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The challenge of doing good – and getting it right

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Myra Virgil.(Photo by Akil Simmons) ~

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AN OPINION: Dr Myra Virgil

Without doubt, these are tough times for non-profits in Bermuda. Greater need, particularly in the human services area, means donors are examining their charitable investments more closely, to ensure they have maximum impact on the most pressing issues in the community.

Bermuda's corporate donors are facing change too.

For every dollar spent in an era of increasingly restrained budgets, accountability to their stakeholders has become that much greater. And the desire for expanded grant-making by companies operating in numerous locations means that Bermuda's charitable organisations can be competing with organisations all over the world for the global corporate charity dollar.

As a result, non-profits will have to work harder to demonstrate their value by not only carrying out their mandates effectively, but also by displaying their ability to operate professionally, economically and efficiently.

Good governance, real and transparent metrics and fiscal responsibility have become essentials for the non-profit that plans to stay in business. Donors have made it clear that they want to know they are making an investment in an organisation that is sustainable, often believing that's how their support will make a difference long-term.

In short, it's not a great time for non-profits to be operating in a state of (financial) crisis management. It's not healthy for the organisation, for the clients it serves or for the community as a whole. When this appears to be the case, the community needs to look carefully at what's going wrong. An outpouring of generosity is wonderful — but quick fixes don't take into account the fundamental causes of the "crisis". These need to be examined to determine whether the organisation is

- Well-run and necessary, but under-funded and in need of more sustainable funding, such as from community (government) budgets on a regular basis, or maybe, for economy of scale, some form of a shared services model;
- necessary, but in need of help with building its capacity to operate sustainably. The focus should be on obtaining funding to enable that capacity-building, for the long-term feasibility of the organisation; or
- not well-run and the service it provides may not be necessary – or could be provided in another way, or by someone else better positioned for success.

Donors who invest in an organisation that subsequently has to close its doors because it's unable to pay its bills tend to be unhappy. They feel their donated dollars have been essentially wasted and perhaps could have been used elsewhere to enable a more sustainable organisation to thrive. This is not to diminish the work that has been done by individuals who have poured heart and soul into working for a charitable cause.

However, anyone handing over funds wants value for their donation – whether it's money they've earned as an individual, or funding that represents a corporate commitment to community. That return on investment they seek is probably the knowledge that they have contributed to a solid, accountable and effective organisation addressing a priority need in the community.

It requires time and energy to get it right, but the result will be a stronger, more accountable and more effective non-profit sector. And that's good for Bermuda.

In the wake of the disturbing series of announcements of charity budget deficits and the threat of closures, the question of how much funding should go towards an organisation's operations is a useful one for people of good will to consider. In short, it might be entirely appropriate for operational expenses to be almost solely comprised of the cost of hiring people to deliver a service.

Sometimes the "service" is a set of skills or expertise applied to a problem.

It's easy to overlook the fact that even if Bermuda's service population is smaller, basic infrastructural and staffing resources need to be in place to run even the most modest of programmes well. That is not to say that all operational costs are bona fide, and indeed a number of charities all over the world have lost credibility for overloading the administration function for the sole benefit, at times, of those employed. As a result they have lost funding support.

But that's quite different from an organisation with sensible staffing linked to specific programmes and services. Those are the "operational" costs that can withstand scrutiny, and will sustain the organisation in delivering on its mission over time.

In other words, spending money on well thought-out structures and qualified people who deliver the services needed is money well spent.

Experienced charities and non-profits tend to be effective at showing how programme funds are allocated.

A sophisticated budget plan tells the story of how each employee's job is attached to a service or product, linking the human capital directly to the output of the organisation.

When using the statistical recommendations of organisations such as the US Charity Watch, it's important to understand the situational context.

The US has a tax and reporting structure that makes charitable giving and public spending far more transparent than in Bermuda. Charitable institutions applying for grants can expect to report on outcomes through shared metric tools.

In the UK, public services are at times tendered to both private and non-profit groups. So communities and their needs and methodologies will vary considerably.

Governments in many other jurisdictions are responsible for the delivery of essential services, including services that protect vulnerable people. In Bermuda, for decades many community services have been delivered by non-profit sector organisations.

They have survived thanks to funding generously provided by private and corporate donors. It's a big-hearted model that in a tougher economic climate quite possibly can't be sustained, as we're now seeing.

It may well be that some of the non-profit services ought to be cut or absorbed, or time and resources better allocated.

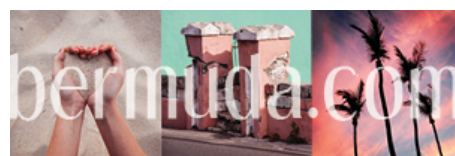
Donors regularly question why so many charities exist in similar fields and in some cases they recommend



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amalgamation of functions. In this climate, the non-profit Board of Directors and management team need to regularly review the efficiency and effectiveness of their enterprise, to ensure they address the issue that contributors will ask. They are accountable, after all.

The question is not as much about what percentage of revenue goes towards the operational costs of running an organisation; it's whether the service being delivered warrants the expense and is being managed effectively.

•Dr. Myra Virgil is the Managing Director of the Bermuda Community Foundation and former head of grantmaking for The Atlantic Philanthropies in Bermuda

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