



Lifting All Boats – via Leadership, Capacity, Impact

Navigating through Treacherous Waters

Tim Delaney
President & CEO



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Treacherous Waters



**NATIONAL COUNCIL OF
NONPROFITS**
National voice. State focus. Local impact.



FORUM
OF REGIONAL
ASSOCIATIONS
OF GRANTMAKERS

CNJG
COUNCIL OF NEW JERSEY GRANTMAKERS

COUNCIL OF NEW JERSEY GRANTMAKERS

**25,000+
nonprofit
members**

**43 State
Associations &
Nonprofit Allies**

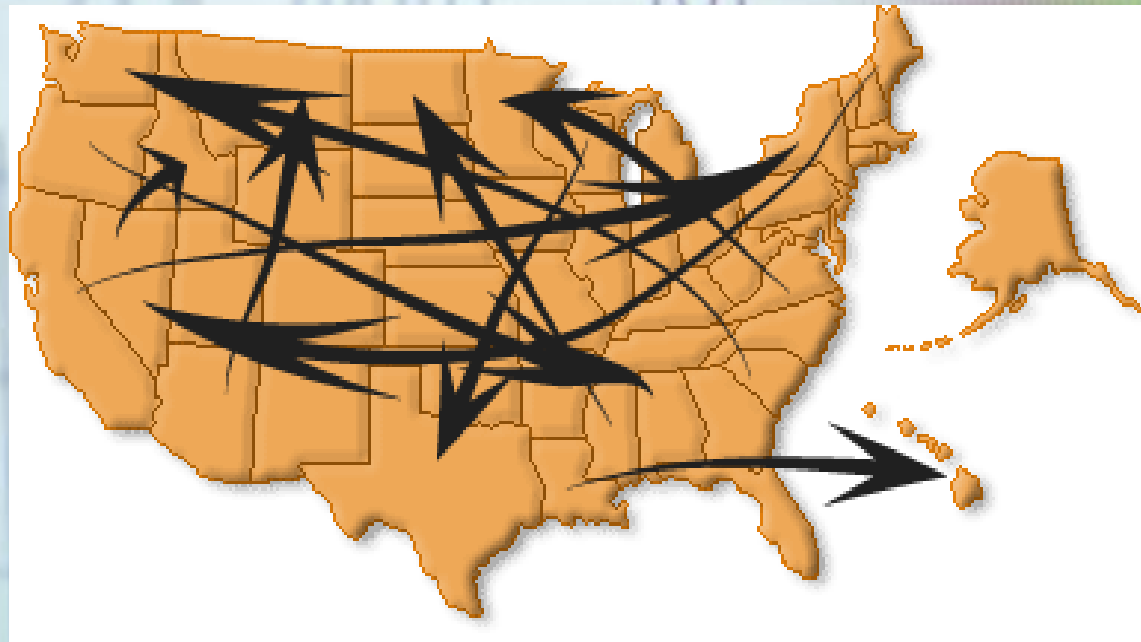
280+ Employees

**500+ Board
members**

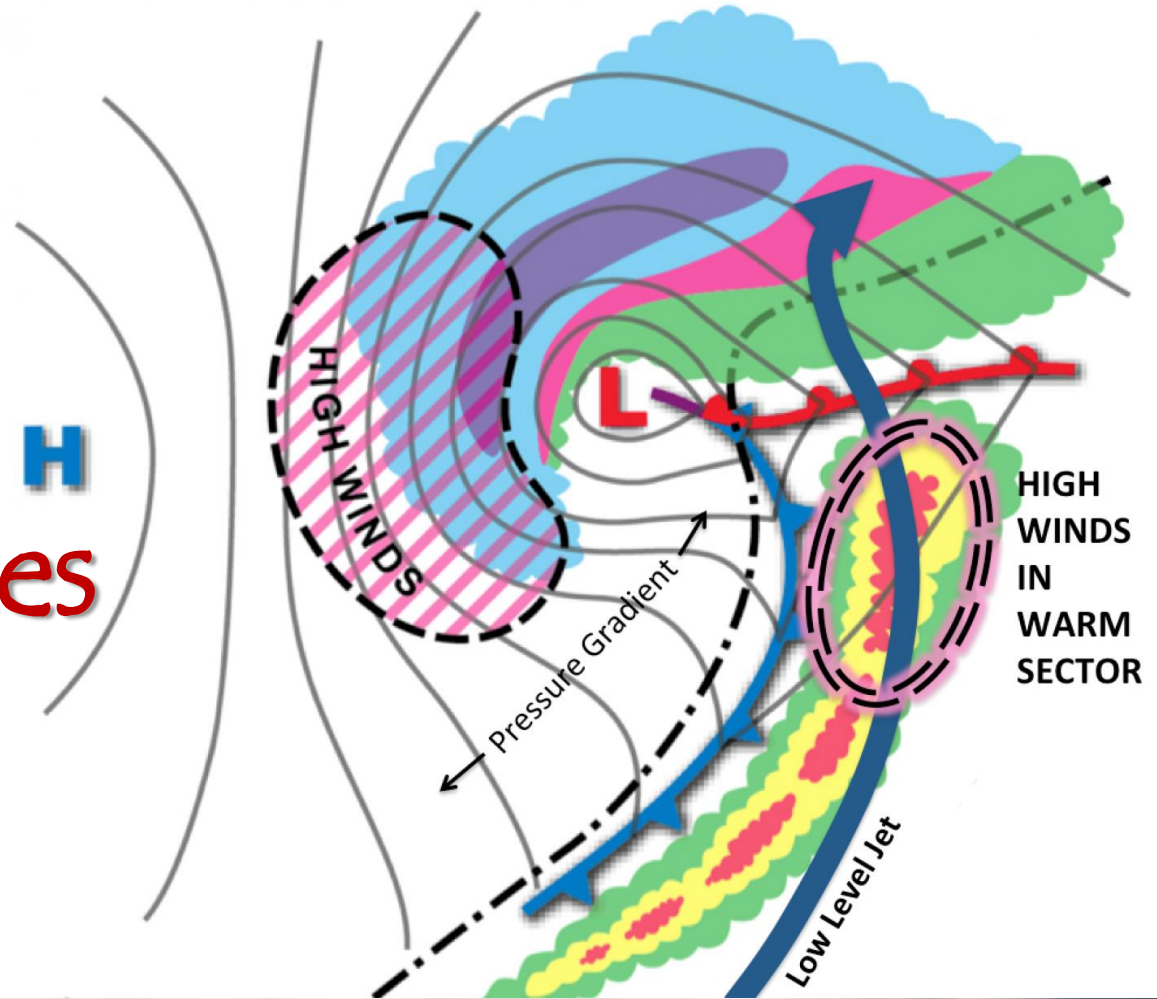


Coast to Coast, Border to Border

Pattern Recognition



H
Wicked Forces
Creating ...



Treacherous Waters

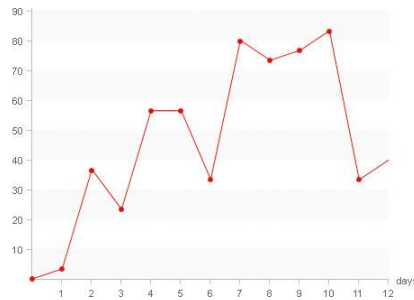
Wicked Force = Great Recession

Recognize the Lagging Ripples

4 U.S. Economies, 4 Separate Recoveries



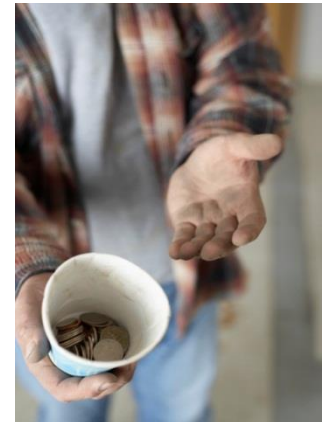
Wall Street →



Business Sector →



Government Sector →



Nonprofit Sector

So How Bad Is the Economy for State & Local Governments?



Starving for Revenue

Wicked Force = Stealth Shift from Govt to Nonprofits

Affects ALL Funders & Nonprofits!

**Dumping
Programs**



**Taking Money
from Missions**



**Withholding
Money Due**



**Draining
Dollars**



Wicked Force

Abandoning / Off-loading Programs

Expecting nonprofits and foundations to take over and run government programs for free.

cutting funding, not human need



states: eliminated/reduced services for:

- Mental illness
- Disabled
- Elderly
- Children

Taking Money from Missions

Ripping the Safety Net Held by Nonprofits

1. Imposing New **Taxes** (e.g., “sick bed”) and Eliminating Tax-Exempt Status (e.g., property tax, sales tax)
2. Assessing New “**Fees**” (e.g., sewer usage “fee” and streetlight “fee”)
3. Demanding “**PILOTS**” (Payments-in-Lieu-of-Taxes)
4. **Latest trend → reassessing** (“are you charitable enough?”)



Next = Government Contracting



Sources: The Nonprofit Sector in Brief, National Center for Charitable Statistics, 2013 (2011 data); Giving USA 2012 (2011 data)

One-third of nonprofit community revenues earned from government contracts and grants.

Wicked Force

Withholding Money from Nonprofits

- 1. Failure to Pay Full Costs** (e.g., GAO) 54% problem
Congrats, NJ! **Worst** in the nation → 76% report problems
- 2. Changing the Agreement Mid-Stream** 43% problem
NJ = 22nd worst in the nation → 45% report problems
- 3. Complexification of Application Process** 72% problem
NJ = 5th worst in the nation → 81% report problems
- 4. Complexification of Reporting** 72% problem
NJ = 12th worst in the nation → 75% report problems
- 5. Paying Late** 45% problem
NJ = 9th worst in the nation → 53% report problems

Nonprofits *on average* owed:

- \$200,000+ by state governments; \$108,000 by federal, \$85,000 by local governments



Wicked Force

Draining Philanthropic Assets

Indirectly taking \$\$\$ from nonprofit missions:

A. Creating Own Nonprofits

**B. Eliminating/Limiting
Giving Incentives**

Federal
States



WARNING



Charitable Nonprofits: As work load and costs get dumped on nonprofits, board members must raise more money...



Foundations: As governments expect foundations to fill the void...

- 1) Invading your board rooms to remove your decision-making
- 2) Ignoring that foundations don't have enough assets to fill the huge void

How do you spell ...

s-u-b-s-i-d-i-z-e

g-o-v-e-r-n-m-e-n-t ?

Question:

When was the last time that your board discussed the wicked forces?

**Dumping
Programs**



**Taking Money
from Missions**



**Withholding
Money Due**



**Draining
Dollars**



Sunshine!



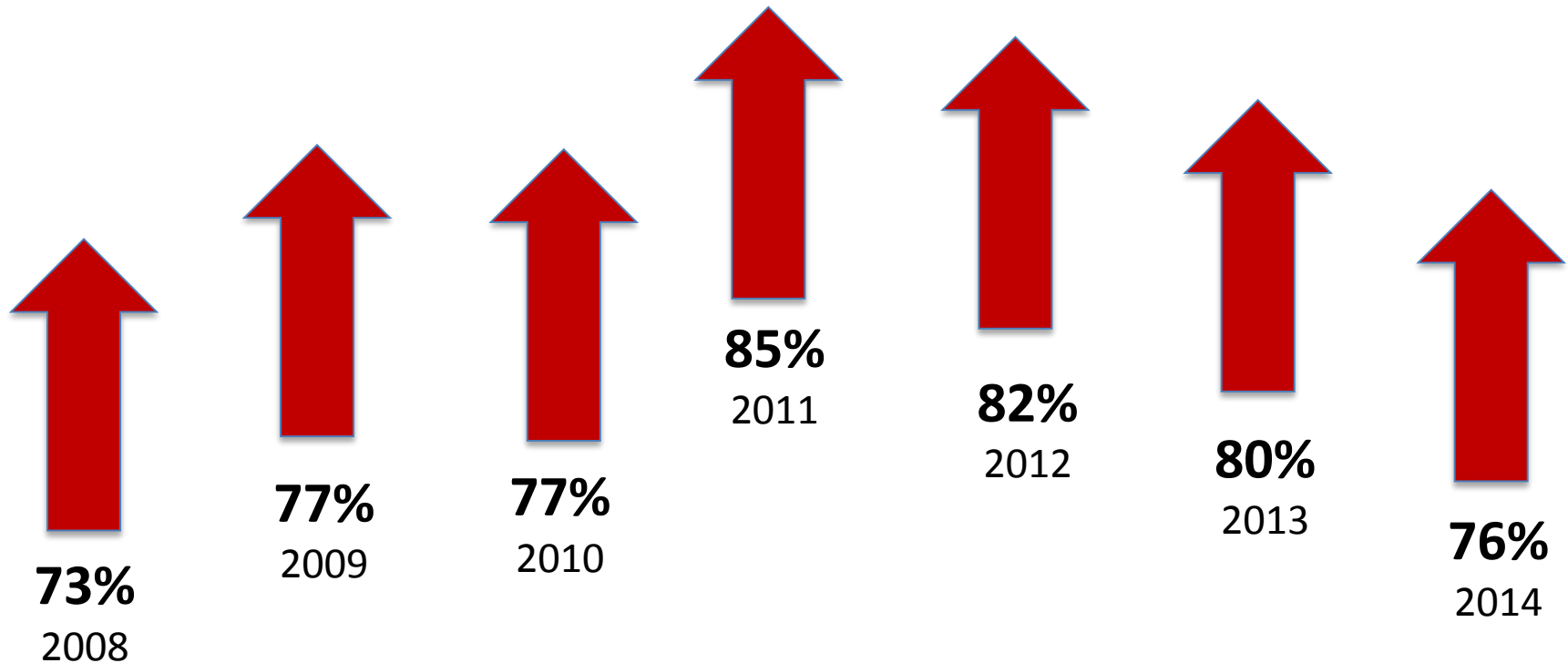


Knowledge → WHY

Wicked Force = Great Recession

Increasing demands for services

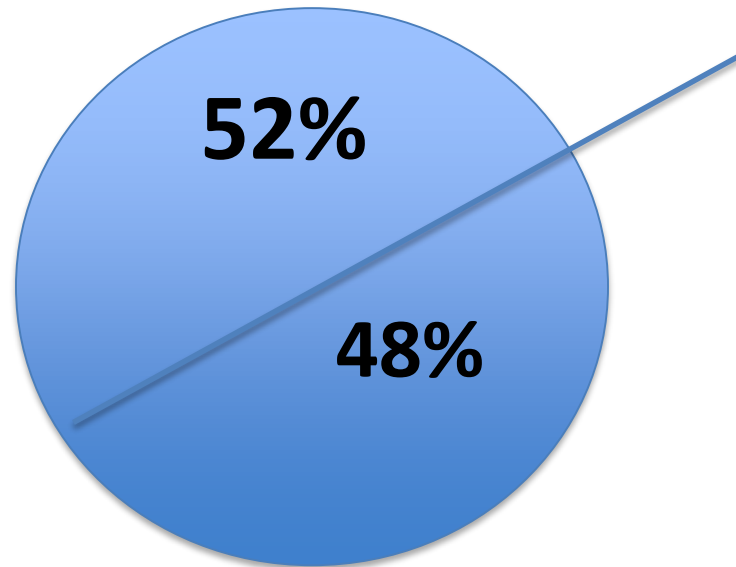
Percent of nonprofits reporting an increase in demand for their services over the previous year



SOURCE: State of the Sector 2015, Nonprofit Finance Fund

Demands outpace resources

More than half of nonprofits reported they were unable to meet the demand for their services



SOURCE: State of the Sector 2015, Nonprofit Finance Fund



Knowledge → Where

Where the Action Is

Year	# of Laws Passed	
	U.S. Congress	State Legislatures
2011-2012	283	
2013-2014	296	



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CNJG

COUNCIL OF NEW JERSEY GRANTMAKERS



Helping organizations build a better New Jersey





OMB Uniform Guidance

Why Reforms re Indirect Costs Matter



Sources: The Nonprofit Sector in Brief, National Center for Charitable Statistics, 2013 (2011 data); Giving USA 2012 (2011 data)

Urban Institute's latest nationwide survey of nonprofits with government contracts/grants: **54%** said that governments failing to pay full costs = problem, which **creates pressure on others to subsidize government.**

Why Reforms of Indirect Costs Matters



Sources: The Nonprofit Sector in Brief, National Center for Charitable Statistics, 2013 (2011 data); Giving USA 2012 (2011 data)

Urban Institute's latest nationwide survey of nonprofits with government contracts/grants: **54%** said that **governments failing to pay full costs = problem**, which **creates pressure on others to subsidize government**.

Trend: Failure to pay indirect costs



Research: for-profit/nonprofit **avg overhead range=25-35%**

54% nonprofits report governments limit indirect costs

Of those governments ... **a quarter paid = 0**
half paid 7% or less
three-quarters paid 10% or less

How do you spell ...

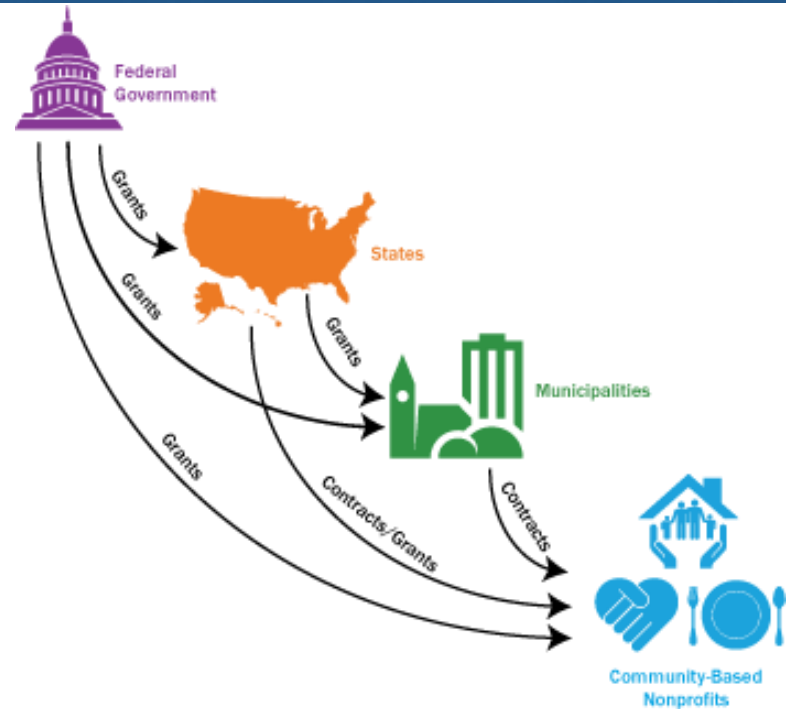
u-n-s-u-s-t-a-i-n-a-b-l-e ?

Good News!!

Congress Appropriates the \$\$



Executive Branch Manages the \$\$





Reforms in OMB Uniform Guidance

Some highlights

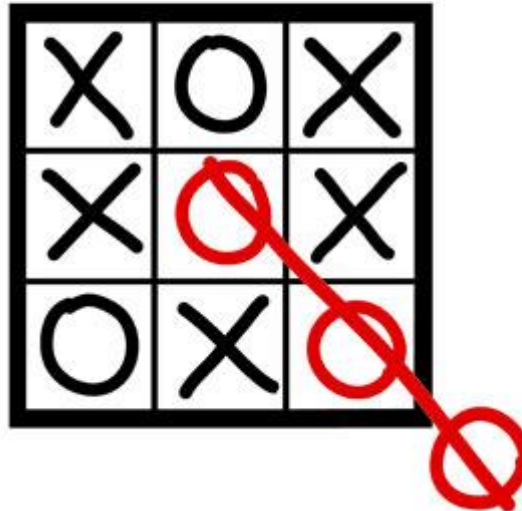
- State & local governments, tribes, and other “pass-through” entities **using federal funds** are now **required** to reimburse nonprofit contractors and grantees for **reasonable indirect costs**.
- In some cases, it ***expands*** which administrative expenses can be reported as **direct** costs, rather than indirect.
- Eliminates some duplicative audit criteria, and clarifies cost allocation rules.

Capacity Building

Nonprofits

Government

**THINK
OUTSIDE
THE BOX**



Foundations

Advocacy to Protect the Reforms

1. Federal



Office of Management and Budget

2. State/Local

A. Implementation & compliance with OMB

B. Make state & local laws consistent w/OMB

C. Extend state & local laws to non-federal funds



Real Costs

THE **OVERHEAD** MYTH

Real Talk 
about Real Costs

 DONORS
FORUM

*Strengthening Illinois philanthropy
and the nonprofit community*



Knowledge → How

Action Step: Reclaim Our Space

EVERYDAY ADVOCACY



What Boards (*needlessly*) Worry About re Advocacy



False Lore:
***“I heard there
could be problems”***

False Barrier/ Standard Excuse

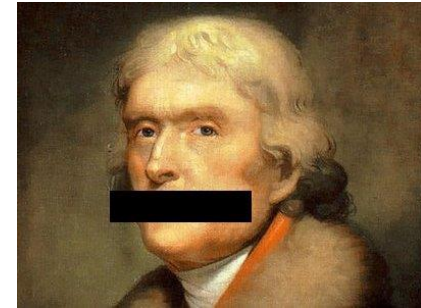
But nonprofits can't lobby

FALSE!!!

Nonprofit Lobbying Is Legal!



Action Step → Tell Your Attorneys & CPAs:



**Remove the
muzzles!!**

Learn the Law!

Spread no more lore to nonprofits!

You EXPECT them to explain “*how to,*” NOT ‘not to.’

The Power of Board Advocacy



www.StandForYourMission.org

Salon Style Dialogue



Easy Process

1. Host at each table = air traffic control/spark discussions
2. No report out (but seek volunteers per table to take notes)
3. Two questions ... on screen
4. Candor → mix up ... no current grantees with grantmakers
5. Hand up



Question #1

What are the big trends/geopolitical issues happening in your community, in New Jersey, or in the country that are impacting the field in which your work is focused?

Question #2

How can the OMB Uniform Guidelines and other efforts to support *Real Costs* change outcomes and have impact for the communities/issues your organization is focused on?



Questions 1 & 2

1. What are the big trends/geopolitical issues happening in your community, in New Jersey, or in the country that are impacting the field in which your work is focused?

2. How can the OMB Uniform Guidelines and other efforts to support *Real Costs* change outcomes and have impact for the communities/issues your organization is focused on?



Question #3

 **MISSION:**
POSSIBLE!

Question #3

MISSION: POSSIBLE

How can New Jersey's social sector – both grantmakers and nonprofits – work together to support the concept of full cost funding, whether from government or donors?

Additional questions to guide the discussions at your Board meetings:

For nonprofits: What can we be doing differently today to communicate our full costs?

For grantmakers: What do we need to learn from grantees to understand their full costs?

For both grantmakers and nonprofits:

- Would you and your trustees benefit from more training/technical assistance about real cost budgeting and planning?
- How do we influence state and local governments to fully adopt the OMB Guidelines and consider similar practices themselves?