

PRIVILEGE

Celebrating Philanthropy

April 2005



The Bottom Line

by Marc Pollick

Giving for Staff and Postage is not Attractive to Donors, but Charities cannot do Good Work Without Operating Funds

Would you invest in the stock of a company that had the promise of a great product, but couldn't afford to hire the best staff or buy supplies and materials? Probably not. This is the vexing and urgent problem of most nonprofits. We don't have enough money to sufficiently cover operating expenses, and therefore cannot operate at peak efficiency. Unlike a for profit company, we cannot issue stock or offer equity to donors.

I am not talking about the United Way or the Red Cross. They can and do afford the latest in computer equipment and supplies and their executive staffs are well compensated. But what about the rest of us? The single hardest area in which to raise money for a charity is for general operating expenses. Donors don't find it sexy to fund overhead.

I run The Giving Back Fund, a relatively small charity that on very little capital manages to do important work. Raising money to grow and hire more staff, build effective and efficient infrastructure, and market our services effectively is a constant struggle.

On our annual budget of less than \$500,000, we have been able to create 60 new foundations over the past six years and grant more than \$10 million to a host of worthy causes. But with a little support to help us build capacity and infrastructure, we could easily have

created 160 foundations and granted \$50 million in that same period.

I know this to be the challenge for most nonprofits. When the staff worries about whether or not the rent will get paid, or whether they will get paid, they cannot be focused on mission.

Most small to mid-size nonprofits strive for excellence and aim for best practices, but far too many struggle on a daily basis just to make ends meet. Their capabilities are stunted and their productivity is compromised. Good talent cannot be hired or is forced to leave. Small nonprofits cannot reach critical mass, and as a result fewer people attempt heroically to do too much with too little or they become burned out and demoralized. And these are some of the most committed and caring people among us. They cannot be easily replaced.

What we need most to provide important and critical services are sufficient operating funds. It is perhaps an unintended sign of disrespect when a donor is willing to contribute to a worthy nonprofit, but only as a restricted gift when basic operating expenses are so apparent and so needed. The for profit sector knows well how to grow a company to peak efficiency and what that growth takes in terms of hard dollars and human capital. Those same requirements need to be applied to the nonprofit sector.

Marc Pollick is founder of The Giving Back Fund which provides philanthropic management and consulting services to professional athletes and entertainers.

THINKABLES

“A great many people think they are thinking when they are merely rearranging their prejudices.”

William James

“The whole problem with the world is that fools and fanatics are always so certain of themselves, but wiser people so full of doubts.”

Bertrand Russell

“Be wiser than other people, if you can, but do not tell them so.”

Lord Chesterfield

“Whoever undertakes to set himself up as a judge of Truth and Knowledge is shipwrecked by the laughter of the gods.”

Albert Einstein

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