

Understanding Limits and Constraints on Non Profits Talking Points



San Antonio
Nonprofit Council
The power of unity

What We Need

1. Unrestricted funding
2. Donors making a deeper investment
3. To better illustrate our impacts/ROI
4. To educate stakeholders about dysfunctions in :
 - Compensation
 - Surpluses/Reserves
 - Fundraising

| <u>Expenses for the "Hunger" Cause</u> | What is critical to the cause? | Which can you cut (overhead)? |
|--|--------------------------------|-------------------------------|
| The Soup? | x | |
| The Pot? | x | |
| The Spoon? | x | |
| The Bowl? | x | |
| The soup maker? | x | |
| The soup server? | x | |
| The volunteer coordinator if the above are volunteers? | x | |
| The Stove? | x | |
| The fundraiser that raised the money to buy the stove? | x | |
| The postage/stationery for the thank you note sent to the donor who donated the money for the stove? | x | |
| The staffer who mailed/wrote the note? | x | |

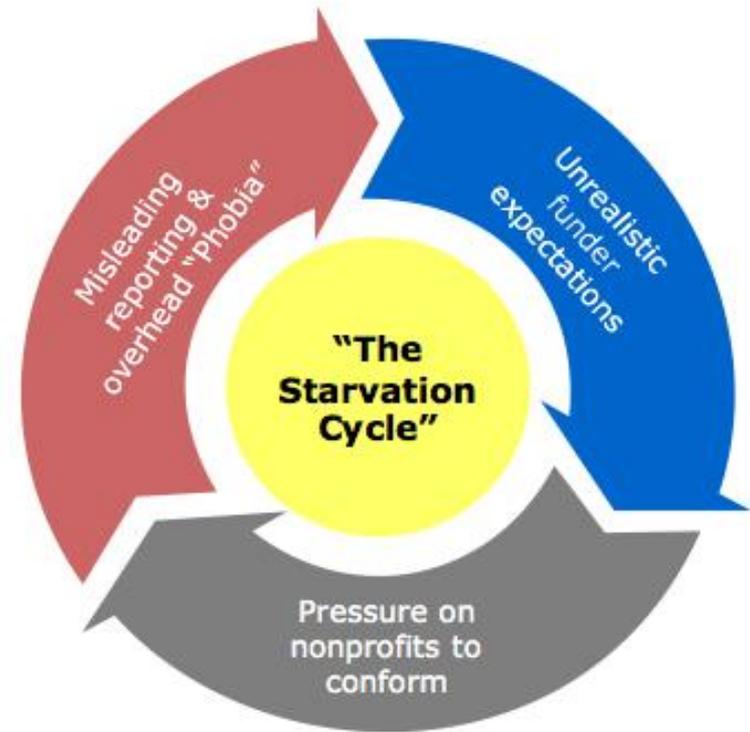
Trust

The basic problem is a lack of trust bred by a lack of communication:

1. Public opinion influences charities' behavior;
2. Charities' fear of public disapproval pressures them to cater to public prejudices (like lowering overhead, keeping salaries down, low investment in fundraising and marketing expenditures);
3. The more the charities lower these costs, the less able they are to educate the public about the good work they are actually doing
4. The less the sector educates the public, the lower the public's opinion of the sector remains

The Non Profit Starvation Cycle

- Step 1: Funders' unrealistic expectations about how much it costs to run a nonprofit.
- Step 2: Nonprofits feel pressure to conform to funders' unrealistic expectations.
- Step 3: Nonprofits spend too little on overhead, and underreport their expenditures on tax forms and in fundraising materials.
- Step 4: This underspending and underreporting in turn perpetuates funders' unrealistic expectations. Over time, funders expect grantees to do more and more with less and less—a cycle that slowly starves nonprofits.



"Donors don't want to pay for an organization's rent, or phone bill, or stamps," notes Paul, "but those are essential components of everyday work. You can't run a high-performing organization from your car. And there are many ways to explain these types of expenses to donors."

Change the Conversation

Why do we keep talking about overhead?

1. We are trained to ask it
2. We don't know what else to ask (replace it with)
3. It is easier to keep this measure than to develop new measures that actually reflect a charity's good work

"I've been asking charities all the wrong questions!"

-Rosemary Kowalski after hearing Dan Pallotta at the San Antonio Non Profit Council Issue in Profile, 2013

- ✓ The conversation today: "We kept our overhead way down this year at only 15%"
- ✓ The conversation going forward: "As a result in investments in the infrastructure of our organization, we are now able to serve our clients more effectively and efficiently. Let me tell you about our clients and their outcomes..."

What do good outcomes cost?

To move beyond "how much do you spend on overhead?" to "what do good outcomes cost?" funders and charities must change the way they think and act.



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Sources

- Pallotta, Dan “Charity Case.”
- Stanford Social Innovation Review, The Non Profit Starvation Cycle; Ann Goggins Gregory and Don Howard
- Ann Goggins Gregory, Senior Director, Knowledge, The Bridgespan Group



I'M OVERHEAD.

“I manage fundraising for the Breast Cancer Alliance. My job is to get more people to give so that our researchers can do more to find a cure. My salary gets labeled as “overhead,” as if the work I do doesn’t go to the cause. But without the work I do and the money I raise, there is no cause. My sister died of breast cancer. That’s why I do this work. I’m committed to the cause every bit as much as the doctors who do the research. I work on “the cause” every hour of the day, every day of the week. Overhead gets a bad rap. My name is Martin Hodges. I’m committed to ending breast cancer, and I’m overhead.”

Martin Hodges
Breast Cancer Alliance

CharityDefenseCouncil.org

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