

CHAPTER HIGHLIGHTS

# THE STATE OF NONPROFIT AMERICA

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LESTER M. SALAMON *editor*

**Chapter 17 Highlights**  
**FOR WHOM AND FOR WHAT?**  
**THE CONTRIBUTIONS OF THE NONPROFIT SECTOR**  
William Díaz

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# FOR WHOM AND FOR WHAT? THE CONTRIBUTIONS OF THE NONPROFIT SECTOR \*

William Díaz

Americans generally associate the nonprofit sector with services that aid society's poorest and most disadvantaged individuals. But in "For Whom and for What? The Contributions of the Nonprofit Sector," William Díaz argues that the bulk of nonprofit organizations have largely overlooked this key constituency, particularly its minority members.

This analysis is part of a broader assessment of *The State of Nonprofit America* coordinated by Dr. Lester M. Salamon of the Johns Hopkins University and published by the Brookings Institution Press in collaboration with the Aspen Institute.

The majority of charitable donations go to religious organizations, private higher education, and the arts and culture. While some of the institutions that receive these funds serve the disadvantaged, Díaz says, their services mostly benefit non-Hispanic whites. The same scenario holds for grant-making foundations. In 1995, the last year for which data are available, African-Americans received only 2.3 percent of foundation grants, and Latinos only 1.1 percent. Those figures include money given to white-led groups that operate programs targeting minorities.

As Díaz demonstrates, the only nonprofits that have paid consistent attention to minority communities in need are those created for and led by members of those communities. In the past two decades, nonprofit community development corporations addressing housing and other needs have sprung up in almost every inner-city neighborhood. The Bush administration has contributed to this movement, perhaps, by focusing new attention on grassroots faith-based charities that address youth and welfare problems in poor communities.

Díaz estimates that by the late 1980s, indigenous agencies constituted about 15 percent of the nonprofit sector. In addition to the particular missions they follow, these groups promote the social and political integration of disadvantaged populations into the larger society.

Nonprofits that specifically address disadvantaged minority groups have long roots in American history. In colonial times, closely linked black churches, mutual aid societies, and social and fraternal organizations served a wide variety of purposes in the black community, Díaz says. They provided moral and political leadership, organized community service activities, and fostered networking and socializing opportunities.

The Mexican-American community has a similar tradition. Following the ceding of the American Southwest to the United States from Mexico, the "mutualistas" formed to provide economic assistance, political advocacy, and civil rights protections for their communities. They also worked to maintain the socio-cultural traditions that bound the community together.

Indigenous groups flourished under the War on Poverty and Great Society programs. The rapid growth of the U.S. minority population – from 29 percent in 1960 to 49 percent in 2000 – also fueled the expansion. In recent years, the philanthropy of minority entrepreneurs and professionals who benefited from the economic boom of the 1990s has encouraged many of these small organizations.

Unfortunately, Díaz says, these groups are, on the whole, underfunded and fail to meet all of their communities' needs. For example, a study of Latino nonprofits found that most are less than 10 years old and 61.7 percent have no reported income. While they engage in such activities as awarding scholarships and promoting business, they tend to neglect areas like advocacy, public-policy development, and litigation.

Díaz urges the nonprofit sector to address these and other gaps, especially the increasing lack of adequate health care and social services for the very poor. The new emphasis on managed care, Medicaid, and Medicare reimbursements is cutting providers' revenue to the bone, forcing them to cut back on services to the uninsured and those who can't afford to pay.

But Díaz has hope for the future. Renewed attention at the foundation level on the needs of families and children is putting a strong focus on issues related to poverty. As foundations respond to increasing pressure to spend out rather than conserve their money, Díaz hopes they will remember—and reprioritize—the needs of the nation's neediest.

\* Adapted from "For Whom and for What? The Contributions of the Nonprofit Sector" by William Díaz in Lester M. Salamon, editor. *The State of Nonprofit America*. Washington: The Brookings Institutions Press, 2002. Published in cooperation with the Aspen Institute.

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“The State of Nonprofit America gives us a much-needed assessment of one of the true treasures of American society – our private, nonprofit organizations – at a critically important moment in their development. All of those concerned about the special qualities of our society should read and ponder its message.”

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“Provides a revealing insight into the important role that nonprofit organizations have come to play in the effective operation of our publicly funded services. It makes clear why we must make this partnership work.”

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“The State of Nonprofit America is an indispensable resource for those who seek to understand America’s nonprofit sector and the forces that are shaping it. So good, so complete, it is both immediately relevant and bound to stand the test of time.”

– Peter B. Goldberg, President and CEO, Alliance for Children and Families

Chapter highlights are from “For Whom and for What? The Contributions of the Nonprofit Sector” by William Díaz, a chapter in *The State of Nonprofit America*, edited by Lester M. Salamon and published by the Brookings Institution Press in collaboration with the Aspen Institute.

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