Common Ground

A Publication of the N.C. Center *for* Nonprofits

Of Special Interest to Board Members

Making the Case for General Operating Support

I wish I had $10 for every conversation I've had about the merits of general operating support. Nonprofits consistently report that general support most effectively helps them accomplish their missions. Yet funders still aren't listening hard enough.

Grantmakers for Effective Organizations (GEO), a membership association of funders who seek successful ways to help their grantees achieve the best results, recently completed a survey of the the entire foundation field.

Of the 750 funders that responded, 80% devote some of their budget to operating support. However, the proportion of their funding for this is only 20%...and has remained there for some time.

The foundations that were more likely to provide operating support cited these reasons:

▼ A desire to provide flexibility, stability, and capacity to their grantee in tough times.
▼ An interest in investing in the grantee's overall mission.
▼ Considering the grantee's proven results, a desire to enhance impact.

Mary Mountcastle

See the Grantmaker Practices Survey at *www.geofunders.org*.

Why do most grantmakers resist operating support and instead persist in providing project funds that hamstring their grantees? In the spirit of reality TV, perhaps it's time to give general operating support a MAKEOVER to reveal its true beauty.

Jane Kendall, president of the N.C. Center *for* Nonprofits, has suggested that we call it "core mission investment." I think that's a pretty good start, so I'll use that term for our makeover.

How can we make the case for "core mission investment"?

▼ **Buy stock in the mission.** Core mission investment is the lifeblood of any successful group. Without it, no organization achieves its mission. In the business world, investors consider adequate working capital, in conjunction with a

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Linking North Carolina's Nonprofit Sector

MAKING THE CASE CONTINUED FROM P. 1
sound business plan, to be essential requirements. They don't care what activities the business engages in as long as reasonable outcomes are achieved. In fact, investors want businesses to be nimble and opportunistic because that achieves the largest return. In other words, if you buy stock in Toyota, you'd feel pretty silly saying my money can't be used for tires.

▼ **Flip the 80/20 rule.** Too often, funders see operating or unrestricted support as the exception. Instead, operating support should be the default position for any grant, and restricted grants should be the exception with strategic reasons for why they make sense. For instance, a funder may want to focus on a particular program in a large organization that has several programs or target a particular geography if the organization has a wide service area.

When the funder and grantee agree, these can be smart, strategic choices. In these cases, the funder should include adequate overhead (we may need some rebranding for that word, too) so that the nonprofit can carry out the project.

▼ **Focus on progress toward results.** Instead of focusing grant discussions on the input (type of grant), we should focus on the outcomes grantees want to achieve, how they know they're making progress toward those outcomes, and how they'll deal with the inevitable bumps in the road. You don't need a fancy strategic plan but a common

sense approach to achieving the mission.

This conversation helps both funder and grantee get on the same page about their goals, how the mission fits the funder's interest, and what obstacles may arise. When grantees know which parts of their core mission work most interest a particular funder, they understand they need to achieve results in those areas if they want additional funding – no fancy evaluation required. That provides plenty of accountability to the grantmaker.

When there is alignment between the grantee's and funder's missions and a reasonable plan of action, funders should give grantees flexibility in how they spend their resources and trust them to make good decisions about how to advance their goals.

Today's fast-paced world requires nonprofits to adapt to changing realities and new opportunities. As funders, let's help them achieve their mission in the most effective way possible so the true beauty of better results can shine through. ∎

– Mary Mountcastle

Mary Mountcastle, a trustee of the Z. Smith Reynolds and Mary Reynolds Babcock foundations, has experience in the nonprofit and business sectors. She currently serves on the boards of the N.C. Network of Grantmakers and Grantmakers for Effective Organizations.

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running for office, don't mention their candidacy in your publications, website, or events, since this can imply an endorsement.

What grant funds can you use? Private foundations can fund many nonpartisan voter engagement activities. They can't *earmark* money for lobbying on ballot initiatives and can only earmark money for voter registration if it's done in five or more states and over more than one election cycle. You can use general support grants from foundations for advocacy, ballot initiatives, and nonpartisan voter registration. You generally can't use government grants or contracts for lobbying or civic engagement. Check with your accountant and major funders to be sure you track your expenses appropriately.

Learn more. check out our website (*www.ncnonprofits.org/node/31710*) and emailed public policy updates. Nonprofit VOTE (*www.nonprofitvote. org*) and Democracy North Carolina (*www.democracy-nc.org/action/non profits.html*) both have excellent resources for nonprofits. ∎

– David Heinen

David Heinen is director of public policy and advocacy at the N.C. Center for Nonprofits.

Got dance fever? Check out the groove during *Transforming Times*, our 2012 Statewide Conference on Sept. 13-14 in Research Triangle Park. Details on page 3.

SPONSORSHIP CONTINUED FROM P. 8
Sponsors should consider having a policy of not accepting grants to spon-

sored programs if they don't include a reasonable allocation of funds to cover administration expenses. Rather than charging "fees" as a percentage of each individual transaction, I recommend assessing these quarterly. The maximum fee should be an agreed-upon amount, but limited by funder restrictions as described above.

Fiscal sponsorships can be a win-win if they're planned carefully. Like any business relationship, they're most successful

when both parties understand the implications and have agreed on specific terms. ∎

– Mig Murphy Sistrom

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This article provides an overview of some key considerations, but it is not intended to give legal advice and should not be relied upon without your attorney's counsel.

Members of the N.C. Center can get free advice from a CPA through our partnership with NCACPA. Contact Geia Williams (gwilliams@ncnonprofits.org, 919-790-1555, ext. 114).