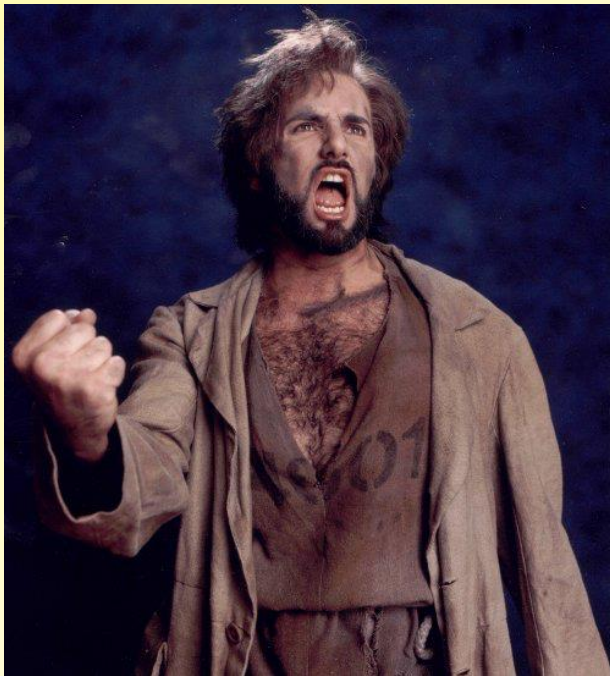


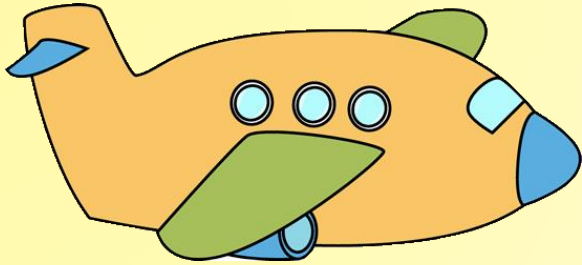
# Nonprofit Overhead: *“The Time Has Come; The Day is Here!”*



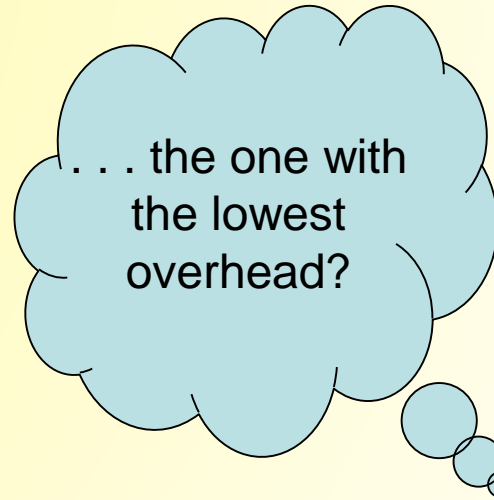
**Jan Masaoka**  
**California Association of Nonprofits**  
**(CalNonprofits)**







Which airline  
should I take?



# Why *now* ?



- **New OMB Uniform Guidance mandates 10% or more indirect cost rate in nonprofit-government contracts that include federal money**
- **Grantmaker interest: Northern California, San Diego and Southern California Grantmakers, Forefront (Illinois), GEO, others**
- **Rising influence of the online charity raters which rely heavily on overhead rates as a proxy for excellence**



Nonprofit Overhead Project

It's time to change how we think about nonprofit overhead.



**CalNonprofits**

CALIFORNIA ASSOCIATION OF NONPROFITS

California's nonprofits &  
the communities we serve



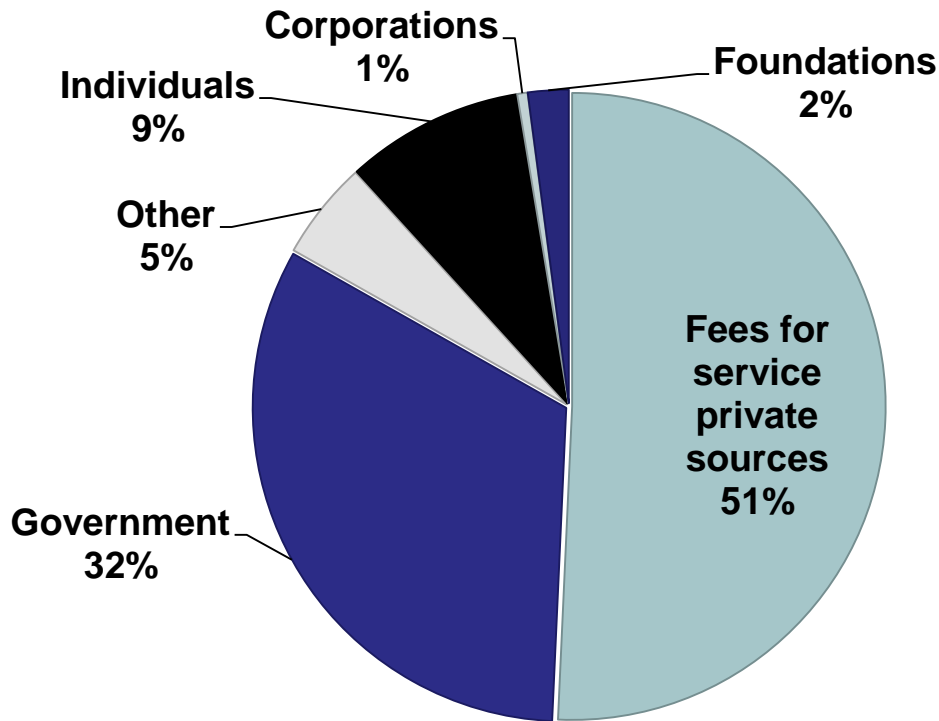
Nonprofit Overhead Project

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# Moving the needle(s)?



## Revenue sources (Urban Institute)





When compared to other states, California:

- Ranks as the **4<sup>th</sup> worst** in the country re failing to pay full costs.
- **7 in 10 California nonprofits** report that government funding doesn't cover full costs
- **65% are reimbursed at rates of 10% or less**

SOURCE: Urban Institute 2015



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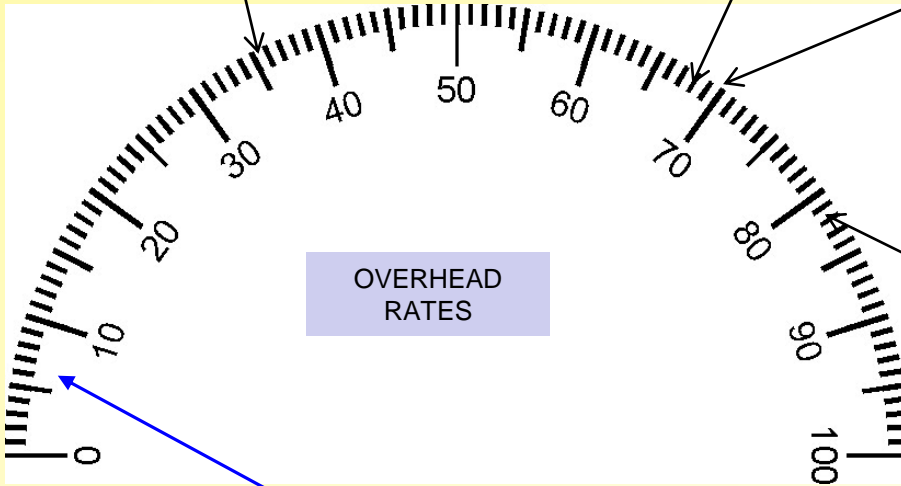


For-profit services sector 35%

Harvard's government contracts 68%

For-profit info services in government contracts 70%

Engineering companies in government contracts 81%



In nonprofit contracts with government < 10%

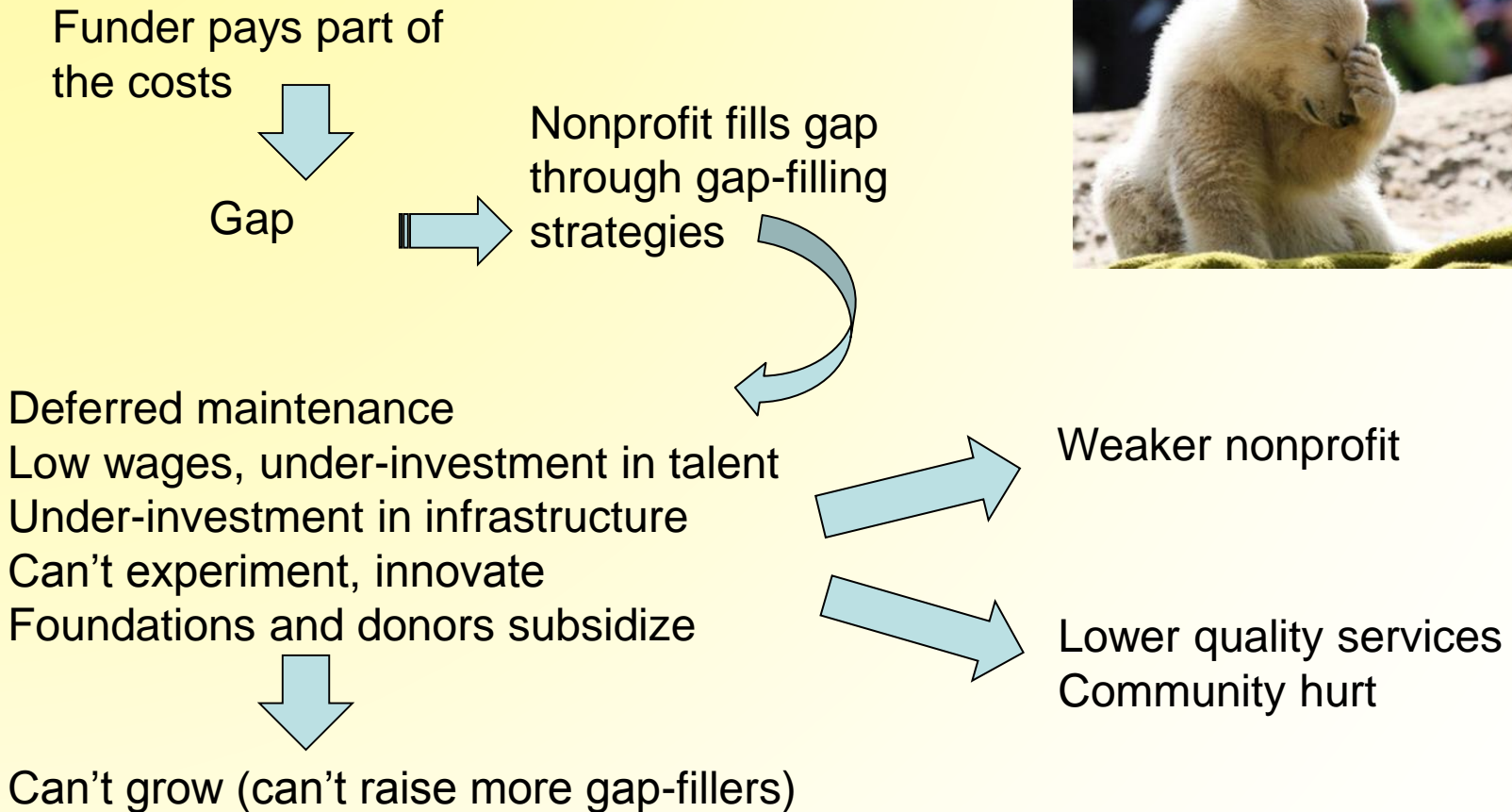








# Failure to recover full costs leads to:



# Overhead issue is:



1. **Management issue**
2. **Nonprofit sector practices and norms**
3. **Government contracting issue**
4. **Nonprofit ecosystem sustainability**
5. **Messaging challenge**





## Nonprofit Overhead Project:

- **Educating nonprofits**
  - \* Accounting
  - \* Choosing methodologies and presentation choices
  - \* Statewide CFO Task Force
  - \* Messaging to government, foundations, donors
- **Research:**
  - \* Statewide survey
  - \* Interviews with county boards of supervisors
  - \* Focus groups with mid-level donors
  - \* Coming (Oct at our convention in LA): findings about messaging



## Public policy:

- AB 2855 the “warning label” bill
- Working at state and counties on OMB UG implementation for higher nonprofit indirect rates



## WARNING

You're about to donate to a nonprofit that will help many people, but for your own good we want you to be paranoid and believe that most nonprofits are untrustworthy.

## Dialog in the public space:

- Open Letter to Charity Navigator
- “A Board Member’s Guide to Nonprofit Overhead”



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# Many more resources

[www.calnonprofits.org/overhead](http://www.calnonprofits.org/overhead)



## Discussing Nonprofit Overhead

- ▶ About the Nonprofit Overhead Project
- ▶ What is overhead?
- ▶ How much is too much overhead?
- ▶ How inordinately low overhead hurts nonprofits, foundations, and communities
- ▶ How to get involved
- ▶ Must-reads





## Nonprofit Overhead Toolkit

- ▶ Accounting techniques for overhead and indirect costs
- ▶ Overhead and profitability
- ▶ Indirect costs in nonprofit contracts with government: OMB Uniform Guidance
- ▶ Indirect costs and foundation grants
- ▶ Raising the issue with your funders
- ▶ Messaging to the public about overhead





# Your role in the Nonprofit Overhead Project



- **Contribute your stories and resources to the website**
- **Tell your staff, board and funders about the Nonprofit Overhead Project and the Real Cost Project**
- **Do not publicize your Charity Navigator rating**
- **Help CalNonprofits identify & celebrate funders & donors who get it**
- **Join us to change the narrative**

