

Did You Know?

Important Insights about the Evolving Nonprofit Sector

❖ **The nonprofit sector is now a \$1.5 trillion industry.**

There are now more than 1.2 million nonprofits in the US, up nearly 500,000 from just ten years ago. The philanthropic/nonprofit sector has grown to more than 5% of GDP and accounts for more than 8.1% of the nation's wages—making it roughly comparable to the size of the construction industry. And the nonprofit sector touches nearly every aspect of our lives: health care, education, and environment.

❖ **For nonprofits, 2010 is shaping up to be a worse year financially than 2009.**

Eighty percent of total funding for the nonprofit sector (\$1.2 trillion) comes from government grants. That's why nonprofits are feeling the pain of federal and state budget cuts so severely. While all organizations are hurting, "tried and true" ones like hospitals and universities will continue to receive government and private support. The serious losers will be the smaller, scrappier – and, in some cases, most innovative – organizations that are not safe bets and so may not survive.

❖ **Nonprofits are often the first to spot societal trends.**

Because social service and health organizations, in particular, address immediate needs, they have a unique line of sight into societal problems. When nonprofits experience an increased demand for their services, they know that economic conditions are declining even before official government statistics have been released. Likewise, nonprofits know that budget cuts to prevention programs will lead to serious – and often costly – trouble down the road. Stacy Palmer, Editor of *The Chronicle of Philanthropy*, said, "As a result of cutbacks to domestic violence shelters, heads of those shelters know that the murder rate will go up."

❖ **Don't judge a nonprofit by its overhead.**

Right now many people rely on overly simplistic rating systems to assess nonprofits and, too often, only look at the rate of overhead to determine if a nonprofit is well managed. As part of a stepped-up focus on evaluating nonprofits, there is a shift toward a more sophisticated rating system. Charity Navigator, the country's largest independent charity evaluator, is now working on a new rating that incorporates financial management, accountability for results and effective resource allocation. Until a new system is developed, nonprofits will have to do a better job explaining how they measure their own impact and journalists will have to continue questioning ratings and rankings.

❖ **There has been an outburst of creativity in giving.**

In today's economy, big gifts from major philanthropists still exist but there are fewer of them and they are being used more strategically to focus on impact. Philanthropists are no longer simply naming buildings after themselves, but want to see *measurable* results from the programs they support and understand how they are truly helping the people they serve. Philanthropists are more directive about how their money is used, facilitating collaborations for example, and they are giving large gifts to organizations like Habitat for Humanity which in the past was supported by much smaller sized donations.

❖ **Social media is democratizing philanthropy.**

The advances in technology have had a powerful effect on fundraising, turning small gifts to big gifts. For example, mobile giving campaigns helped the American Red Cross amass \$409 million for Haiti. And in the private sector world, online competitions such as American Express' Members Project, Chase Community Giving and Pepsi Refresh allow the general public to actually direct where corporate dollars go and what kinds of organizations they fund.

A Wish List

(Recommendations for reporting on the nonprofit sector)

- ❖ **Increase coverage to reflect the size and breadth of the sector.**
The amount of dollars – both private and public – invested in nonprofits and the sheer number of organizations warrants greater attention. What would it look like if there were only one beat reporter covering the many facets of the business sector or government sector? The nonprofit sector is just as diverse, yet fewer resources are being allocated to reporting on it.
- ❖ **Consider the nonprofit perspective for every story.**
Nonprofits intersect with virtually every societal issue – public health, the economy, education – and they have insights “from the field” and a point of view on what’s working and what’s not. All reporters should tap into the sector as a resource for reporting.
- ❖ **Keep the spotlight on even after an immediate crisis subsides.**
Media are quick to race to the scene of a disaster and cover the immediate outpouring of donations, but coverage should not end there. There are numerous stories to be told about recovery and its challenges in the aftermath.
- ❖ **Focus on the real story about compensation.**
The media and the public love a scandal, and stories abound on perceived excesses in executive pay. However, the real story is that of the front-line workers – the ones who have foregone higher salaries and a more comfortable standard of living to address society’s grimmest problems.
- ❖ **Cultivate relationships with nonprofit organizations.**
Local, regional, national and international nonprofits have their finger on the pulse of societal problems and can be an excellent source. Creating an ongoing dialogue with nonprofits will help reporters get the background they need, identify emerging stories that have not yet been covered and provide compelling human interest stories.

Resources for Covering the Nonprofit World

- ❖ **IRS Form 990** www.guidestar.org
- ❖ ***The Chronicle of Philanthropy*** www.philanthropy.com
- ❖ **Philanthropy Today** www.philanthropy.com/news
- ❖ **The Bridgespan Group** www.bridgespan.org
- ❖ **Bridgestar nonprofit careers & recruiting site** www.bridgestar.org
- ❖ **Foundation Source** www.foundationsource.com
- ❖ **Schwab Fund for Charitable Giving** www.schwabcharitable.org
- ❖ **Fidelity Charitable Gift Fund** www.charitablegift.org
- ❖ **The Hewlett Foundation’s Philanthropy Program** www.hewlett.org/Programs/Philanthropy
- ❖ **Tactical Philanthropy** www.tacticalphilanthropy.com
- ❖ **Philanthropy 2173** www.philanthropy.blogspot.com
- ❖ **PhilanthroMedia** www.philanthromedia.org
- ❖ **Association meetings**
- ❖ **Board members of nonprofits**

Compiled from “The New Nonprofit Reality,” a panel discussion held March 24, 2010 in New York City and co-hosted by Edelman, *The Chronicle of Philanthropy* and the Bridgespan Group. Panelists included Ken Berger, CEO of Charity Navigator; Allison Fine, Senior Fellow at Demos; and Stacy Palmer, Editor of *The Chronicle of Philanthropy*.