://www.natan.org/cgi-bin/index.pl>

5. The Samuel Bronfman Foundation

The Borndfman Foundation seeks to inspire a renaissance of Jewish life through Jewish learning, empowering Jewish youth, supporting pluralism and cultivating relationships with other organizations to promote Jewish unity.

<http://www.thesbf.org/index.html>

6. Jewish Life Foundation

This foundation funds programs that inform and educate about Jewish history and culture through the use of media and other educational programs.

<http://www.jewishlifefoundation.org>

7. Bikkurim

Bikkurim is an incubator for new Jewish ideas. It supports Jewish entrepreneurs in North America to help transform ideas into sustainable organizations that will nurture the Jewish community. Bikkurim helps facilitate interactions between entrepreneurs and existing organizations within the Jewish community.

<http://www.bikkurim.org>

8. Six Points Fellowship

Six Points is a fellowship for Jewish entrepreneurial artists. The fellowship supports entrepreneurs who create ways to explore Jewish ideas and experiences through art. This fellowship provides \$20,000 over two years, monthly workshops for the artists, retreats, coaching and mentoring.

<http://sixpointsfellowship.org>

9. Presentense

Presentense is comprised of innovators, entrepreneurs, thinkers and leaders who invest their ideas in revitalizing Jewish communities. Presentense offers fellowships in ten

cities around the world, as well as Community Engagement Programs for Jews between the ages of 22-40.

<http://presentense.org>

10. Jumpstart

Based in Los Angeles, Jumpstart helps nurture innovative nonprofits in their early stage of development by helping the organizations network with other leaders and offering resources to help them succeed. Jumpstart also periodically publishes reports about trends in the Jewish startup industry and other insights for Jewish entrepreneurs.

<http://jewishjumpstart.org>

11. ROI Community

ROI is a community of individuals around the globe seeking to find new outlets for Jewish community engagement. ROI hosts an annual summit as well as various gatherings throughout the year that focus on social networking and leadership development.

<http://www.roicommunity.org>

12. Joshua Venture

Joshua Venture invests in social entrepreneurs who exhibit leadership skills that will significantly impact the Jewish world. The program participants receive over \$100,000 in funding and support. They are also exposed to networks and training to help them realize their ideas.

<http://joshuaventuregroup.org>

Crowdfunding Platforms

1. Kickstarter

Kickstarter is a crowdfunding website that supports creative projects that span a wide variety of industries. All projects must reach their fundraising goals before receiving funds.

<http://www.kickstarter.com>

2. Jewcer

Jewer is a Jewish crowdfunding platform that provides individualized support for business and nonprofits that benefit Jewish communities around the world.

<http://jewcer.com>

3. Crowdtilt

Crowdtilt is a crowdfunding website for funding group activities, experiences and purchases. Campaigns run for 10 or 30 days and get funded when goal is met. This website encourages entrepreneurs to work in groups to achieve programming and fundraising goals.

<https://www.crowdtilt.com>