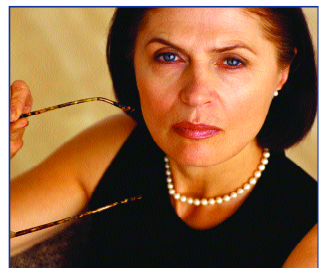
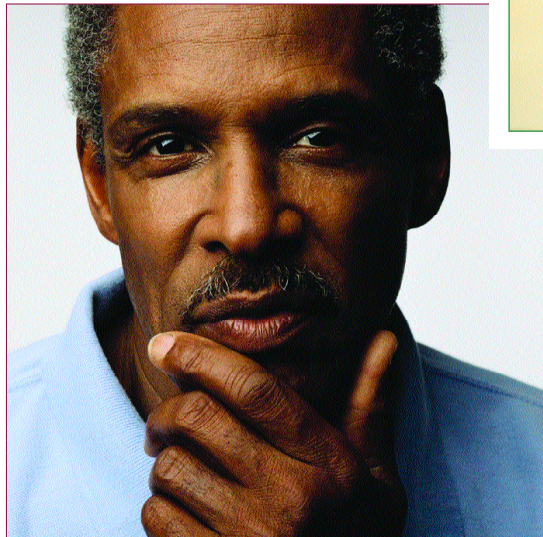


FAIRNESS IN PHILANTHROPY

PART II: PERSPECTIVES FROM THE FIELD



NOVEMBER 2005

a project of



Orson Aguilar
Tomas Duenas
Brenda Flores
Lupe Godinez
Hilary Joy
Isabel Zavala

EXECUTIVE SUMMARY

The Greenlining Institute's findings published in *Fairness in Philanthropy Part I: Foundation Giving to Minority-led Nonprofits* demonstrates that grants to minority-led nonprofits from independent and community foundations is markedly inadequate, with only 3% of total grant dollars being awarded to minority organizations in 2002. Greenlining has conducted a follow-up survey of minority nonprofit leaders and foundation presidents to address several important questions raised by these findings.

The second part of this report series provides personal perspectives from leaders in the field on four related questions:

1. Why is foundation funding for minority-led nonprofits so low?
2. What role should foundations and minority-led nonprofits play in developing civic participation in communities of color?
3. Is funding for advocacy and public policy in communities of color a priority for foundations?
4. How does foundation board and staff diversity affect grantmaking programs?

This report provides answers to these critical questions and highlights several important observations.

- Respondents identified several barriers to funding for minority-led nonprofits including: the inability to access foundations; the lack of trust between minority-led nonprofits and foundations; and inadequate resources on the part of many minority-led nonprofits to devote to relationship building with foundation staff.
- Minority-led nonprofits play a critical role in engaging communities of color in advocacy and public policy, however; limited resources hinder more extensive participation in these activities. Foundation leaders recognize their organizations should play a more prominent role in funding advocacy, especially in communities of color.
- Although foundation respondents recognized the importance of funding advocacy and public policy, it is not a funding priority for most, and many foundations are wary of getting involved in these types of activities.
- Both nonprofit executives and foundations leaders felt that board and staff diversity does affect grantmaking programs and priorities including diversity of ethnicity, politics, and social vision.

In light of these findings, several recommendations for foundation practice are proposed:

□ Increase accessibility and make the funding application process more transparent

Greenlining recommends foundations review their application processes to determine if there are explicit barriers to newer, emerging nonprofits and communities groups and, subsequently, eliminate these barriers.

□ Set goals for funding grassroots advocacy and public policy efforts

Foundations should establish goals for grassroots advocacy and public policy efforts. This funding strategy would involve moving beyond providing programmatic support to allocating funding for general operating support to organizations that are explicitly engaged in policy and advocacy or to encourage minority-led nonprofits to be more engaged in these activities.

□ When establishing funding initiatives, consider how minority-led nonprofits can be included

Foundation giving priorities are ultimately mission driven, but no matter what a foundation's program focus or mission is, staff and boards should consider how minority-led nonprofits working in the program area can be included. Minority-led nonprofits are engaged in issues related to the arts, the environment, education, housing, and every other issue that non-minority-led nonprofits are. Foundations must make the effort to identify minority-led organizations that are working in their program area and invite them to apply for funding.

□ Establish a community advisory board

Foundations should establish a board comprised of diverse non-profit grassroots leaders, community activists, and neighborhood representatives to provide input on foundation practices. This will increase accountability on the part of foundations and provide foundation leadership and staff with direct access to the communities they serve. The Funding Exchange serves as a strong model for the effectiveness and use of community advisory boards.

□ Establish inclusive diversity practices for hiring and board composition

Greenlining recommends that all foundations establish diverse hiring practices and reach out to minority leaders to serve as board members. As organizations charged with serving the public good, foundations should accurately reflect the populations they serve and fully embrace diversity.

□ Expand on the resources of smaller foundations that are already engaged in this work

Many foundations are fully engaged in advocacy and public policy efforts in communities of color. Unfortunately, most of these foundations have very limited resources. Greenlining recommends that larger foundations seek out these smaller foundations and partner with them to expand on their work in minority communities.

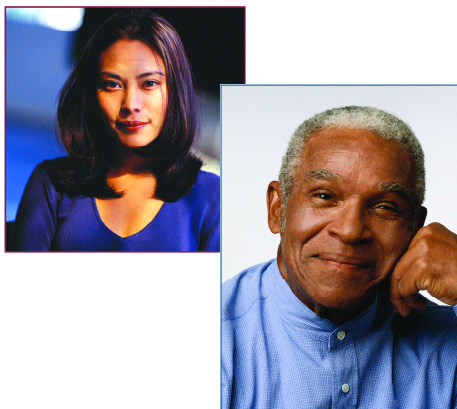
Adopting these recommendations will enable foundations to become more diverse organizations and will hopefully result in a more equitable allocation of resources for minority-led nonprofits and communities of color.

INTRODUCTION

Private foundations have long sought to influence public policy in the United States. In the 1960s, several progressive foundations emerged as leaders of social activism campaigns and funders of policy research to foster meaningful social change. Foundations like the Ford Foundation and Carnegie Corporation of New York were particularly active in funding policy issues affecting communities of color and providing seed funding for several important minority-led nonprofits.

One of the most prominent of these was the National Council of La Raza (NCLR). Urged by community groups, the Ford Foundation agreed to fund a study of Mexican Americans, the first of its kinds in the U.S., and also hired three highly respected Mexican Americans to travel throughout the Southwest to consult with other activist leaders about issues affecting the Mexican American community. These initial projects led to the creation of NCLR, thus providing a powerful voice for Latino groups in the U.S. Ford also provided significant funding for several key voter registration projects including a grant to Cleveland's Congress on Racial Equality and the Southern Regional Council.

These grants directly contributed to important social movements that provided a voice for underrepresented minority communities in local and national policy debates. In addition, this progressive funding strategy moved the focal point of social activism from federal departments and government bureaucracies to local organizations and nonprofits, supporting the conviction that minority communities should be directly involved in public policy and have representatives from their own community advocating for policy change (Smith, 2002).



These grants directly contributed to important social movements that provided a voice for underrepresented minority communities in local and national policy debates.

As the demographics of our country continue to change and the population becomes more diverse, the importance of minority-led nonprofits continues to increase. Unfortunately, private foundations that once served as catalysts for social change now seem to shy away from funding programs and advocacy campaigns that tackle the policy issues affecting many minority communities. The Greenlining Institute's findings published in *Fairness in Philanthropy Part I: Foundation Giving to Minority-led Nonprofits* demonstrates that grants to minority-led nonprofits from independent and community foundations is markedly inadequate, with only 3% of total grant dollars being awarded to minority organizations in 2002.

A preliminary discussion of these findings took place at Greenlining's 2005 Economic Development Summit at a panel session titled *Foundation Diversity and Philanthropy*. Panel participants representing foundations and nonprofit organizations were asked to comment on these findings and address issues related to diversity and philanthropy. This discussion prompted Greenlining to initiate further study of foundation diversity practices in giving to minority-led organizations and raised several key questions:

- Why is foundation funding for minority-led nonprofits so low?
- What role should foundations and minority-led nonprofits play in developing civic participation in communities of color?
- Is funding for advocacy and public policy in communities of color a priority for foundations?
- How does foundation board and staff diversity affect grantmaking programs?

Greenlining approached foundation presidents and minority nonprofit leaders to answer these questions and provide insight into the important issues of equity and diversity in philanthropy. This report analyzes the findings from these interviews and provides recommendations which could lead to a more equitable allocation of philanthropic resources for communities of color.

METHODOLOGY

Greenlining conducted telephone and in-person interviews with executive directors of minority-led nonprofits and foundation presidents. Sixty nonprofit organizations and thirty foundations were invited to participate in the study

via formal letter, fax, and email. Twenty nonprofits and nine foundations agreed to be interviewed and comprise the sample population. Following is a list of organizations that participated:

Minority-Led Nonprofits

- Asian Pacific Legal Center
- Barrio Planners
- Bay Area Hispano Institute for Advancement
- Black Women for Wellness
- California Rural Legal Assistance
- Center for Third World Organizing
- CHARO
- Coalition for Humane Immigrant Rights of Los Angeles
- East Los Angeles Community Corporation
- Filipinos for Affirmative Action

- Fresno West Coalition for Economic Development
- Garment Worker Center
- Hmong American Political Association
- Latino Issues Forum
- Little Tokyo Service Center
- Mexican-American Political Association
- The Pat Brown Institute
- Search to Involve Pilipino Americans
- South of Market Community Action Network
- Southwest Voter Registration Education Project

Foundations

- Blue Shield Foundation
- Bush Foundation
- The California Endowment
- The California Wellness Foundation
- Carnegie Corporation of New York

- Liberty Hill Foundation
- Mauer Kunst Consulting
- Northern California Grantmakers
- The San Francisco Foundation

All participants were asked a series of thirteen open-ended questions which addressed four distinct topic areas including: why funding to minority-led organizations is so low; what roles nonprofits and foundations play in civic participation and policy; whether funding for advocacy is a priority for foundations; and how foundation board and staff diversity affects funding priorities. Greenlining ensured confidentiality to all participants and all quotes included in the report cannot be attributed to any particular respondent, apart from their status as a nonprofit executive or foundation executive.

The nonprofit organizations approached to participate in the study are all based in California, are generally known to be focused on minority issues, and have diverse boards and staff. Greenlining chose to focus the nonprofit interviews on California-based organizations because diversity has become an important and overarching issue in the state over the past few years. The sample pool for the foundations was wider in scope and included large, national foundations, many of which are considered to be engaged in public policy and advocacy grantmaking. The sample did emphasize California-based foundations (six of nine) and also included several smaller, more regionally-focused foundations.

minority-led nonprofits and foundations nationally. In addition, the focus on large foundations does not allow us to shed light on trends, patterns, or priorities for smaller, more regionally focused foundations that could be more closely connected with their communities. Nevertheless, the analysis presented in this report provides valuable insight into the role nonprofits and foundations play in promoting civic engagement in communities of color and how foundations think about diversity and giving to minority-led organizations.



The over-sampling of nonprofits and foundations from California restricts the generalizability of our findings to

FINDINGS

The data presented in Part I of the *Fairness in Philanthropy* series is critical to understanding the disparity in grantmaking to minority-led organizations. However, equally important are the voices behind these numbers. The quotes and findings presented below provide important perspectives from foundation and minority nonprofit leaders that have direct experience in the field and address several important issues related to diversity and philanthropic giving to minority-led organizations.

Inadequate Funding for Minority-led Nonprofits

Both foundation and nonprofit leaders identified several factors that inhibit minority-led organizations from receiving a larger proportion of foundation grants. One of the most salient issues discussed by several nonprofit leaders is “knowing how to access foundations.” Many of the nonprofit executives interviewed expressed their frustration over identifying potential foundations that might fund their organization. This frustration is often exacerbated when nonprofits are able to access foundation grantmaking guidelines, but realize that the organization does not accept unsolicited proposals. This is a common policy for many large foundations which places the burden on the nonprofit organization to get their name in front of foundation staff or board members in hopes of receiving an invitation to apply for funding.

Another barrier identified by nonprofit leaders is the lack of trust between small, minority-led nonprofits and foundations. “There is not a solid connection between foundations and communities of color and most foundations have little trust in emerging and new minority organizations,” noted one nonprofit executive. Building this trust has been challenging because many minority-led nonprofits have severely limited resources to commit to extensive development programs and, as one nonprofit executive director put it, “may not have a proven track record,” as defined by foundation guidelines and criteria.

Most foundation leaders agreed that greater infrastructure, more resources, and a strong track record are important to securing funding. One foundation president noted that his/her foundation was “finding that organizations that have more extensive infrastructure and more experience are the ones who receive grants. The grassroots organizations oriented toward



communities of color that come to us often have smaller budgets and less experience. They were competing for the same grants and were not getting them.”

Another foundation respondent characterized this trend as risk aversion. “Organizations led by persons of color often do not have the track record or experience that more seasoned organizations have. Philanthropists say they like to take risks, but they really don’t.” Limited resources on the part of minority-led nonprofits and the unwillingness to take risks on the part of foundations create a vicious cycle. Smaller, grassroots nonprofits need foundation funding to grow and become more effective, but to get funding, they must demonstrate they have the capacity and experience to be successful.

Therefore, many minority-led nonprofits must make the choice to engage time and resources in cultivating and developing relationships with foundations to access funding. For many organizations, providing direct services or advocating on behalf of their constituency overrides relationship-building efforts with potential funders. One nonprofit professional expressed it this way: “Organizations are always balancing meeting the needs of their stakeholders with developing relationships with program officers.” In many cases, providing services or advocating for change on behalf of constituents wins out over relationship building with foundations, thus further reducing access to foundations and grant dollars.

“There is not a solid connection between foundations and communities of color and most foundations have little trust in emerging and new minority organizations...”

Foundations, Minority Nonprofits and Civic Participation

The barriers to funding discussed above directly impact the effectiveness of foundations and nonprofits in fostering civic participation in communities of color. Both nonprofit and foundation leaders interviewed believe that there has been an increase in participation by minority communities in public policy; however, these activities are limited and often ineffective.

A majority of the nonprofit leaders interviewed noted that minority-led organizations are engaged in policy advocacy, but the overriding issue, as stated by one nonprofit president, is: “do we have a loud enough voice, do we have access to actually affect policy?” Again, the lack of resources limits minority nonprofits from pushing for long-term policy change. “Most organizations are too busy trying to survive to get involved in policy work,” observed another nonprofit leader. This sentiment resonated with most of the nonprofit professionals that were interviewed.

However, nonprofit leaders recognize that minority-led organizations are often the only avenue for policy engagement for communities of color. “People in communities of color go to nonprofit organizations to get information about policy and how it is impacting their lives. We are the ones that provide information about ballot initiatives and demonstrate what it means to our community,” observed one executive director. For communities of color, minority-led nonprofits serve as a trusted resource and means to engage in policy issues that directly affect their lives.

Foundation leaders also recognized the important role minority-led nonprofits play in engaging communities of color in advocacy and public policy work. “The most important role foundations can play is funding those organizations that do grassroots public policy advocacy and leadership development in local communities,” argued one foundation president. Another foundation president noted that “the 2004 elections were a real turning point for foundations because the foundation world realized that it was absolutely critical not just to fund services, but to fund organizations that were based in and led by diverse leaders. We realized that civic engagement is not something separate from the nonprofit world.” Despite these strong convictions, most foundation respondents agreed that not enough foundations are engaged in meaningful advocacy efforts.

Advocacy and Public Policy Grantmaking

Although foundation leaders acknowledged the important role foundations play in fostering civic participation and public

policy engagement in communities of color, funding for these types of activities is severely limited. When asked if funding advocacy and public policy efforts in communities of color was a priority for their foundation, respondents generally agreed they would fund this type of work if it fit within the parameters of the organization’s mission. Yet for the most part, funding advocacy and public policy is not an explicit part of most foundation’s missions. “A lot of foundations believe that the highest and best use of foundation dollars is for charitable purposes. They believe helping people is a good thing, but advocating and asking the hard questions about policy is too risky,” commented one foundation leader.

From the perspective of the nonprofits interviewed, funding for advocacy and public policy is not a priority for foundations for a number of reasons. One nonprofit leader argued that “boards want to see what impact they are having in terms of meeting the needs of the community, but when you address the political reasons, it becomes extremely problematic.” Another nonprofit respondent felt that foundations “have an aversion to funding advocacy as if it were considered to be corrupting” and, in general, foundations are “afraid of funding it.”

Hesitancy on the part of foundations to fund advocacy efforts reflects a widely held fear about the rules regarding political lobbying. “The concern we have (with funding advocacy) is the legalities related to the issue of lobbying,” admitted one foundation president. Although recent efforts have been made to clarify what foundations can and cannot do under federal law, uncertainty continues to limit advocacy engagement. One foundation leader expressed it this way, “Many foundations are nervous about losing their nonprofit status if they fund political activities, so rather than educate themselves and their grantees; they shy away from the topic completely.”

These comments illustrate a lack of comfort around the issue of funding advocacy efforts on the part of foundations, especially on the local level within communities of color. Although many large foundations award considerable grants to support policy research and advocacy – over \$130 million by the top 15 foundations in 2002 – these grants were primarily awarded to public policy institutes located in Washington, D.C. (Rich, 2005). This funding strategy shapes national policy debates, but fails to consider the importance of policy research and advocacy efforts taking place on the grassroots level where most minority-led organizations operate.

Foundation Diversity and Funding Priorities

Foundation executive leadership and senior staff inarguably serve as drivers of organizational mission, philosophy, and funding priorities. Given the disparity between the distribution of foundation grant dollars and the needs and sheer size of minority populations, the impact of foundation board and staff diversity must be considered.

Current diversity data collected by the Council on Foundations shows that among the 722 foundations that responded to the organization's most recent Foundation Management Survey, only two in five foundations have one or more people of color on their board, with an overall percentage of minority board members at 11 percent. Almost 20 percent of foundation staff are persons of color, however; diversity at the leadership level is dismal. Among foundation chief executive officers, just 6 percent are people of color (Kasper, 2004).

These findings demonstrate that foundations have a long way to go before becoming fully diverse organizations. However, the question remains: does achieving diversity truly change the giving priorities of foundations? A majority of the nonprofit leaders interviewed believe that board diversity is critical to establishing funding priorities and that having a diversified staff does lead to greater funding for minority-led nonprofits. One nonprofit executive put it this way, "Ethnic diversity and diversity of economic experience is critical because it brings a richness and understanding of what's happening in these communities."

Nonprofit leaders also noted that having minority program officers allows for a stronger connection between minority-led nonprofits and foundations and increases the chances of receiving funding. "Foundations fund based on relationships. The more people of color you have on staff, the more communication and trust there is, the more likely you are to be funded," commented one nonprofit executive director. Another nonprofit leader noted that "the best grants we've received have been with the help of a program officer that's a person of color, in part because they just 'get' us better."



"Ethnic diversity and diversity of economic experience is critical because it brings a richness and understanding of what's happening in these communities."

Foundation executives agree that diversity does affect funding for minority-led organizations "because people have different perceptions and priorities based on their own experiences," stated one foundation president. However, several respondents noted that ethnic diversity is not the only factor that influences grantmaking decisions. One foundation leader expressed it this way, "Some foundations have people of color on their staff or even on their board who do not have a vision of moving money to underserved or marginalized communities. It depends on your political and social vision more than anything."

Although strong evaluation measures of diversity's impact on funding priorities and giving have not been developed, research from the corporate sphere suggests that greater inclusiveness may improve an organization's processes and outcomes (Kasper, 2004). Those interviewed tended to agree and clearly believe that diversity can make a difference.

"The most important role foundations can play is funding those organizations that do grassroots public policy advocacy and leadership development in local communities..."

RECOMMENDATIONS

The following recommendations outline specific steps foundations can take to increase diversity in grantmaking and build the capacity of minority-led nonprofits to advocate for meaningful change in communities of color.

❑ **Increase accessibility and make the funding application process more transparent**

Although extensive information about foundations is available through websites, annual reports, and IRS filings, accessing foundation staff is inherently more difficult, especially for smaller nonprofit organizations. Greenlining recommends foundations review their application processes to determine if there are explicit barriers to newer, emerging nonprofits and communities groups and, subsequently, eliminate these barriers. The biggest step foundations can take to increase accessibility would be to change their policies regarding the submission of unsolicited inquiries or proposals. Greenlining recommends that foundations allow nonprofits to submit letters of inquiry or information about their organization to increase the opportunity for funding.

❑ **Set goals for funding grassroots advocacy and public policy efforts**

Foundations should establish goals for grassroots advocacy and public policy efforts. This funding strategy would involve moving beyond providing programmatic support to allocating funding for general operating support to organizations that are explicitly engaged in policy and advocacy or to encourage minority-led nonprofits to be more engaged in these activities.

❑ **When establishing funding initiatives, consider how minority-led nonprofits can be included**

Foundation giving priorities are ultimately mission driven, but no matter what a foundation's program focus or mission is, staff and boards should consider how minority-led nonprofits working in the program area can be included. Minority-led nonprofits are engaged in issues related to the arts, the environment, education, housing, and every other issue that non-minority-led nonprofits are. Foundations must make the effort to identify minority-led organizations that are working in their program area and invite them to apply for funding.

❑ **Establish a community advisory board**

Foundations should establish a board comprised of diverse nonprofit grassroots leaders, community activists, and neighborhood representatives to provide input on foundation practices. This will increase accountability on the part of foundations and provide foundation leadership and staff with direct access to the communities they serve. The Funding Exchange serves as a strong model for the effectiveness and use of community advisory boards.

❑ **Establish inclusive diversity practices for hiring and board composition**

Despite the lack of concrete data on the impact of diversity and grantmaking, Greenlining recommends that all foundations establish diverse hiring practices and reach out to minority leaders to serve as board members. As organizations charged with serving the public good, foundations should accurately reflect the populations they serve and fully embrace diversity.

❑ **Expand on the resources of smaller foundations that are already engaged in this work**

Many foundations are fully engaged in advocacy and public policy efforts in communities of color. Unfortunately, most of these foundations have very limited resources. Greenlining recommends that larger foundations seek out these smaller foundations and partner with them to expand on their work in minority communities.

CONCLUSION

Although foundation giving to communities of color and minority-led organizations at this point in time is negligible, there is hope for significant change. The perspectives presented in this report signal an emerging recognition of the important role both foundations and minority-led nonprofits play in advocacy efforts and public policy engagement in communities of color and the impact of diversity on grantmaking. It is Greenlining's hope that this report will spark further discussions and conversations about diversity in the philanthropic sector and bring foundations and nonprofits together to strengthen minority-led advocacy organizations and empower minority groups to affect public policy and enact social change.



RESOURCES

Kasper, Gabriel, Ramos, Henry & Walker, Constance. (2004). "Making the Case for Diversity in Philanthropy," *Foundation News & Commentary* 45:6, Washington, DC: Council on Foundations, Nov/Dec 2004.

Rich, Andrew. (2005). "War of Ideas," *Stanford Social Innovation Review* Spring 2005, Palo Alto, CA: Stanford Graduate School of Business.

Smith, James Allen. (2002). "Foundations and Public Policymaking: A Historical Perspective." Research Paper 11, Los Angeles, CA: The Center on Philanthropy and Public Policy.

The Greenlining Institute gratefully acknowledges the California Community Foundation for providing financial support for this study.

VISIT OUR WEBSITE AT: www.greenlining.org