

Funding Categories at a Glance

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

* "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.

Source: The Bridgespan Group.