



## Can You Function Without Power?

Many in our community have invested in whole-home or whole-office generators or have at least implemented power outage plans over the last couple years as outages due to weather and fire safety shut offs have become the norm. Let's be honest: The uncertainty of knowing if, when and for how long a power outage will last, is inconvenient, expensive, and potentially dangerous.

Just as in our home lives, it's extremely challenging to conduct business as usual for nonprofits when the basics aren't reliably available. The recurring power outages have been palpable reminders that nonprofits struggle to function effectively and efficiently without overhead funding. The idea of running a business without pens and paper, without a space to work, without a bookkeeper is almost laughable, but a significant part of the philanthropic giving conversation suggests that the best-run organizations do not incur such overhead. Overhead is the critical support that enables organizations to run programs and fulfill their core mission: office supplies, human resources, financial administration, office rent, and the salaries of the staff members responsible for those things.

When nonprofits are not fully funded and there is a gap at the core mission operations level, they must compensate in other areas. Services must be provided in sub-par space, staff wages suffer and key staff are forced to decide between the organization's mission and their families' financial needs, benefits get cut, and programs decline because they lack the vital elements they need to truly be effective. Our community that benefits from the mission of that nonprofit ultimately bears the consequences.

Reporting of the cost of core mission support or overhead is also highly variable across organizations, and what is "reasonable" will vary substantially between philanthropic industries. For example, where an organization's office space is in the same area used to provide services, often the entire cost is reported as program support. In contrast, where an organization retains an office and provides service elsewhere, the cost of rent will be reported as overhead, though there may be no actual difference in the cost of housing office staff between the two organizations.

More and more donors and funders are realizing that overhead costs have little relationship with how effective a nonprofit is. Instead, the focus has shifted toward a nonprofit's overall cost and impact, with an eye to reducing wasteful spending rather than spending that ensures the viability of the organization. It is our hope that everyone who invests in a nonprofit's mission – the staff and board of a nonprofit, as well as individual donors, businesses, private foundations, and government – becomes aware that operating a nonprofit is not free (gasp), and that making things as cheap as possible should not be the overall goal. Instead, like any business, a philanthropic organization should be encouraged to invest in

the people, space, and materials that will allow it to offer high-quality programming in an efficient, effective, and sustainable manner.

Your unrestricted gift makes it more likely that the organization you support can maintain key business staff, pay its rent and utility bills, and remain sustainable over the long-term. We recommend that you look beyond what is reported on the 990, get to know your local organizations, talk with their staff, and learn for yourself just how much they accomplish with each donated dollar. Our nonprofit community is resilient. Their impact is pretty great without power. But with your support, they won't need to improvise or compromise, they can accomplish so much more with the power on and their core missions funded.

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