

## Why Full Cost

Philanthropic leaders know how essential nonprofits are to the vibrancy of our society, providing critical services, cultural richness, and jobs that contribute to the local economy. Nonprofits are crucial partners in helping philanthropists move the needle on issues they care deeply about.

However, one of the most common barriers faced by nonprofits is achieving financial sustainability. We know that funding has historically and systematically flowed in greater amounts and with less restriction to white-led and -serving organizations than those led by and serving people of color. Funders that are ready to become change-makers are asking themselves:

- How can we use grantmaking to create a more equitable sector?
- How can we better center our grantees' voices, especially from organizations led by people of color?

Full cost is a powerful tool to address resource disparities. It helps create a more equitable and impactful social sector in two ways:

- Organizations have a clear framework to identify and name what it takes to financially carry out their missions.
- Nonprofit leaders and funders are better equipped to have honest, generative conversations about costs, all of which contribute to more informed budget asks and funding decisions.

## Using Full Cost for More Equitable Funding

Nonprofit Finance Fund (NFF) has a suite of full cost consulting options – including webinars, workshops, deeper analysis, and ongoing support – for funders who are ready to up their game and make progress toward advancing racial equity in funding.

Full cost is not a destination reached by checking off boxes. It's a mindset people bring to an ongoing journey that aligns philanthropic giving with a more equitable social sector.

### Introduction to the Full Cost Framework

*Creating a shared understanding of full cost concepts for program officers and grantees*

This introductory content can be delivered as a two- to three-hour webinar or in-person presentation. It can also be wrapped into a more comprehensive one- to two-day workshop where foundations and nonprofits come together to share their perspectives, fostering a sense of community and collective learning.

“ Full-cost funding is a priority for Irvine. It advances equity, one of our values, and helps us do our part to support the long-term resilience of the organizations we fund.

For me, full cost includes a conversation about job quality for nonprofit staff. I want to understand if and how our funding can support staff to have sustainable wages, reasonable working hours, access to quality benefits, and visibility into, if not a say over, how organizations operate.

Talking about full cost is about making sure our funding doesn't perpetuate the inequality we're looking to address in our mission. ”

Leslie Payne, Initiative Director for The James Irvine Foundation



Key takeaways from this introductory session include:

- How to connect organizational finances to the six components of full cost: total expenses, including unfunded expenses; working capital; reserves; debt; fixed assets additions; and change capital.
- Shared understanding of what it really takes for an organization to advance its mission, how each organization's needs are different and ever-changing.
- Overview of nonprofit finance fundamentals, grounded in the inequitable system in which nonprofits operate, which both reflects and exacerbates wider systemic inequity.

## What's Next

### Individual Full Cost Analyses and Financial Strategy Support

#### *Building a foundation grounded in financial data*

Following the introductory session, NFF staff will guide nonprofit leaders through a structured curriculum using our full cost workbook and calculator to apply each concept to their unique circumstances. This deeper engagement can be delivered as part of a group workshop or in one-on-one sessions. Nonprofit leaders come away with concrete, actionable insights, including:

- A clear picture of their organizations' full costs, including both immediate and future needs, based on the operational realities of their organization.
- Specific dollar amounts for various capitalization requirements such as cash flow, reserve planning, facilities requirements, and more.
- Confidence connecting mission and operating objectives with financial plans to support their liquidity, adaptability, and durability.



### Deeper Ongoing Program Officer Engagement

#### *Putting full cost into practice*

NFF developed additional training and support for funders ready to put full cost concepts to work. Takeaways include:

- A greater understanding of challenges involved with implementing full cost funding practices.
- Examples of models that can be used to successfully replicate and advance improved full cost grantmaking practices across the philanthropic community.
- An increased sense of solidarity and accountability to shift toward full cost practices among funder peers who engage in the community of practice.
- Meaningful advancement of individual and collective full cost funding practices.

### Full Cost Grantee Analysis

#### *Looking at the big picture in new ways*

As grantees work through NFF's full cost curriculum, valuable data emerges that can be aggregated to inform more responsive grantmaking strategies. NFF's team can surface trends and observations such as:

- Grantees' overall financial health and capitalization needs.
- Program-specific funding dynamics, including what's working and what needs adjusting.
- What equitable funding practices look like. For example, the importance of committing to ongoing sustained support instead of retrenching after episodic funding or one-time infusions of capital (i.e., pandemic funding or "equity investments" made in response to calls for more racially equitable funding practices).

## Beyond Full Cost

NFF's Consulting team also connects people and ideas in:

- **Bold, cross-sector initiatives and collaborations** among service providers, philanthropists, bankers, government officials, researchers, and others to manifest breakthrough ideas.
- **Cohorts of nonprofits facing mission or business shifts** to explore common challenges and opportunities while learning from and with each other.
- **Convenings and workshops** to boost nonprofit financial management and planning acumen.
- **Customized, deep-dive consulting** for organizations in moments of transition, growth, or challenge.
- **One-on-one coaching** that supports, guides, advises, and informs nonprofit leaders whose organizations are at critical decision points.

Contact us at [partner@nff.org](mailto:partner@nff.org) to explore how NFF can help you realize the aspirations of your organization and the nonprofits it serves.



## ABOUT NFF

Nonprofit Finance Fund® (NFF®) is a nonprofit lender, consultant, and advocate. For more than 40 years, we've worked to strengthen nonprofit organizations and improve the way money flows to social good. We believe that alongside others we must build a more equitable and just social sector, and are committed to helping community-centered organizations led by and serving people of color access the money and resources they need to realize their communities' aspirations.