In reading Dennis R. Young's chapter in *Financing Nonprofits*, "Toward a Normative Theory of Nonprofit Finance," I have come to think of the dilemma of nonprofits, which have noble missions yet struggle to persist long enough to carry them out. Imagine a pool that has an unpluggable hole in it, causing the water to drain. A nonprofit is constantly trying to keep their pool filled, by any means, whether that be by 100 people hastily ferrying buckets of water, by a flowing (yet unreliable) hose, or by innovative rain catchers (or any combination of water filling mechanisms, for that matter). Yet, the question that surfaced for me is: How do nonprofits keep their pool filled in an **efficient** way - a way that guarantees long-term solvency and mission effectiveness?

In response to this question, Young speaks on the need for an income portfolio with diverse revenue streams to account for diverse programming costs that engage diverse stakeholders all of whom have diverse motives. Common thread? You guessed it: **Diversity**. Fee income (the water buckets), donations (...bigger buckets), government funding (the unreliable hose), in-kind contributions (lifeguards?), and investment income (the rain catchers) may all be needed at different points in the life journey of a nonprofit. Yet, in seeking to address my desire for efficiency in this income-generating process, I started thinking about investment income and its connection to passive income. Are they the same thing? And if they are, why not prioritize it? Surely that would require less work output for a return. But what are the restrictions on nonprofit investment income? For instance, can a nonprofit invest in a for-profit company to fund its operating and fixed costs? Or would that be too irrelevant and divisionary, causing a nonprofit to stray from its mission?

United Methodist Children Services (UMCS), the nonprofit organization that I will be working at for the next two years, has, in some ways, answered this query, as they recently took on direct property management of their low-income and supportive housing units. This move enables them to create more intimate and supportive relationships with their tenants in a manner consistent with their mission all while creating a new revenue stream. In a sense, they have invested in themselves. After reviewing UMCS' last annual report, I learned that their rental income, property management income, and fee income from the on-site children services they provide totaled 20% of their 2020 annual revenue (UMCS, 2021). Balancing mission relevancy with financial integrity? Check.

Howard Brown Health (HBH), a nonprofit in Chicago that exists to eliminate the disparities in healthcare experienced by the LGBTQ community, has achieved a similar benchmark of success enjoyed by UMCS, but in a more tangential way. Launched in the late 1980s by HBH, The Brown Elephant is the name of three resale shops that sell vintage furniture and clothing. Although the business does not operate in the healthcare realm, its connection to HBH is proud and explicit in its mission-oriented marketing. The Brown Elephant's profits (and in-store donations) fund services for 50% of HBH's under-and-uninsured patients (Howard Brown Health, n.d.). In both cases, UMCS and HBH (via The Brown Elephant) have diversified their income portfolio all while keeping their mission – what Young refers to as the "anchor of a nonprofit" (2007, p. 368) - at the core of their decision-making process.

That is the power of The Brown Elephant. But what about the colloquial (black) elephant in the (white) room? I am heartened to now know about the Kellogg Foundation's insistence that its "grantees advance the welfare of people of color" (Young, 2007, p. 348) – but how many foundations share this mission? With the vast concentration of wealth and power belonging to white America, the reality is that nonprofits of all sectors are asking for funding from white philanthropic gatekeepers. Indeed, a research study conducted by the organizations, Echoing

Green and the Bridgespan Group, found that 92 percent of foundation presidents are white; moreover, nonprofit organizations led by black and Latino executive directors receive less funding than peer organizations with white leaders (Sullivan, 2020). How do you get the people who live in the white room to care about the black elephant - the people of color who disproportionately suffer from poverty (and the effects of it) in the United States? Per majority, the buckets are white, the hose is white, the lifeguards are white (or at least wear white clothing), and the rain catchers are white. Thus exists a paradox and a larger dilemma within Young's framework for fundraising: how can you create a diverse income portfolio when all the revenue streams are homogenous; white?

References

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