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	• 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	• Demand for a product or service • Unmet needs • In some cases, customers' payment for a service comes from a third-party, such as Medicaid	• Create ties between the corporation's brand and a meaningful social cause • Motivate employees with volunteering and gift matching	• 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	• Invest in sectors and geographies that align with the foundation's mission and strategy • Achieve something distinctive over an extended timeline	• 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	• Not applicable; financial returns on invested assets • Original source of invested capital could be varied, often high-net-worth individuals
Potential Advantages	• 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	• Customers paying for a service indicates that they value it • Unrestricted funding • Potential for long-term funding • Revenue increases as scale increases	• Often contribute in-kind goods, services, or pro bono employee time • At times will provide access to additional donors via customers or employees	• Can be nimble at times, with the potential to make efficient decisions on large gifts • May facilitate introductions to other donors	• Program officers often have deep knowledge of social impact topics • Foundations often learn from one another and may share ideas, creating a network effect	• Typically unrestricted funding • Highly diversified; a multitude of relationships with small donors means less reliance on any one donor	• 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	• Often restricted funding and may cap overhead rates • Application process and reporting requirements can be extensive • Payment often comes after service delivery	• Customers may not have the ability to pay for the full cost of services • Potential regulatory risk and tax exposure	• Often establish new priorities, meaning current grantmaking gets scaled back or discontinued • Decision makers may need to balance business and philanthropic goals	• Fundraising is idiosyncratic and an individual's priorities may change • Hard to access without existing relationships • Can require high-touch engagement from senior leaders	• 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	• Donor acquisition cost can be high relative to gift size • Can experience high turnover in donors year to year	• 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	• Lobbying/government relations • Technical grant writing on RFPs and proposals • Contracting • Compliance and reporting	• Customer insights • Product development • Pricing • Marketing and sales capacity • Billing and payment infrastructure	• Board members with corporate connections • Branding, marketing, and communications • Employee volunteer opportunities	• Connections to wealthy individuals • Board of directors committed to fundraising and willing to make introductions • Major gift stewardship and solicitation	• Technical grant writing • Connections to program officers at foundations • Monitoring, evaluation, and reporting	• Strong brand awareness and widespread appeal • Marketing, such as digital advertisements and mail campaigns • Payment infrastructure	• Investment committee to make spending decisions and oversee investments, which is often outsourced to a third party
Examples of "Natural Match" Domains*	• Human services • Behavioral health • Charter schools	• Housing and shelter • Federally Qualified Health Centers	• Food insecurity • Chronic health conditions	• Public and societal benefit • Civil rights, social action, and advocacy • Medical research	• Civil rights, social action, and advocacy	• Education • International affairs • Public and societal benefit	• 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.