PARTNER CONTENT

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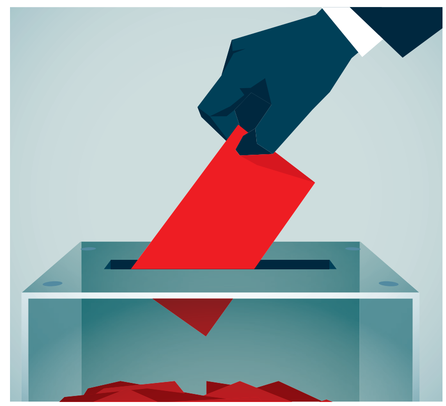
What Nonprofit Leaders Wish More People Knew

by Antony Bugg-Levine & Kerry Sullivan Apr. 5, 2019

Four takeaways from a recent nonprofit survey, and how the broader social sector should respond.



It's no secret that many nonprofit CEOs lead under daunting constraints. Many have the insight and experience, but not the bandwidth or resources, to contribute more broadly to long-term solutions to social issues.

Nonprofit Finance Fund's recent State of the Nonprofit Sector Survey captured some of the unvarnished realities that US nonprofits and the people they serve navigate daily. Nearly 3,400 nonprofit leaders, representing all 50 states, shared survey responses detailing their organizations' financial health and what they wish funders, partners, and society at large better understood. Here, we share four observations worth keeping in mind. Some may seem all too familiar, but if we are to make sustained progress against today's social challenges, effectively responding to what these leaders need is one of the best places to start.

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1. Funding Practices Continue to Stymie Innovation

Nonprofits have front-line experience combatting the opioid crisis, reducing hunger, and understanding what it takes for a homeless mother to build financial stability. But available funding often falls far short of what it costs to even deliver services. This leaves little room to innovate or invest in new approaches. Survey respondents named top challenges as: achieving financial sustainability (62 percent), raising funding to cover full costs (57 percent), and raising unrestricted revenue (46 percent).

As a leader of a Minnesota human services nonprofit shared, "The US nonprofit sector is resilient, collaborative, innovative, and determined to address the most complex and enduring problems in our country… [but] when our funding is constantly uncertain, we must spend more time raising funds, and we do not have enough time to adequately plan for future growth and innovation."

How can we do better? First, funders can provide (and nonprofits can pursue) flexible, multi-year grants and other supports to allow for the development, implementation, and measurement of innovative programs. For example, New York City's The Change Capital Fund's most recent grant cycle (2014-2018) provided $1 million and individualized technical assistance to grantees over four years. The poverty-fighting grantees were able to invest in programs, as well as improve data systems and performance management practices that continue to propel progress. One grantee, St. Nick's Alliance, developed and launched a new afterschool program. After just nine months, the number of participating children who could read at grade level jumped more than 20 percent.

Second, more organizations can replicate existing innovations. Bank of America, Combined Jewish Philanthropies, and United Way of Massachusetts Bay and Merrimack Valley, for example, recently supported the expansion of a Boston program called HomeStart. Through HomeStart's partnership with the Boston Housing Authority, it has dramatically reduced evictions for nonpayment of rent; **more than** *97 percent of households remained housed one year later, and 48 months after the intervention, only 5 percent of households had been evicted for nonpayment.* This funding directly supported the costs of replicating and adapting HomeStart's model for other locations.

Finally, more organizations, particularly funders, can commit to accepting risk, staying open to course corrections, and accepting occasional failure. The Open Road Alliance has some useful, free tools that can help, including a template funders can use as a starting point for writing a risk profile statement.

2. Nonprofits Get and Keep People on Their Feet

Nonprofits are gateways to economic security and mobility.

Take homelessness. The links between housing, health, and economic mobility are well established, and according to the National Health Care for the Homeless Council, people who are homeless have higher rates of illness and die on average 12 years sooner than the general US population. One response to this issue is Community Solutions' Built for Zero, a national effort to end chronic and veteran homelessness by helping communities adopt proven practices, deploy resources more efficiently, and use real-time data to inform their decisions. Participating communities have housed more than 96,000 people since January 2015, including more than 65,000 veterans.

Meanwhile, in Queens, New York, the workforce training nonprofit Pursuit has quickly earned attention for its success helping participants secure tech-industry jobs. Graduates have increased their annual average salaries from $18,000 to more than $85,000.

As the leader of a California housing nonprofit said, "You don't fully experience the impact of a nonprofit until it is not in existence … Just because you don't need a program doesn't mean that you don't benefit from nonprofits. Reduced crime rate, community involvement, and advocacy sustain communities."

Everyone in the social sector should work to understand, ask for, and provide funding that covers the full costs of delivering services. For nonprofits, that can sometimes mean saying no. Accepting contracts or grants that don't contribute to fundamental needs such as payroll and rent can lead to an increasing gap between revenue and expenses. One nonprofit we know, having just completed training to understand its full costs, decided to reject a government contract that would have dangerously undercut its financial stability.

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We can also do more to advance fair practices. NFF's survey found that 56 percent of human service providers with local government contracts receive payments late. During the federal government shutdown, some workers and contractors going without pay found themselves needing services for the first time. Nonprofits frequently find their funding threatened at the very moments when demand spikes. We need to pay nonprofits in a way that reflects their role as providers of essential human services—as the groups we rely on during crises.

3. Nonprofits Are First Responders to Inequity

In light of a tumultuous year that tore open racial divisions across the United States, we asked about nonprofits' focus on racial inequity. Sixty-four percent of respondents said their organizations address racial inequity; of those, half increased their focus on the issue in 2017. One Detroit-based, youth-focused organization reported, "We have incorporated a racial equity lens into all our curricul[a] for youth and adults, and have increased our community organizing capacity and efforts to address policy issues impacting racial equity."

In Los Angeles, Self Help Graphics & Art (a Bank of America grantee) works to produce and advance art by Chicana/o and Latinx artists. Its Day of the Dead (*Día de Muertos*) commemoration—the oldest in the United States—has become one of the most renown cultural events in the city. For funders interested in supporting equity, whether through the arts or other areas, nonprofits that are deeply rooted in the community and representative of groups that have been treated unfairly are best positioned to voice their community's needs and desires.

Foundations and nonprofits should challenge inequity together, intentionally, and embrace the experience, realities, knowledge, value, and power of the communities they intend to support.

4. It's Hard to Attract and Retain Top Talent with Limited and Restricted Funding

A New Hampshire human services leader shared, "Funding constraints [that] lead to low wages make it very difficult to hire staff. We are competing with fast food chains and retail stores, but our staff have far more responsibility (administering medications, assisting with personal care, providing transportation, helping with job skills, and mental health issues) and work [in] more stressful situations …"

Respondents identified top staffing challenges as offering competitive pay (66 percent), employing enough staff (59 percent), and cultivating new leaders (36 percent).

One way to begin addressing this is to understand and communicate staffing needs in human terms. When he was program director of the Doris Duke Charitable Foundation, Ben Cameron observed: "Often budgets will capture a big lump sum of 'artistic salaries.' If you also say, 'What this really means is that dancers are making $200 per week or even less,' that is a much more useful number in order to advance an understanding of the true cost of doing work and how that can reverberate into a negative impact on artists."

Funders can also do more to support professional development and leadership training for nonprofit managers— like Bank of America's Neighborhood Builders program, which provides flexible funding, leadership development and networking support to nonprofits and their leaders—so that they can create stronger teams and build more sustainable organizations.

Even close partners and supporters of nonprofits may underestimate the skill, creativity, and juggling required to run a business that delivers social good. One survey respondent who leads a human services nonprofit in Washington reflected, "[Nonprofits] are typically more complex and harder to manage than a for-profit entity, and we should be sought after for our best practices, rather than being subjected to 'bizsplaining.'"

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These stories from the field reveal patterns that demand our attention and action. All of us must strive to better understand and more effectively respond to nonprofits' opportunities and challenges. Only then can we realize the full value of philanthropic investment in our society.

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