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Charity-watchdog groups that rate nonprofits on their finances and governance proliferated in the early aughts. Many of those ratings systems were well intended: to help donors who give at all levels select charities that clearly explain how money is spent, particularly how much of it supports programs.

However, the rating systems also made it harder for charities to raise money for things like rent, office supplies, and trash pick-up as well as staff salaries and insurance. That's because well-meaning donors began expecting charities to direct more than 80 percent of revenue to programs, which leaves little for administrative costs, experts say. Otherwise, donors assumed the funds were being misused.

Donors who embraced this "overhead myth" also made fundraisers reluctant to ask for money to pay for those basic needs, says Kathleen Enright, president of Grantmakers for Effective Organizations, who will become CEO of the Council on Foundations in March.

A 2015 [survey](#) put out by the Nonprofit Finance Fund, for example, shows that only 31 percent of fundraisers said they felt they could talk to donors about the need for general operating support.

Yet a few charities successfully make the case that supporting operating expenses is a good investment. Their success has to do with a number of factors, Enright says. "Organizations that are strong, well led, and continually improving and are paying attention to their results are going to be able to make the case for general operating support," says Enright.

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Every three years, Grantmakers for Effective Organizations surveys all U.S. foundations that have staff members, and the results reveal common traits among nonprofits that land gifts for operational expenses.

"We've found that foundations are more likely to give to general operating support when they're into practices that promote [diversity, equity, and inclusion] and when they're closely connected to the communities they serve," says Enright.

Trust Is Crucial

Building up trust over time is also key, she says. The Jewish Federation of Metropolitan Detroit's chief development officer, Miryam Rosenzweig, says trust is crucial to her organization's success. For example, the Max M. & Marjorie S. Fisher Foundation gave the nonprofit \$1 million in unrestricted money earlier this year, so the federation can direct it wherever it has needs — such as its own operations or to help the 17 local charities and agencies it supports, Rosenzweig says.

One way the federation engenders trust is by showing grant makers detailed reports of its operations and finances and by holding one-on-one meetings that lay out the nuts and bolts of a program's budgetary needs.

"We talk to them about it as a business and ask them: In their job, what do they need to be successful?" says Rosenzweig. "Then we walk them through what it takes to run a program for children, and we show them it's not just the kids in the room. It's also the social worker, the building, everything that's needed."

Rosenzweig also suggests fundraisers recognize that individual donors and big grant makers want to make an impact with their contributions. The ability to explain how general operating support helps fuel real results is important.

"Nobody feels self-actualized by making sure the carpets are clean, so bundle that into everything else you're trying to create and don't hide from it," says Rosenzweig. "You don't get to be the best just because you spend the least."

In 2016, the Center for Public Integrity received a \$2 million grant from the John D. and Catherine T. MacArthur Foundation to support its operations. To attract such a grant, the group outlined everything reporters and others on staff needed to meet the mission, says chief development officer Trina Ramsey.

"We make the case that without individual donors, we can't get reporters out in the field and file the lawsuits we file and do the fact-checking," says Ramsey. "All of this takes time, staff, and resources, and without operating support, that can't happen."

Need vs. Failure

The Weingart Foundation is that rare grant maker that places a priority on giving unrestricted grants. Belen Vargas, the foundation's senior vice president, says getting general operating support can be a chicken-and-egg situation for a lot of nonprofits. Charities that struggle to reach their goals usually don't have enough support to operate properly and grow.

"It's so much easier to get program grants if you have good infrastructure and capacity," says Vargas. And the only way to have a strong infrastructure and the ability to expand is by having enough operating support.

It would help charities, Vargas says, if foundations considered the challenges they face, including gaps in their funding, as needs rather than weaknesses or signs of failure.

"The burden is on the foundations to create an environment for the organizations to feel safe to share their greatest needs and priorities," says Vargas.

Still, she says, while she knows that's a tall order for a lot of grant makers, there are things charities can do to articulate their operating-support needs.

Vargas, Ramsey, Rosenzweig, and Enright offer the following advice on how to raise operating support from both new and longtime donors:

- Develop a clear set of institutional goals and objectives, including both short- and long-term markers of progress.
- Become adept at telling the story of your organization's results and make the case for a grand vision for the overall organization by weaving in those stories.
- Prioritize your organization's greatest needs.
- If you have never received general operating support, talk to potential donors about what you could use the money for — to hire more staff or expand the office, for example. Make clear what your charity could accomplish and how an unrestricted gift would touch all areas of your mission.
- If your nonprofit has received such support, keep track of what it helped your charity achieve so you can demonstrate its value.
- Make sure your annual reports show clearly where donations for administrative costs were spent.
- Put your fears aside and ask for what you need, not what you think a foundation will provide.
- Explain how general operating support will give your organization the flexibility to direct money where it is most needed, rather than being tied to a specific program or outcome.
- If your charity undergoes an annual audit, show grant makers the results. "Having a clean audit is a much bigger indicator of success than having three or four or five stars from a ratings system," says Ramsey."

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