



San Antonio Nonprofit Council

The power of unity



UNDERSTANDING LIMITS AND CONSTRAINTS ON NONPROFITS

WHAT WE NEED

Unrestricted funding

Donors making a deeper investment

To better illustrate our impacts/ROI

To educate stakeholders about dysfunctions in:

1. COMPENSATION
2. SURPLUSES/RESERVES
3. FUNDRAISING

Expenses for the "Hunger" Cause

	What is critical to the cause?	Which can you cut (overhead)?
The Soup?	x	
The Pot?	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/stationary 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	

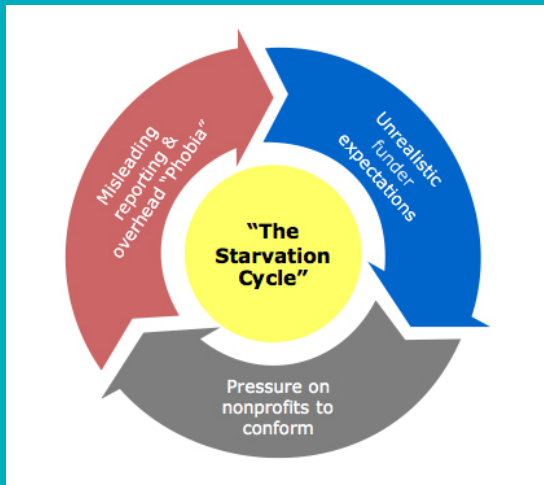
TRUST

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 NONPROFIT 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.

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.

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

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...”



“I've been asking charities all the wrong questions!”

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

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

