

Charting for Impact

How Donors Can Identify Community-Based Nonprofits

Vikki Crouse

Senior Manager, Philanthropic Research, Private Donor Group
Fidelity Charitable

Sarah Weissberg

Director, Philanthropic Research, Private Donor Group
Fidelity Charitable



There are many opportunities in philanthropy to make an impact. One of the questions we hear most often from donors is how to find local organizations that have the potential to significantly impact our neighborhoods and communities. In recent years, donors have sought deeper connections with those organizations in their own backyard. Oftentimes, well-established organizations are highly visible, but smaller, less established organizations doing local work are harder to find. Included in this guide are tools and resources to help you identify these organizations.

A spotlight on community-based nonprofit organizations:

As you chart your giving journey, we encourage you to balance where you want to make an impact with where there are unmet needs. Many of the nonprofits doing the best work on the ground—for example, organizations providing direct services such as mental health supports, after-school programming, and care for seniors—are often small to mid-sized groups serving local communities. These organizations have often garnered a high level of trust with community members unmatched by others, staff frequently reflect the populations served, and they are delivering vital services to strengthen communities.¹

What if these nonprofits had access to the resources they need to flourish?

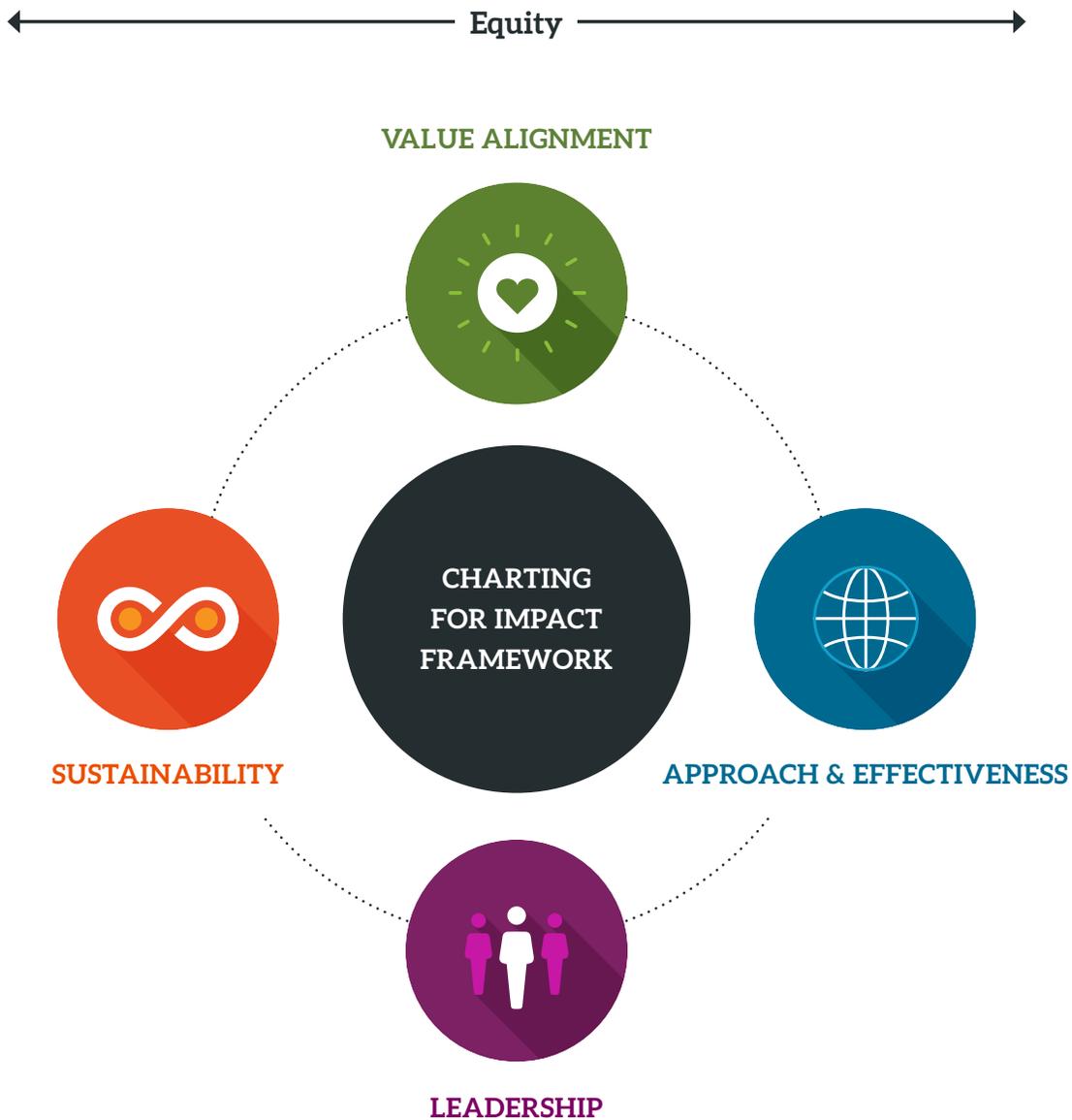
Using an equity-based approach to giving means shifting our typical giving strategies and assumptions to ensure that those nonprofits who have historically not been able to access funding, have a chance to be considered. This guide sheds a spotlight on these organizations and the ways that philanthropists can work to better understand their work and lend their support.

Charting for Impact Framework

The Charting for Impact Framework can help you get started in your exploration of nonprofits doing great work in our communities. The framework consists of four areas for exploration:



These four areas for exploration will help you learn and build confidence about the organizations and charitable causes you want to support. Throughout this guide, you will find key questions for reflection and further learning, as well as tips to help you “reset your compass,” or think differently about nonprofit exploration.



Digging Deeper: Researching Small Nonprofits

Nonprofits with smaller budgets and fewer staff may not have a lot of information posted on their website, and that is understandable - their limited staff time is focused on actively helping people in our communities today. When information is limited, here are some resources you can explore to learn more about them:

- Join a nonprofit's e-newsletter distribution list or social media channels.
- Connect with a nonprofit directly.
- Speak with a trusted partner who is proximate to community needs like a community foundation, organizations that manage pooled funds or giving circles, or nonprofits doing similar work. They can help broker connections with the nonprofit or answer your questions about the organization.
- Search for media coverage about the nonprofit.



Value Alignment

Shaped by personal beliefs and life experiences, values are a powerful driving force for charitable giving.² As you connect your values to your philanthropic goals, continue to glean insight from those who have spent their lives working on the issues you care about or are directly affected by the challenges you hope to address.

“Leaning into values like ‘integrity’ and ‘impact’ help us drive resources to support Black, Indigenous, people of color (BIPOC)-led community-based organizations who know their community and are best positioned to support and respond based on immediate and long-term needs. These are organizations who are making an outsized impact despite their limited operating budgets”

Gabrielle Fitzgerald, Founder & CEO, Panorama Group

Many nonprofits list their organizational values on their website, or they can be inferred from their value-informed [vision](#) and [mission statements](#). Asking a nonprofit leader about their nonprofit’s guiding values can be a great way to learn about how they are applied in the day-to-day work. In your research you may discover that nonprofits are driving impact by applying additional values like learning, collaboration, equity, inclusion, and diversity, among others, in the work that they do.

Have you explored what kind of donor you are?

Check out “Discovering Your Philanthropic Identity,” a joint project of Fidelity Charitable and [Ktisis Capital](#). This primer will help you clarify your philanthropic identity and translate it into effective practices.

KEY QUESTIONS FOR EXPLORATION

- Based on your values, what new cause areas or nonprofits are you committed to exploring in the near future?
- How does the work of a nonprofit align with its stated values? As well as your own identified values?
- What role can your charitable dollars play in supporting a community-based organization in fulfilling its values-informed vision and maximizing its impact?



Approach and Effectiveness

Understanding the effectiveness of a community-based nonprofit means understanding how the organization's efforts are tracking toward their stated vision and long-term goals.³ You can look for evidence of impact in their annual report, if available, as well as stories or updates about its work on its website. If available, consider exploring feedback they've collected from community members about how their work is making a difference. Many organizations choose to include this information on their GuideStar profile. Instructions on how to find organizations on GuideStar are included at the end of this guide. Try not to compare the impact of nonprofits that have vastly different characteristics, and instead try to understand the context in which each nonprofit is operating. Remember that effectiveness can look different for nonprofits based on factors like their strategy for change, annual budget size, geography, populations served, among others.

When considering a nonprofit's approach to their work, consider whether the nonprofit is a "community-informed" organization, that is, an organization that involves community stakeholders and impacted populations in shaping its programs and strategy.⁴ You can also explore their theory of change statement, which describes what the organization does, why it matters, and why their approach works, or their strategic plan—a document that outlines an organization's long-term vision and goals.⁵ These can usually be found on an organization's website.

"Understanding a nonprofit's impact is less of a quantitative process, and more about gathering qualitative information. We take a look at organizational programming and the nonprofit's theory of change. We seek out their events and show up to them to listen, learn, and support."

Casey Cook, Executive Director, Bread & Roses Community Fund

RESETTING YOUR COMPASS

Impact can look different for advocacy and community-organizing nonprofits. There is a longer trajectory of change, and there may not be traditional, tangible wins, but that doesn't mean there hasn't been progress. Building an engaged base of people in the community, shifting power, building influence with key stakeholders, and stopping harmful policies from being implemented are all positive indicators of impact.

KEY QUESTIONS FOR EXPLORATION

- What impact statistics or anecdotal stories does the organization have about its results and the value of its programs and services?
- Is the nonprofit centering the voices of those impacted by their work? If so, how are they doing so?
- What do community stakeholders say about the nonprofit's impact and relationship to the community?



Leadership

Organizational leaders are navigators for nonprofits who help steer their organizations through uncertain periods of change and ensure that the organization is making sustainable progress towards its goals. Consider the different leaders involved in the work, which might consist of the Executive Director and other staff leadership, the Board of Directors, and community members serving in an advisory or volunteer capacity, among others. **You might consider how leaders make major decisions, and whose voices are influential in decision-making processes.**

Nonprofits whose leaders reflect the diversity of the community they serve are better positioned to build trust with the community and understand the community's needs.⁶ **Therefore, consider how diversity is reflected across staff leadership and the Board of Directors.** Importantly, leaders' connections with their community are another key factor for effectiveness. Consider exploring how leaders stay in touch with the community. Often, they work collaboratively with other groups or community leaders to reach common goals.

“We encourage donors to continue to consider and support grassroots organizations led by women, gender-expansive, and Black and Brown leaders because they are the least funded. These leaders are doing the work in their communities with or without the money, and for too long, they have had to do more with less. But with equal support, just imagine how many more lives could be changed”

Natanja Craig Oquendo, Executive Director, Boston Women's Fund

KEY QUESTIONS FOR EXPLORATION

- What is the leadership team's vision for the organization, and how is that reflected in their approach to leadership?
- How is organizational leadership connected to or embedded within the community?
- Does organizational leadership reflect the diversity of the communities served by the nonprofit?
- What types of experiences and leadership styles do leadership team members embody and how do they complement one another?
- Do members of impacted populations serve on the board, or in some advisory capacity for the organization?



Sustainability

As you consider nonprofit sustainability, approach your research with the values of trust and transparency in mind. Avoid adopting the “overhead myth” which refers to funders defining an acceptable percentage of administrative costs for nonprofits—a false assumption that higher overhead costs are correlated to financial irresponsibility or lower impact.⁷ In reality, nonprofits thrive when they have the resources to innovate and grow around emergent needs, and this includes adequate funding for administrative support.

You might also consider how an organization has historically leveraged its funds. What trends in revenue and expenses has it experienced? Are these trends moving in a healthy direction? Positive indicators can include consistent surpluses in revenue that enable nonprofits to cover additional cash needs and a track record of bringing in recurring, unrestricted dollars, among others.⁸ **Periods of financial hardship can be natural in a nonprofit’s life cycle.** How has the organization weathered those losses and readjusted? Smaller nonprofits may not have financial information available online, but that shouldn’t count against them. You can reach out to a nonprofit directly and request their annual budget and past financial results.⁹

“Nonprofit overhead costs are about how the organization is living out its vision and mission and guiding the work. These funds help support the people who form the backbone of the work, who are helping to meet an organization’s administrative needs.”

Mary Deloré, Director of Individual Giving, Headwaters Foundation for Justice

KEY QUESTIONS FOR EXPLORATION

- What are your dreams for your organization in five years? Ten years?
- What if you could dream as big as you could with unlimited resources? Would you shift your organizational strategy?
- What would you be able to do with multi-year funding support?

RESETTING YOUR COMPASS

As you explore nonprofit sustainability, consider how your philanthropic giving can advance equity. Making multi-year, unrestricted giving commitments helps community-based organizations obtain the resources they need to flourish over the long-term. One of the biggest barriers to sustainable change in communities is the absence of consistent and recurring support.ⁱⁱ Donors can help close this gap and support the nonprofits who lack the most support - often those that are small and led by BIPOC or LGBTQ+ leaders.



Conclusion

As a donor, knowing how and where to give to maximize impact can seem daunting. We hope this guide helps you understand more about nonprofit organizations doing important, transformative work that advances equity in your community and across the country. When philanthropists support community-based nonprofits, they are supporting those on the frontlines of advancing justice, social change, and strengthening communities.

Fidelity Charitable is committed to your continued philanthropic journey.

For any further assistance, visit us at fidelitycharitable.org.

Acknowledgements

This guide was informed by insights from the [Boston Women's Fund](#), [Bread & Roses Community Fund](#), [Headwaters Foundation for Justice](#), and [Panorama Global](#). Thank you to these organizations for their contributions.

Resources for Further Exploration

["Discovering Your Philanthropic Identity,"](#) Fidelity Charitable and Ktsis Capital

[Fidelity Charitable Equity Hub](#)

[Fidelity Charitable "Research Charities" guide](#)



Glossary

BIPOC

BIPOC stands for Black, Indigenous, and people of color.

Equity

Equity is broadly understood as fairness and justice for a given person or group. More technically, it can be understood as the absence of disparities in outcomes (socioeconomic, health, educational, etc.) and other indicators of well-being and quality of life at a community level—and in the opportunity to accomplish goals at an individual level based on elements of human difference.

Mission statement

A mission statement from a nonprofit organization describes the goal of the organization's operations and why it exists. For example, Fidelity Charitable's mission statement is, "To grow the American tradition of philanthropy by providing programs that make charitable giving accessible, simple, and effective."

Small and mid-sized nonprofits

Small and mid-sized nonprofits can refer to nonprofits with limited resources such as smaller annual budgets or fewer staff. The IRS classifies 501(c)(3) organizations by size of total assets, with cutoffs at \$100K, \$500K, \$1M, \$10M, \$50M, and greater than \$50M. Based on this classification, small nonprofits are those having total assets of \$500k or less. Mid-sized nonprofits are those with total assets between \$1M and \$10M.

Vision statement

A vision statement describes what an organization hopes to achieve in the long-term. It often describes the future they envision. For example, the Boston Women's Fund vision statement is, "We envision a world where power, opportunity, and access exist for those persistently marginalized, regardless of gender identity or gender expression."

¹ Adler, S. "10 Reasons Why Community-Led Nonprofits Deserve Your Investment," *Global Giving*, accessed December 20, 2022.

² The Bridgespan Group, "Identify Your Values and Beliefs," accessed December 20, 2022.

³ Nelson, K. "Impact Measurement: How to Measure Your Nonprofit's Impact," October 2020. Accessed December 20, 2022.

⁴ Charities Aid Foundation, "Supporting Community-Led Initiatives," accessed December 20, 2022.

⁵ Community Toolbox, "Section 1. An Overview of Strategic Planning or 'VMOSA' (Vision, Mission, Objectives, Strategies, and Action Plans)," accessed December 20, 2022. An example of a theory of change from Bread and Roses Community Fund, "Social Change Spectrum," accessed December 19, 2022.

⁶ Mitchell, F. "Nonprofit Leadership is Out of Step with America's Changing Demographics," *Urban Institute*, December 2021. Accessed December 20, 2022.

⁷ BoardSource, "Leading with Intent: Reviewing the State of Diversity, Equity, and Inclusion on Nonprofit Boards," June 2021. Accessed December 20, 2022.

⁸ Eckhart-Queenan, J., Etzel, M., & Prasad, S. "Pay-What-It-Takes Philanthropy," *Stanford Social Innovation Review*, Summer 2016. Accessed December 20, 2022.

⁹ Karmer, P. "Top Indicators of Nonprofit Financial Health," *Nonprofit Finance Fund*, March 2018. Accessed December 21, 2022.

⁹ Fidelity Charitable donors have access to GuideStar Pro, a resource that provides comprehensive, up-to-date nonprofit information collected from nonprofit organizations themselves, the federal government, and partners in the nonprofit sector. GuideStar Pro includes information and tools to help donors better understand financial metrics.



In compiling this information, Fidelity Charitable has relied on publicly available information, including the websites of nonprofits and published articles, with links provided in this document. Nonprofit practitioners were also consulted. Fidelity Charitable is not responsible for the accuracy of such information or the ability of any organization to achieve specific goals. In this brief, Fidelity Charitable provides research that donors may use to inform their philanthropy. Fidelity Charitable makes no recommendation or endorsement, however, with respect to any particular organization. Donors are encouraged to research organizations using tools such as GuideStar and Charity Navigator and by contacting a nonprofit's leadership and development office to evaluate the organization's effectiveness, financial standing, and governance.

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