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Interesting times for nonprofits, philanthropy

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At the Nonprofit Finance Fund, which looks at scores of nonprofits across the U.S, we see four major trends in charitable world.

* The "Buffett effect" grows.

We expect to see increased recognition of the value of what might be called "leveraged/collective funding."

This reflects an understanding that the available funding for nonprofits and philanthropy is small relative to the size of the problems that organizations are working to solve.

As exemplified by Warren Buffett's partnership with the Gates Foundation in 2006, more wealthy donors will focus on creating larger pools of capital for nonprofits, rather than fragmenting the available capital -- and its impact -- by creating new freestanding foundations.

* Even more short-term thinking in the long-term nonprofit world.

There is an unfortunate movement to more short-term funding requiring short-term measurable results from nonprofits that, in fact, are dealing with complex long-term problems.

These often deeply entrenched and stubborn problems do not lend themselves to this nonprofit world equivalent of the "quarter-to-quarter" results fixation of publicly traded companies.

* Wider recognition that there is a business side to nonprofits.

We see encouraging signs of improved understanding that while nonprofits are focused on social returns, not on financial profits, they still resemble any enterprise, for-profit or nonprofit.

As such, they need to cover their costs. This reality is often overlooked in restrictive funding practices.

That said, we see increasing effort on the part of savvy funders to change the status quo for the better.

* Funding decisions less influenced by the portion of funds devoted to overhead.

Funders will rely less and less on this habitual -- but misleading -- indicator of a nonprofit's worthiness for contributions.

The truth is that "overhead ratio" is unreliable as a yardstick for efficiency or effectiveness.

Different services provided by different types, sizes, stages and ages of nonprofits require differing levels of "overhead."

There is no meaningful percentage level or formula for determining the proper level on an across-the-board basis.

After all, if an organization had a high overhead rate but found a cure for cancer, would anyone care about the overhead?

Clara Miller is president and founder of Nonprofit Finance Fund, which has offices in New York City, Washington, D.C, Philadelphia, Morristown, New Jersey, Detroit, Boston and San Francisco. [Email this page](#)



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