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PubPol 671: Policy & Management in the Nonprofit Sector

Lecture 13: Overview of NEW wrap-up,
Philanthropy Intro,
Individual Philanthropy

Neel Hajra



Reminder – Paper #2

- Due Friday, March 5 at midnight
- Office hours on Friday
- Will check email less frequently next week



IJM and the Nation Articles



Office of Social Innovation

- From recent FAQ: “An important goal of the SIF is to strengthen the available evidence of effectiveness over time, and consequently we expect grantees to use the most rigorous evaluation methodologies appropriate for a particular intervention at its particular stage of growth. For many programs, this should include evaluations using well-designed experimental and quasi-experimental studies, as these studies can provide strong evidence of the impacts of interventions.”



NEW, CONTINUED



BoardConnect

- Services: Training, Matching, Consulting, Board Room, Board Assessment
- Licensing: Battle Creek, Kalamazoo, Upper Peninsula, Flint
 - MANY challenges with licensing
 - Still a work in progress, not major source of revenues



npServ Overview

- Cutting edge, novel approach to nonprofit I.T. infrastructure
- 2 years and half million dollars in research, development, and piloting
- NEW invested its own reserves in the development of this program



Board Transformation

- Current priorities:
 - Ethnic and gender diversity
 - Geographic diversity
 - Fundraising
- Emerging priorities:
 - Balancing geography
 - Networking and fundraising
- Current Challenges
 - Engagement!



So what DIDN'T happen as planned?

- Recession has slowed our growth (contributions and earned income)
- npServ has remained a tech-only program
- ResourceConnect never turned into a revenue-generating program
- Less revenue than expected from outside of southeast Michigan



Board Packet

- Good illustration of some of our topics of discussion:
 - Performance Metrics
 - Financial Management

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	January	February	March	April	May	June	July	August	September	October	November	December
BOARD ACTIVITIES												
Board Meeting		◆		◆		◆			◆		◆	
Strategic Review		◆										
Executive Committee Review of the CEO		◆										
Conduct Board and Individual Director Self Assessment				◆								
Board Education on Programs and Sector				◆					◆			
Strategic Planning						◆						
Approval of the Annual Budget						◆						
CEO Performance Review						◆						
Review of the Bylaws and Policies											◆	
Presentation of the Annual Audit											◆	
Trustee and Officer Elections									◆			
REGULATORY/FILING REQUIREMENTS												
Filing of Federal Form 990					◆							
Renewal of Attorney General Registration					◆							
Renewal of Charitable Solicitation License					◆							
Payment of Employee Social Security and Other T	◆											
INTERNAL ACTIVITIES												
Preparation of the Annual Budget						◆						
Performance Evaluation of the CEO						◆						
Preparation of the Annual Audit											◆	
EXTERNAL ACTIVITIES												
Spring Info Service				◆								
Michigan Nonprofit SuperConference					◆							
Fall Info Service									◆			



Legend	
Activities	◆
Milestone	◆



Scaling Up and Collaboration

- Opened Detroit office in 2007
- Many challenges
 - Marketing / Outreach
 - Cultural
 - Competitors
 - Cost
- Franchising outside of SE Michigan



Note – Basic Infrastructure

- **NEW Data System**
 - \$25,000 up front
 - \$6,000 / year
- **NEW Center Phone System**
 - \$17,000 up front
 - Additional \$25,000 for full integration with 10 tenants



Program Challenges Going Forward

- npServ: Getting to break-even
- BoardConnect: Finding right balance between sustainability, mission, and capacity
- NEW Center: Long term capital maintenance
- ResourceConnect: Role within NEW and impact on nonprofits



Next Vision

- New round of strategic planning (2010)
- Ongoing expansion and outreach
- Earned income growth
- Cultivation of new funders
- Continued evolution of Board
- Exploration of new services for new economy



**NEXT “CHAPTER”:
FUNDING FOR
NONPROFITS**



Recap!

- Framework: What and why
- Management Issues: Impact on nonprofit sector and inter-sector
- NEXT: Impact of funding issues on nonprofit sector and inter-sector



Roadmap Going Forward

- Overview / Individual Philanthropy
- Foundation Support
- Corporate Support
- Government Support
- Venture Philanthropy
- Nonprofit capital markets
- Social Enterprise



Foundation Week!!!

- Foundations!
 - First class is discussion / analysis
 - Second class involves Phil D'Anieri, Ann Arbor Area Community Foundation



What is Philanthropy?

U.S. History of Ind. Philanthropy

- Driven by individual giving
- Tradition is long and strong
- Why is this so?





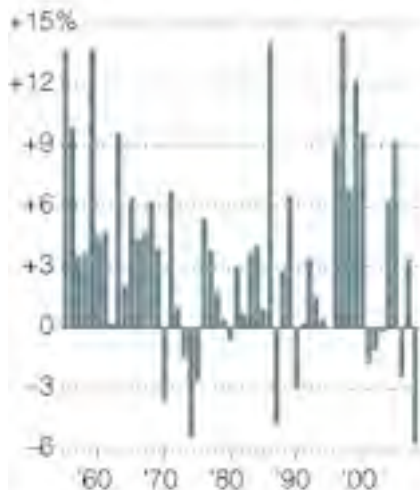
Why Give?

- Social: Individualism/community spirit
- Carnegie attitude for the rich – responsibility because of wealth disparities
- Policy: Strong tax incentives
- Political: Small government
- Social norms and peer pressure
- Transcendence through giving (immortality?)
- Self-interest

Note – Decline in 2008

Charitable Giving in the U.S.

Giving in 2008 fell by the largest percentage in 50 years.



Note: Figures are adjusted for inflation.
Source: Giving USA Foundation



But contributions to religious organizations continued to rise.



THE NEW YORK TIMES



(Foundation giving up 3%)

A Decline in Giving

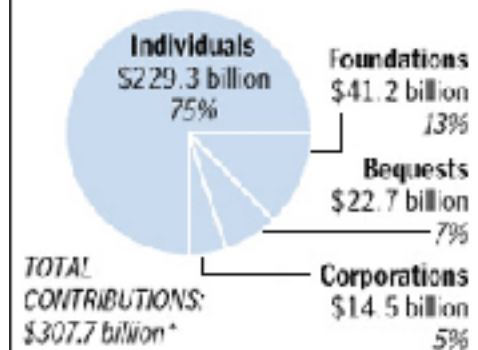
Charitable giving in the U.S. fell for the first time in 21 years in 2008. But it topped \$300 billion for the second consecutive year.

Charitable giving over the past 10 years

In billions of current dollars



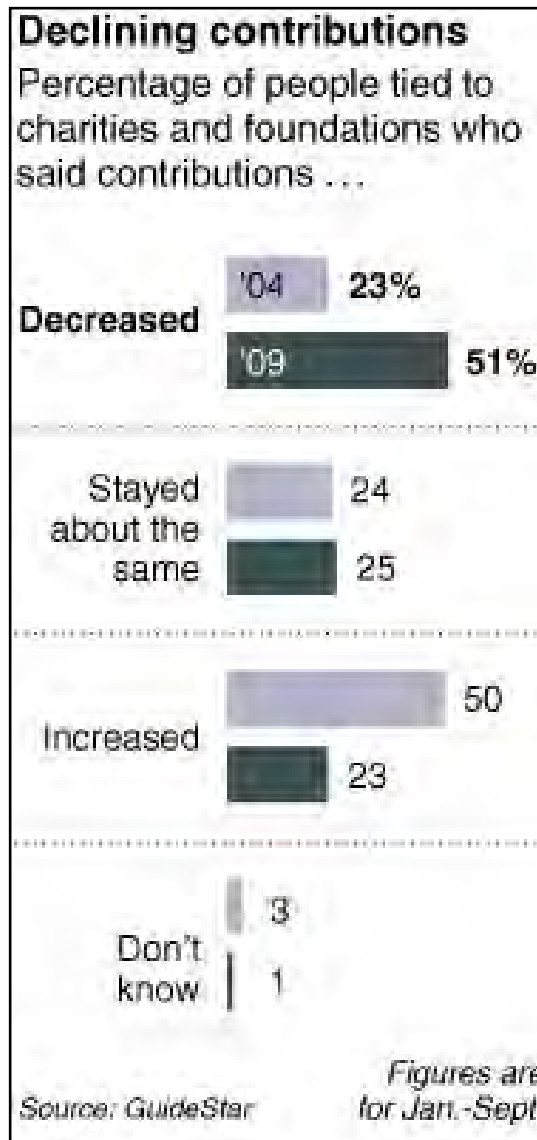
Who gave in 2008



Source: Giving USA. *All figures are rounded.
By Tobey — The Washington Post



2009: Decline projected to continue





Ind. Philanthropy Today



Benefits of individual giving?

- The democratic ideal
- Donors become volunteers (and vice versa)
- Money with fewer strings
- Dependability of the masses
- Independence from government



Strong, but... total giving?

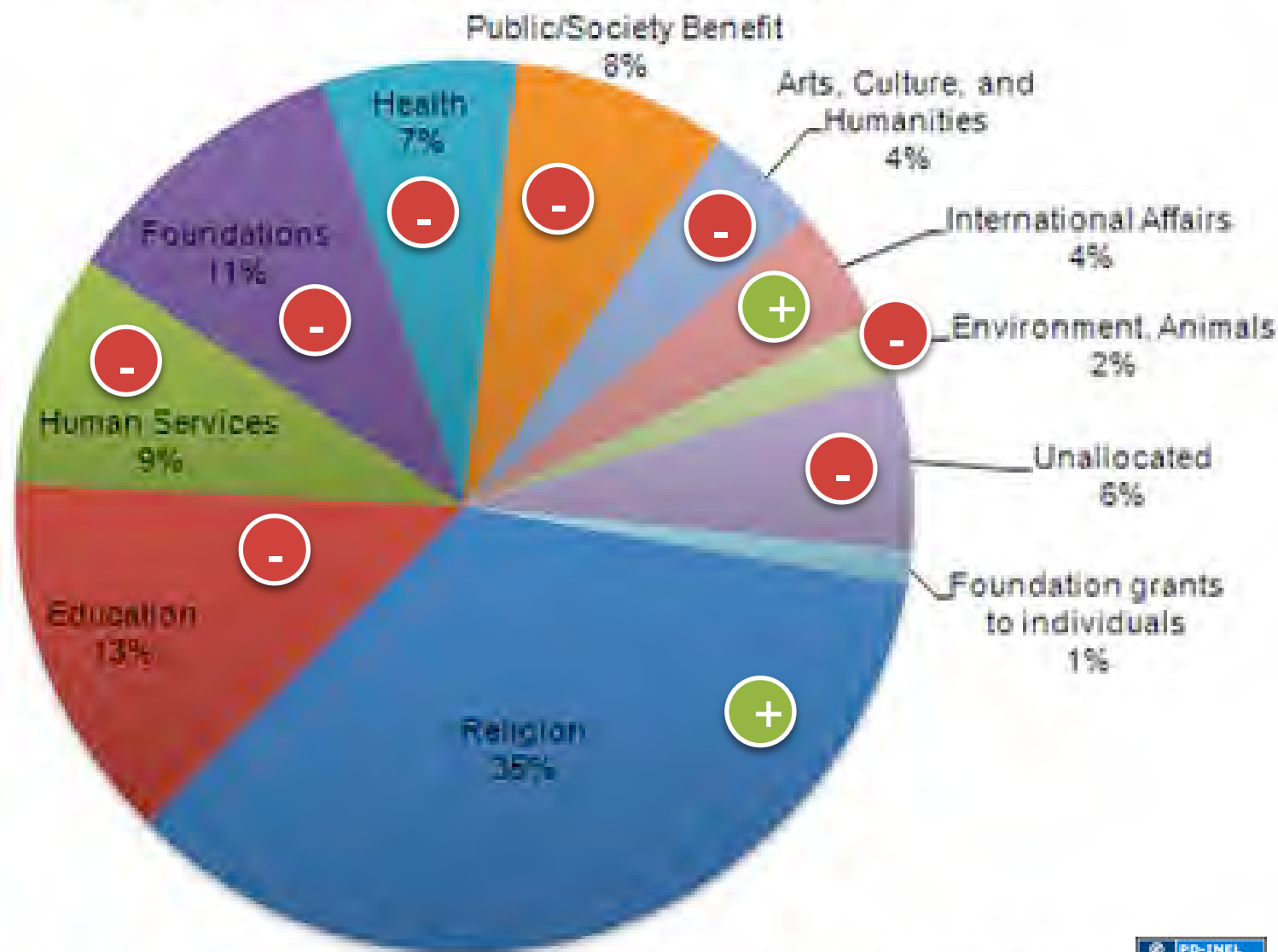
- Total giving increasing, but decreasing as % of wealth (half of 1920's levels)
- 2008: \$307B in giving!!! (>2% of GDP – pretty steady, despite drop)
- Inflation-adjusted: relatively steady since 2000 despite 12% growth in economy and 7% growth in personal income



Keeping perspective

- Individual giving is 75-80% of total giving
- BUT IN TOTAL:
- 71% fee-for-service (includes gov't payments)
- 10% individual giving
- 9% government grants
- 4% investment income
- 4% other
- 1% Foundation
- 1% corporate

Strong, but... distribution?



Source: Giving USA 2009: The Annual Report on Philanthropy for the Year 2008



Recap: Three Failures Theory

Gov't Failure

Market Failure

Voluntary Failure

Reminder: Voluntary Failure theory

- Philanthropic insufficiency: Under-donation because of free rider concerns (of individuals AND government)
- Philanthropic particularism: Focus on specific subgroups yields gaps and redundancies
- Philanthropic Paternalism: Clients don't vote for nonprofits like they do for government!
- Philanthropic Amateurism: Tendency to rely on less credentialed workers, particularly for moral (vs. technical) issues



Strong, but... trend?

- Decline as share of income
 - Half of 1920's level!
 - Acute among wealthy
- Decline in “benevolent” giving



WHY THESE CAVEATS?

- Growth of government?
- Growth of the upper class?
- Growth of earned income?
- Tax policy?
- More selfish society?
- What else?

On the other hand...

Professionalization of fundraising

+

More ways to give

=

“Democratization”
of Philanthropy



Work in
progress



Management Implications: How does it FEEL????

- Grassroots fundraising is a “best practice”
- Yet it is really, really hard!
- Burnout is common