From the "Look-out Post called Philanthropy..."

FUTURE TRENDS FOR NON-PROFITS: A FOUNDATION MANAGER'S PERSPECTIVE

by Louis J. Beccaria, Ph.D.

While I'm not a clairvoyant nor am I a futurist, I can give you the perspective from the look-out post called philanthropy. This perspective is a "good news/bad news" scenario.

The "good news" for non-profits is that life in the future has the potential to be prosperous; the "bad news" is that getting to the "Prosperous Land" is going to take some work.

I've seen the non-profit world from several vantage points—a staff person, a board director and board president, the chairperson of a board's fund-raising committee, as well as that of a development director, grantmaker and fund-raising consultant. Over the last twenty years these experiences have taught me some valuable lessons which, I believe, are by-words for the future of healthy non-profit organizations.

"...life in the future has the potential to be prosperous... getting to the "Prosperous Land" is going to take some work."

Speaking colloquially, let me say that in the future, "smart money" will be on at least two special areas: self-reliance and accountability.

Self-Reliance

Our organizations today are under great pressures to provide more services to more clients, in a quicker and more efficient manner. To do this requires an abundance of resources. Many new non-profit organizations have sprung up over the last 30 years because we have become such a service-minded society.

This scenario has a rich history in our country. In his well-known 1835 work *Democracy in America*, Alexis de Tocqueville wrote about Americans' penchant to organize and join voluntary associations when there was an issue to be addressed. If there is a problem, "solve it with a new agency" seems to be the by-word even today. Consequently, the competition among this larger pool of agencies, for funds to provide a wider array of services, has become even more intense.

As if this competition among a burgeoning number of non-profits (the demand side) was not enough, pressure has built up from the funding side (i.e. supply side) as well. Each of the major traditional funding sources has developed its own limitations, too. The politics of the public sector says "do more with less"; "keep the budgets balanced"; "that problem is a private sector responsibility"; "where's the leadership of the corporations and foundations on the issue?"

We have traditionally relied on corporations and foundations to fill the gaps left by the shortage in Federal, state and local funds; corporations and foundations, however, advise that "we only do seed projects"; "bring us your new, creative ideas"; "we don't want to become married to an organization by funding it year after year"; "our priorities have changed this year—at-risk youth was our priority last year"; "we don't fund art exhibitions now"; "scholarships are the bailiwick of foundation "X"; "we only fund Chester County now"; and the ever-present proviso, "there just isn't enough money to go around."

Our own foundation, over the last three funding cycles, has had an average of over $1 million in requests each cycle for less than $400,000 in available grant funds. In such a situation, there have to be winners and losers in the funding contest. Thus, non-profits fund themselves in a Darwinian, survival of the fittest, game.

What does all this mean to the non-profit world? It signals the third sector can no longer rely on any of these funding sources in the short or long term for its organizational livelihood. So, "smart money" must become more self-reliant. How?

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You know as well as I the popular ways that are talked about—fees for services, special events, and endowments are three that come quickly to mind.

Fees for services are often regarded as an unpopular means for self-reliance among non-profit managers. "Poor clients can't afford a fee; "charging a fee goes against our philosophy of service delivery" are two of the protests often heard. Greater pursuit of third party payments, where this is a potential source, is important to consider as well.

Special events. Here's where creativity comes in. There is funding support to be had in this area at a level far greater than often realized. Big Brothers, Big Sisters, Delaware, provides us with a good example.

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In 1984, special events fund-raising began with a bowl-a-thon called "Bowl For Kids Sake" that made $15,000 for the agency. Today, 10 years later, $199,000 of the $650,000 budget or 31% comes from this one special event. This success has given birth to other special fund-raising activities—a high school all-star baseball game; a hockey exhibition against Flyers alumni; a golf tournament; and "Square Scoop"—ice cream scooped by volunteer corporate executives and local public figures on Wilmington's Rodney Square. This event provided over $1,200 toward the budget in its very first year in 1993. All told, special events last year provided over $258,000 or 40% of the agency's budget. Before 1984, the percentage was zero. The lesson in self-reliance here is that a recipe made up of a healthy portion of board leadership and involvement, with a dash of creativity, plus a measure of good staff work can create a volume of self-generated funding support not previously thought possible.

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Endowments. There's not an agency that comes to see me that doesn't hear my urging about developing an endowment. It's the gift that keeps on giving! If you don't already have an endowment, start one. If you have some semblance of one now, make it a priority to increase it.

Your board can designate some portion of budget surpluses to it, and more commonly, you can embark on a concerted effort to cultivate the long-time friends of your organization to remember your agency in their wills. Likewise, they can name it as the beneficiary of a charitable remainder or lead trust, or an annuity or insurance type financial vehicle.

Self-reliance—your key to survival in the future. While total self-reliance is not a practical goal for most non-profits, a good measure of it is.

Accountability

Part and parcel of our high-tech computer age is the ability to zero in on discreet pieces of information in less time and with more accuracy. This growing sophistication will enable future funders to ask you more pointed programmatic questions, expecting results-oriented responses instead of process-oriented ones. No longer will funders—government, corporate, or foundations—be content to accept your reports noting "127 people were served in our special at-risk youth initiative." Rather, tight resources in the future will dictate the Darwinian survival of the fittest game referred to earlier.

Those non-profits able to demonstrate accountability in the form of specific concrete results, will garner the brass ring of funding support. This, along with the growing sophistication of funders who will want to insure they are making "focused philanthropic investments that properly leverage their money"—will more and more create an expectation for non-profits to show the clear, bottom line, human impact stewardship for the funds allocated to them. These programmatic expectations are evident now, but will be even more so in the future.

"The vice grips of public scutiny are closing in."

Accountability will be no less a requirement on the financial side as well. Witness the problems at the United Way of America over its senior officer's lack of good judgment in the use of funds donated by a charitably-minded public who considered themselves stretching to help their less fortunate neighbors. The fallout has been tremendous. Likewise, we are mindful of the recent Marine Toys-for Tots Foundation scandal, and others, where upwards of 90% of funds raised did not find their way to the program for which they were intended. Rather, the pockets of greedy, misdirected people were lined instead.

The vice grips of public scrutiny are closing in. Governmental initiatives, at Federal and state levels, are devising new ways to protect the public interest. The State of Pennsylvania is a leader in this show of force on behalf of increased accountability. Greater accountability—in programs and in the use of donated funds—will be a by-word in the future. There is no escaping it. "Smart money" will take these trends to heart. Don't be caught on the outside looking in; what is more, don't become a Darwinian statistic.

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- ▲ Insurance Options for NPOs
- ▲ And more NEWS...with features on programs that work
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