



A tale of two non-profit organizations

Organization A raises \$500,000 a year from donors, unchanged over the past few years. They are proud that they spend only 15 cents on the dollar (\$75,000) to fundraise. However, they are on their third development director in three years, and spend a lot of time acquiring new donors to replace the ones they've lost since last year. On average, one donor is lost for every one they get.

Organization B raises \$10 million in donations, up from the \$2 million they raised just five years ago. Their fundraising costs are 45 cents on the dollar, or \$4.5 million. They have low turnover of their fundraising staff, as they offer competitive salaries and benefits including generous professional development grants. They also spend time acquiring new donors, but on average keep 20% more donors than they lose every year.

According to those who like “low overhead,” A is clearly superior to B. After all, they aren't spending much to raise their funds. This is an unfortunate and out-dated view of charitable organizations. But using overhead as a measurement condemns A to an unending cycle of acquisition and loss, and never allows for true engagement of donors. Pinching pennies is not the way to advance.

In the case of B, the leadership recognizes that it you have to spend money to make money. Communicating with donors takes money and people. So while they spend more, they are growing and as a result, more overall funding is going to their cause. And because they aren't afraid to be completely transparent about what it costs, their donors come back. And their staff stay and grow with them.

It's not just about fundraising operations. Non-profit organizations contribute substantially to the economy – not simply through their services but by providing career paths for thousands of employees. We want people working in this sector, so it's important to have an abundance mentality rather than an impoverished one.

It's the difference between an entrepreneurial organization and one that sees itself as a recipient of alms. While the concept of charity is clearly an important one, the idea of investment means growth. And that's good for all of us.

Julie Mikuska