

# Funding Categories At-A-Glance

	Governments	Program Service Fees	Corporations	High-Net-Worth Individuals	Foundations	Small Gifts (<\$10K) form Individuals	Investment Income
Common Funder Motivations	<ul style="list-style-type: none"> <li>Provide essential services to constituents</li> <li>Federal funders often prefer project replicability and third-party evaluations</li> <li>State and local funders often look for evidence of community support</li> </ul>	<ul style="list-style-type: none"> <li>Demand for a product or service</li> <li>Unmet needs</li> <li>In some cases, customers’ payment for a service comes from a third-party, such as Medicaid</li> </ul>	<ul style="list-style-type: none"> <li>Create ties between the corporation’s brand and a meaningful social cause</li> <li>Motivate employees with volunteering and gift matching</li> </ul>	<ul style="list-style-type: none"> <li>Build individual and/or family legacy</li> <li>Find meaning and joy in deploying wealth to worthy causes</li> <li>Invest in a personal interest or passion</li> <li>Maximize tax benefits</li> </ul>	<ul style="list-style-type: none"> <li>Invest in sectors and geographies that align with the foundation’s mission and strategy</li> <li>Achieve something distinctive over an extended timeline</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to a well-known cause, often in response to social media engagement or mail campaigns</li> <li>Respond to urgent needs, such as a natural disaster</li> <li>Maximize tax benefits</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable; financial returns on invested assets</li> <li>Original source of invested capital could be varied, often high-net-worth individuals</li> </ul>
Potential Advantages	<ul style="list-style-type: none"> <li>Can provide predictable contracts over a defined period with potential to renew</li> <li>Most frequent, major source of funding for nonprofits with \$50M+ in annual revenue</li> </ul>	<ul style="list-style-type: none"> <li>Customers paying for a service indicates that they value it</li> <li>Unrestricted funding</li> <li>Potential for long-term funding</li> <li>Revenue increases as scale increases</li> </ul>	<ul style="list-style-type: none"> <li>Often contribute in-kind goods, services, or pro bono employee time</li> <li>At times will provide access to additional donors via customers or employees</li> </ul>	<ul style="list-style-type: none"> <li>Can be nimble at times, with the potential to make efficient decisions on large gifts</li> <li>May facilitate introductions to other donors</li> </ul>	<ul style="list-style-type: none"> <li>Program officers often have deep knowledge of social impact topics</li> <li>Foundations often learn from one another and may share ideas, creating a network effect</li> </ul>	<ul style="list-style-type: none"> <li>Typically unrestricted funding</li> <li>Highly diversified; a multitude of relationships with small donors means less reliance on any one donor</li> </ul>	<ul style="list-style-type: none"> <li>Long-term source of funding</li> <li>If structured as a quasi-endowment or reserve, can be a source of funds to draw upon as needed</li> </ul>
Potential Constraints	<ul style="list-style-type: none"> <li>Often restricted funding and may cap overhead rates</li> <li>Application process and reporting requirements can be extensive</li> <li>Payment often comes after service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Customers may not have the ability to pay for the full cost of services</li> <li>Potential regulatory risk and tax exposure</li> </ul>	<ul style="list-style-type: none"> <li>Often establish new priorities, meaning current grantmaking gets scaled back or discontinued</li> <li>Decision makers may need to balance business and philanthropic goals</li> </ul>	<ul style="list-style-type: none"> <li>Fundraising is idiosyncratic and an individual’s priorities may change</li> <li>Hard to access without existing relationships</li> <li>Can require high-touch engagement from senior leaders</li> </ul>	<ul style="list-style-type: none"> <li>Typically accessed by invitation only; do not take inbound inquiries</li> <li>Often restricted funding and may cap overhead rates</li> <li>Can establish new priorities, leading to shifts in funding</li> </ul>	<ul style="list-style-type: none"> <li>Donor acquisition cost can be high relative to gift size</li> <li>Can experience high turnover in donors year to year</li> </ul>	<ul style="list-style-type: none"> <li>Can be challenging to set aside capital versus spending today</li> <li>Requires a large corpus for a 5% payout to cover a meaningful share of an annual budget</li> </ul>
Assets and Capabilities	<ul style="list-style-type: none"> <li>Lobbying/government relations</li> <li>Technical grant writing on RFPs and proposals</li> <li>Contracting</li> <li>Compliance and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Customer insights</li> <li>Product development</li> <li>Pricing</li> <li>Marketing and sales capacity</li> <li>Billing and payment infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Board members with corporate connections</li> <li>Branding, marketing, and communications</li> <li>Employee volunteer opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Connections to wealthy individuals</li> <li>Board of directors committed to fundraising and willing to make introductions</li> <li>Major gift stewardship and solicitation</li> </ul>	<ul style="list-style-type: none"> <li>Technical grant writing</li> <li>Connections to program officers at foundations</li> <li>Monitoring, evaluation, and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Strong brand awareness and widespread appeal</li> <li>Marketing, such as digital advertisements and mail campaigns</li> <li>Payment infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Investment committee to make spending decisions and oversee investments, which is often outsourced to a third party</li> </ul>
Examples of “Natural Match” Domains*	<ul style="list-style-type: none"> <li>Human services</li> <li>Behavioral health</li> <li>Charter schools</li> </ul>	<ul style="list-style-type: none"> <li>Housing and shelter</li> <li>Federally Qualified Health Centers</li> </ul>	<ul style="list-style-type: none"> <li>Food insecurity</li> <li>Chronic health conditions</li> </ul>	<ul style="list-style-type: none"> <li>Public and societal benefit</li> <li>Civil rights, social action, and advocacy</li> <li>Medical research</li> </ul>	<ul style="list-style-type: none"> <li>Civil rights, social action, and advocacy</li> </ul>	<ul style="list-style-type: none"> <li>Education</li> <li>International affairs</li> <li>Public and societal benefit</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable – emerging category</li> </ul>

\* "Examples of Natural Match Domains" refers to common domains of work for "really big" organizations that relied upon a given funding category. "Really big" nonprofits are defined for this work as organizations found in our research of nonprofits that, as of 2021, had grown to \$50 million or more in annual revenue within 30 years of founding. See "[A New Look at How US Nonprofits Get Really Big](#)" for more detail. These examples are a starting place for organizations to consider high-potential funding categories; they should not deter organizations from pursuing other promising opportunities based on their own analysis and circumstances.