



Centering Equity through Flexible, Reliable Funding



About GEO

Grantmakers for Effective Organizations is a community of funders committed to transforming philanthropic culture and practice by connecting members to the resources and relationships needed to support thriving nonprofits and communities. We envision courageous grantmakers working in service of nonprofits and communities to create a just, connected and inclusive society where we can all thrive. With more than 6,000 grantmakers who belong to philanthropic organizations of all sizes and types across the globe, we work to lift up the grantmaking practices that matter most to nonprofits and that truly improve philanthropic practice.

Since 1997, GEO has provided opportunities for grantmakers to come together to share knowledge and inspire each other to act. We recognize that being in community with other grantmakers, learning alongside our peers, is what helps us achieve the changes we want to make. Knowing better is not enough to do better – we know it takes more than knowledge to change. It takes intentional attention to culture, change management and learning alongside others.

Working with our members, we design conferences focused on exploring the latest challenges, foster peer connections and learning through member networks, and craft publications that frame key issues and highlight examples from across the field. Through these means, GEO creates the forum for grantmakers to hear from and absorb actionable information and insights from experts across the philanthropic and nonprofit sectors. Together, we are learning more about what works and applying our knowledge and resources to improve our communities.

Contents

- 2 Introduction
- 6 Understanding Philanthropy's Historical Roots
 - Historical Roots of Philanthropy
 - Centering Community and Equity
- 8 Making the Case for Flexible, Reliable Funding
 - Reducing Power Imbalances
 - Resourcing BIPOC Leaders More Fully
 - Catalyzing Strong, Resilient Infrastructure
 - Strengthening Focus on Organizational Mission
 - Providing Flexibility to Respond to Changing Community Needs
 - Fostering Innovation and Creating Space to Explore New Opportunities
 - Catalyzing More Community-Driven Approaches
- 24 Integrating Flexible, Reliable Funding Into Grantmaking Portfolios
 - Build Relationships and Trust
 - Acknowledge the Power Imbalance
 - Center Nonprofits and Their Needs (Strengthen Nonprofit Organizations)
 - Rethink the Grantmaking Process
 - Reframe the Conversation Around Evaluation
- 32 Resources on Flexible, Reliable Funding
- 36 Acknowledgments
- 38 GEO Supporters

Introduction

Flexible, Reliable Funding

GEO uses the expression *flexible, reliable funding* to underscore the importance of those attributes in grantmaking practice, particularly within institutional philanthropy.* The term encompasses, but is not limited to, general operating support and multiyear grants.

General operating support grants (also sometimes called unrestricted support, general support or core support) are made in support of an organization's mission as a whole rather than being restricted to specific projects or programs.

Because general operating support comes with no restrictions, organizations can use the funds however they are most needed, including investing in organizational infrastructure such as staff development, technology, finance and communications, as well as in programs or other capacities. General operating support funds can also play a significant role in helping organizations center equity within their organizational infrastructure, through staff skill building and investments in equitable organizational practices.

Multiyear grants provide support over several years, giving organizations a predictable and stable stream of funding.

*GEO recognizes that philanthropy takes many shapes and forms. Throughout the paper, our focus is on institutional philanthropy; on the work of community, corporate, private, and family foundations; and on government donors – all of which are referred to as *grantmakers* or *funders*.


“One of the things that we don’t talk enough about is how philanthropy trains us to be afraid. It trains us to always be in this kind of state of anxiety about whether or not we are going to survive. Reliability allows for some exhale and some clarity on what’s possible. It generates more possibility for the organizations *and* for the funders.”

- SAGE CRUMP, National Performance Network

Sage Crump, a cultural strategist and longtime nonprofit leader, powerfully exposes how the traditional approach to grantmaking – project-based grants, typically awarded in one-year increments – often works in opposition to the lofty aspirations that grantmakers and their nonprofit and community partners have for catalyzing meaningful social change.

On the other hand, flexible grants, awarded over longer periods of time, can create a more generative ethos for nonprofits and grantmakers alike to achieve their vision for a better world.



The National Performance Network's LANE cohort members engage in creative strategizing during a gathering in Denver at Su Teatro.  Courtesy of the National Performance Network

Indeed, the benefits of flexible, reliable funding, such as general operating support grants, multiyear grants and funds that cover indirect costs, are well documented. Such funds provide the critical resources nonprofits need to strengthen their organizations and to respond nimbly to evolving community needs. Additionally, flexible, reliable funding creates the space for nonprofits to strengthen organizational infrastructure and focus on longer-term impact rather than short-term survival.

Beyond these practical benefits, flexible, reliable funding has the potential to do something even more valuable: reimagine the balance of power and help develop transformational, rather than transactional, partnerships between nonprofit organizations and grantmakers. These transformational relationships rooted in equity, transparency and trust, in turn, translate into transformative outcomes and thus more effective philanthropy.

Calls for flexible, reliable funding are not new, and in fact, the majority of grantmaker CEOs believe that multiyear grants and general operating grants to nonprofits are as effective as or more effective than one-year grants and project grants.¹ Yet despite grantmakers' recognition of the value of flexible, reliable funding, available data show that grantmaking practices have been slow to shift in the past two decades.

- GEO's most recent field scan, conducted in 2017, found that just 20 percent of funders' grantmaking budgets were allocated to general operating support grants. In 2008, the figure also stood at 20 percent, highlighting the stagnant nature of grantmaking practice.²

“Flexible, reliable funding has the potential to do something even more valuable: reimagine the balance of power and help develop transformational, rather than transactional, partnerships between nonprofit organizations and grantmakers.”

1 Ellie Buteau, Satia Marotta, Hannah Martin, Naomi Orensten, and Kate Gehling, "New Attitudes, Old Practices: The Provision of Multiyear General Operating Support," Center for Effective Philanthropy, 2020. Available at <https://cep.org/portfolio/new-attitudes-old-practices/>.

2 Grantmakers for Effective Organizations, "Is Grantmaking Getting Smarter? A National Study of Philanthropic Practice," 2017. Available at <https://www.geofunders.org/resources/968>.

- Looking at 10 years of data preceding the onset of the COVID-19 pandemic, the Center for Effective Philanthropy found that 57 percent of grants were multiyear, 21 percent were general operating support, and only 12 percent were both multiyear and general operating support.³
- With the onset of the COVID-19 pandemic, many grantmakers changed their practices to provide more flexible, reliable funding to their nonprofit partners, but it was unclear how many would sustain that change. Survey data from the Center for Effective Philanthropy show that 61 percent of foundations reported providing more unrestricted support and, of those, 65 percent report that this practice will continue. The same survey from the Center for Effective Philanthropy reports just 27 percent of funders are providing multiyear unrestricted support.⁴

GEO regularly makes the case for flexible, reliable funding to its members and to the broader philanthropic sector, yet GEO has not published a full-length guide on the topic since 2009. With this guide, GEO seeks to reassert the value of flexible, reliable funding with an updated analysis and set of examples to illustrate how a commitment to flexible, reliable funding can support the sector to be more equitable and community driven in its practice. Based on an extensive literature review and landscape scan, as well as interviews with 24 field leaders representing both philanthropic and nonprofit organizations, this report is intended both for grantmakers who are beginning to integrate flexible, reliable funding into their grantmaking approach and for those who seek to deepen and expand their practice.

The report begins with a discussion of *why* equity and community-driven practice are so vital to our work, followed by an exploration of *how* flexible, reliable funding contributes to grantmaker and nonprofit effectiveness by strengthening the capacity of nonprofits and catalyzing resilience and longer-term change while centering equitable and inclusive practices. The report concludes with a set of reflection questions and action steps to help grantmakers look critically at their current practices and integrate more flexible, reliable funding into grantmaking portfolios.

In making the case for flexible, reliable funding, this report asks grantmakers to consider what it means to be truly community centered and equitable. As Brenda Solorzano, CEO of the Headwaters Foundation, shares, general operating support grants and multiyear funding are part of a broader set of practices that can help grantmakers shift current paradigms of practice: “The work of philanthropy is to let go of its power. And when we can, as an industry, let go of the power . . . we create conditions where people will be able to do the work that will get us to a more equitable and just society.”

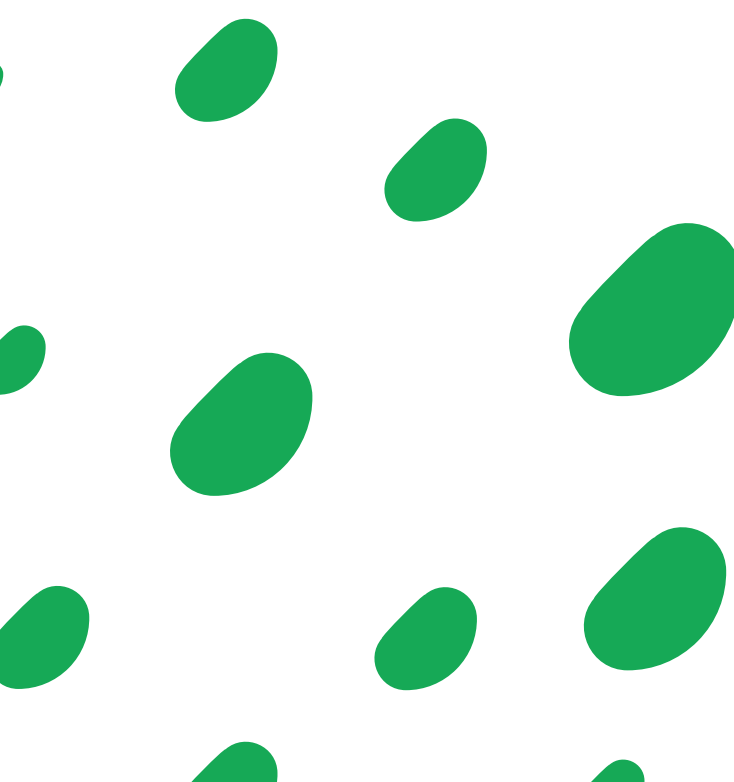
³ Buteau, Marotta, Martin, Orensten, and Gehling, “New Attitudes, Old Practices.”

⁴ Ellie Buteau, Naomi Orensten, and Satia Marotta, “Foundations Respond to Crisis: Lasting Change?,” Center for Effective Philanthropy, 2021. Available at <https://cep.org/portfolio/foundations-respond-to-crisis-lasting-change/>.



Climate Woke 2019 Movement Convening

📷 Brooke Anderson, courtesy of the Center for Cultural Power



Understanding Philanthropy's Historical Roots

The unprecedented events of 2020 – a global pandemic that disproportionately ravaged communities of color, the killings by police of unarmed Black people,⁵ and mass protests against racial injustice – intensified a racial reckoning in our sector, one that has sparked reflection on the country's living legacy of colonialism and racism.

Indeed, data from Candid show that grantmakers made vocal public commitments to racial equity in 2020 and 2021 and continue to do so in 2022. Between January 2020 and March 2022, Candid tallied more than \$12.9 billion and an additional \$11.5 billion in pledges in support of racial equity.⁶ Although it remains to be seen whether those pledges will translate into commitments, longitudinal data show that philanthropic investments in racial equity have steadily increased in recent years.⁷

In addition, a number of grantmakers coupled their financial commitments with either new or deeper examinations of the ways in which the historical roots of philanthropy in the United States have exacerbated and perpetuated inequity and, more important, what is required to redress past harms and adopt new practices that advance equity.⁸

Historical Roots of Philanthropy

The pioneers of U.S. philanthropy, not coincidentally, were known as “robber barons,” white men who accumulated large amounts of wealth often by extracting labor and resources from Black, Indigenous and immigrant communities.⁹ The persistent gaps in wealth, income and opportunity that exist today, divided starkly along racial lines, trace their origins to this history.

With their roots in extractive capitalism, it is no surprise that the legacies of racism and colonialism are baked into the enterprise of philanthropy. Although there have been some recent shifts, decision-making about how grants are awarded still tends to rest among donors, boards and grantmaker staff who are predominately white – data show that 90 percent of grantmaker presidents are white, as are 73 percent of grantmaker staff.¹⁰ Meanwhile, 64 percent of U.S.-based nonprofit organizations say that the majority of their constituents are people of color.¹¹ Moreover, data consistently show that organizations led by Black, Indigenous and people of color leaders are underresourced compared to white-led organizations, resulting in increased burnout and high turnover rates, which in turn lead to a loss of talent for the sector and ultimately leave their organizations more vulnerable.¹²

5 Campaign Zero, Mapping Police Violence [live data tracker web page], n.d., accessed January 4, 2022. Available at <https://mappingpoliceviolence.org/>.

6 Candid., n.d. “Funding for Racial Equity,” accessed March 18, 2022. Available at <https://candid.org/explore-issues/racial-equity>.

7 Malkia Devich Cyril, Lyle Matthew Kan, Ben Francisco Maulbeck, and Lori Villarosa, “Mismatched: Philanthropy’s Response to the Call for Racial Justice,” Philanthropic Initiative for Racial Equity, 2021. Available at <https://racialequity.org/mismatched/>.

8 Ellie Buteau and Naomi Orensten, “Foundations Respond to Crisis: Toward Equity?,” Center for Effective Philanthropy, 2020. Available at <https://cep.org/portfolio/foundations-respond-to-crisis2/>.

9 Anand Giridharadas, *Winners Take All: The Elite Charade of Changing the World* (New York: Knopf, 2018); Ibram X. Kendi, *How to Be an Anti-Racist* (New York: One World, 2019).

10 Council on Foundations, “2020 Grantmaker Salary and Benefits Report: Key Findings,” 2020. Available at <https://www.cof.org/content/2020-grantmaker-salary-and-benefits-report-key-findings>.

11 Frances Kunreuther and Sean Thomas-Breitfeld, “Race to Lead Revisited: Obstacles and Opportunities in Addressing the Nonprofit Racial Leadership Gap,” Building Movement Project, 2020. Available at <https://buildingmovement.org/reports/race-to-lead-revisited-national-report/>.

12 Cheryl Dorsey, Jeff Bradach, and Peter Kim, “Racial Equity and Philanthropy: Disparities in Funding for Leadership of Color Leave Impact on the Table,” Bridgespan Group, 2020. Available at <https://www.bridgespan.org/bridgespan/Images/articles/racial-equity-and-philanthropy/racial-equity-and-philanthropy.pdf>.

This historical legacy is further codified in the U.S. tax code, which has helped to create a philanthropic sector that benefits the wealthy while doing little to redress the harms of extreme wealth accumulation in the country.¹³ For example, the tax code evolved from allowing deductions for donations directly to charitable organizations to allowing deductions for contributions to tax-sheltered foundations – a shift that moved money further away from communities.

In recent years, the proliferation of donor-advised funds has similarly allowed wealth to grow indefinitely over time, without any requirements for when these tax-advantaged funds need to be distributed.¹⁴

Centering Community and Equity

The historical legacy of racism and colonialism within philanthropy, the current composition of the philanthropic sector, and a critical look at the tax code raise important questions about our grantmaking practices. Who makes decisions about philanthropic resources and how they are distributed? How can our practices center the perspectives of those directly affected? How can distribution of these resources become more equitable, with an explicit focus on redressing past harms?



Learn More

Decolonizing Wealth: Indigenous Wisdom to Heal Divides and Restore Balance by Edgar Villanueva examines the dynamics of racism and colonialism in philanthropy and finance and offers practical advice on how philanthropy can shift toward reconciliation and healing.

As Edgar Villanueva writes in *Decolonizing Wealth*, none of us can erase the history of colonialism and racism that undergirds our work in philanthropy. Still, we can name it, make purposeful efforts to understand how it influences our present-day practices and strive to be intentional about improving our practices to achieve greater equity.¹⁵

In the case of restricted funding and single-year grants, such practices often reflect patterns of paternalism and control and perpetuate and exacerbate power dynamics in the sector. Because much of the wealth that propels philanthropy was extracted from the labor of Black, Indigenous and immigrant communities and because these monies are tax exempt,

they can and should be viewed as resources that seek to serve the common, collective good.

Keeping principles of equity and community at the center, the provision of flexible, reliable dollars places trust in the communities that such funding is intended to benefit. This understanding of philanthropic giving represents a mindset shift, challenging the notion that philanthropic dollars belong to a donor, as well as countering the primacy of donor intent in the sector.

Flexible, reliable funding, particularly as a set of broader equity-driven and participatory practices, can help mitigate power imbalances that are the result of a historical legacy of racism and white supremacy, create more transformational relationships between grantmakers and their nonprofit partners, help seed more community-driven practices that are rooted in trust, and help to advance the larger collective good.



Learn More

Justice Funders, a learning and action network based in the Bay Area, has called on philanthropy to take a critical look at the exploitative and extractive origins of philanthropic wealth and challenged the field to move to one organized around “regeneration and resilience” and “equity and justice.”

Justice Funders’ Resonance Framework details the origins of wealth accumulation in the United States and the ways in which transforming grantmaking practices can facilitate a Just Transition to an economy that helps all people thrive.



Keeping principles of equity and community at the center, the provision of flexible, reliable dollars places trust in the communities that such funding is intended to benefit.”

¹³ Justice Funders, n.d., “Resonance: A Framework for Philanthropic Transformation,” accessed January 2, 2022. Available at <http://justicefunders.org/resonance/>.

¹⁴ Ibid.

¹⁵ Edgar Villanueva, *Decolonizing Wealth: Indigenous Wisdom to Heal Divides and Restore Balance* (Berrett-Koehler, 2018).

Making the Case for Flexible, Reliable Funding

Much of what we lay out here to make the case for flexible, reliable funding will sound familiar. Yet as we reassert the case for such funding, we also seek to strengthen that case by integrating the many rich conversations happening in institutional philanthropy about how our sector can be more equitable and community driven – and thus more effective – in its practice.

GEO believes that ultimately effective philanthropy emerges out of transformational relationships between grantmakers and their nonprofit and community partners – relationships that are long term, rooted in trust, and based on shared values and vision. Yet many funder-nonprofit relationships continue to be transactional in nature – time limited, project based and contractual.

Grantmakers often talk about the risks associated with longer-term grants or general operating support grants, but a better question is, What are the risks of *not* providing flexible, reliable funding?

- Shorter-term grants and project-specific grants can hinder a grantmaker's longer-term strategic goals. Most grantmakers are interested in making substantive progress on the issues they care about, but those lofty goals require lofty investments aligned with the change grantmakers want to see in their communities. Indeed, the racial, economic and social inequities many grantmakers seek to redress have historical roots going back hundreds of years. Dismantling generations of oppression and inequity will require deep investments over a sustained period of time. One-year incremental grants will not yield the aspirational results that are desired.



GEO's 2019 Learning Conference

📷 Carolina Kroon

- Nonprofits doing vital work risk gaps in their funding, which can affect their very survival. As one nonprofit executive director shares, “There are times in the cycle of the year where I’m looking at our program funding or operations funding and I don’t even know how we’re going to make payroll. I can’t necessarily pull it from this particular grant because it is restricted.” Another nonprofit leader says the primary reason his organization takes on debt is to “bridge the gap” between different grants.
- Executive directors, particularly those who are BIPOC leaders, face high rates of burnout as they constantly chase dollars. Likewise, frontline staff experience stress serving in underresourced organizations, with data showing that these stressors are particularly acute for BIPOC staff.¹⁶ Not only does this create a tenuous and unstable situation for the organization, but it can jeopardize the longer-term goals that both nonprofits and grantmakers have for their shared work.
- Through incremental grants, grantmakers risk reinforcing dynamics of white supremacy culture,¹⁷ such as paternalism and power hoarding, versus helping to do their part to create a more equitable and inclusive sector that is better positioned to address our most pressing social challenges.

Effective philanthropy emerges out of transformational relationships between grantmakers and their nonprofit and community partners – relationships that are long term, rooted in trust, and based on shared values and vision.”

Shifting to multiyear grants and general operating support grants serves multiple, intersecting goals. Building honest, trusting relationships is necessary to co-create and advance meaningful solutions to social issues. As trust is forged over time, grantmakers can begin to reduce the power imbalances that often exist between them and their nonprofit partners.

¹⁶ Kunreuther and Thomas-Breitfeld, “Race to Lead Revisited.”

¹⁷ For more information about white supremacy culture, reference Tema Okun’s scholarship at <https://www.whitesupremacyculture.info/>.



“New Attitudes, Old Practices”; “Making the Case”; and “Making It Happen”

This series of three reports published in 2020 by the Center for Effective Philanthropy offers rich data and additional perspectives on the importance of multiyear and general operating support grants.

“[New Attitudes, Old Practices: The Provision of Multiyear General Operating Support](#)” investigates foundations’ current attitudes and practices related to multiyear general operating support as well as the barriers to foundations, providing more core grants.

“[Making the Case: Foundation Leaders on the Importance of Multiyear General Operating Support](#)” provides case studies of five foundations that offer more multiyear general operating support than the average foundation.

“[Making It Happen: A Conversation Guide](#)” presents action steps and discussion questions for foundations or grantmakers interested in offering or increasing their provision of multiyear general operating support grants.

By chipping away at the power imbalances that exist in our sector, a shift to flexible, reliable funding can generate other benefits as well: resourcing BIPOC leaders more fully; catalyzing strong, resilient organizational infrastructure and by extension more durable change; strengthening the focus on organizational mission; allowing flexibility to respond to changing community needs; fostering innovation and creating space for new opportunities; and catalyzing more community-driven approaches.

Reducing Power Imbalances

Given the historical antecedents of institutional philanthropy and the pervasive power dynamics in philanthropy, a shift to flexible, reliable funding represents, foremost, a critical and substantive step toward narrowing the power differences between grantmakers and nonprofits.

Liliane Loya, formerly of the John D. and Catherine T. MacArthur Foundation and now a philanthropic consultant, notes that power is central to the grantmaker-nonprofit dynamic and that restricted grants often perpetuate that power dynamic. She writes that project-specific grants are “not happenstance, but rather part of the system’s design” – one that is “a direct result of the power structure that characterizes philanthropic giving.”¹⁸

Project grants can represent a transactional approach – one in which donors expect a set of deliverables in exchange for a financial contribution. The deliverables, oftentimes, are determined by grantmakers and the

strategic priorities of their boards. What would it look like, Loya asks, for “organizations doing the work to take center stage and have their expertise and needs become a more prominent, if not the main, element in determining how donor support is allocated?”¹⁹

As our sector seeks to become more equitable and to share, and even cede, power, a shift to flexible, reliable funding can catalyze transformative, rather than transactional, relationships between grantmakers and nonprofits, ones that are rooted in trust. Indeed, if we were to look at our own lives, most of us would say trust is fundamental to a healthy relationship. When there’s trust, growth occurs. When there’s trust, accountability exists. And when there’s trust, possibility exists. When relationships between grantmakers and nonprofits are similarly based in trust, the potential for transformative outcomes increases.

The centrality of trust in addressing power differentials is one of the tenets of the **Trust-Based Philanthropy Project**, which advocates for a values-based approach to philanthropy that can foster trust and reduce power differentials, including flexible, reliable funding. While a holistic approach to trust-based philanthropy centers equity and power-sharing across all aspects of an organization’s culture and structures, it can be most tangibly expressed in an organization’s grantmaking practices.

18 Liliane Loya, “Small Steps in the Right Direction: Making General Operating Support the Norm,” Center for Effective Philanthropy, July 21, 2021. Available at <https://cep.org/small-steps-in-the-right-direction/>.

19 Ibid.



Behind the scenes shot from production of short film about Indigenous-led solar energy infrastructure, "A Power to Rely On."

📷 Jesus Iniguez, courtesy of the Center for Cultural Power

As Shaady Salehi, executive director of the Trust-Based Philanthropy Project, explains, “This is about alleviating the power imbalance between funders, nonprofits and the communities served. With project-restricted grants, funders are controlling and keeping in a box how those funds should be spent, what outcomes need to be coming out as a result and how that should be budgeted. Flexible, reliable funding is one direct, practical response to alleviating the power imbalance.”

The Headwaters Foundation, which supports organizations and communities in western Montana, operates from a trust-based approach. Through its GO! Grants, the Headwaters Foundation makes small, general operating support grants to organizations in the most rural parts of the state and awards larger, multiyear grants to organizations in its strategic initiatives portfolio.

The commitment to flexible, reliable funding is by design and one that the foundation believes “creates the conditions where people will be able to do the work that will get us to a more equitable and just society.” When the Headwaters Foundation CEO, Brenda Solorzano was recruited to lead the organization several years ago, she had the opportunity to build the organization from the ground up. Equity was a guiding principle in doing so.



Learn More

Trust-Based Philanthropy Project Resources

[“The Six Grantmaking Practices of Trust-Based Philanthropy”](#) (2021)

In this guide, we learn what trust-based philanthropy is and how it can address power inequities in philanthropy. The guide offers readers six practices through which they can incorporate trust-based philanthropy into their grantmaking practice.

[“Trust-Based Philanthropy in 4D”](#) (2021)

This guide helps ground trust-based philanthropy work into four key dimensions of a grantmaking organization’s work: culture, structures, leadership and practices.

For me, equity is also about power. How do we as a foundation really let go of power? How does the board let go of power? How does the staff let go of power? How do we really put community at the center? And that's been driving sort of my whole thinking. It was an opportunity to test this idea of, if you really see power, which is what equity is all about, what might that look like in philanthropy? How might that change the practices that we have historically held onto?"

Brenda Solorzano,
Headwaters Foundation

Solorzano shares, "The idea behind the way we've been doing our work is to say, How do we level the playing field? How do we make sure that communities that have historically not been able to access resources can do it in an as equitable way as possible? For me, equity is also about power. How do we as a foundation really let go of power? How does the board let go of power? How does the staff let go of power? How do we really put community at the center? And that's been driving sort of my whole thinking. It was an opportunity to test this idea of, if you really see power, which is what equity is all about, what might that look like in philanthropy? How might that change the practices that we have historically held onto?"

Resourcing BIPOC Leaders More Fully

It is hard to talk about power without talking about race and racism. Whether in the halls of Congress or the halls of philanthropy, power in the United States is concentrated among white people and reflects the historical legacy of oppression that has diminished the contributions of BIPOC communities. If we are serious about addressing power imbalances in our sector, we must take a close look at how our grantmaking practices support (or exclude) BIPOC leaders.

An increasing body of data documents what many nonprofit BIPOC leaders have observed for years – that their organizations receive less funding than their white-led counterparts and that the funding they do receive tends to come with more restrictions. For example, data from **Race to Lead**, an initiative of the Building Movement

Project, show that BIPOC-led organizations receive less funding than white-led organizations and, as a result, tend to be smaller and have fewer resources for communications, financial management, evaluation and learning, and so forth.²⁰

Looking at Black-led organizations specifically, an analysis of Echoing Green's 2019 applicant pool found that 492 Black-led organizations raised \$40 million compared with \$61 million raised by 396 white-led organizations. In addition, revenues of Black-led groups were 24 percent lower than those of their white-led counterparts. The gap in unrestricted assets was much wider – 76 percent. "The stark disparity in unrestricted assets is particularly startling as such funding often represents a proxy for trust," write the authors of the report.²¹ This dynamic is emblematic of "philanthropic redlining," a term coined to describe the way that Black-led organizations are denied funding due to requirements for funding eligibility that are difficult for organizations to meet.²²

20 Kunreuther and Thomas-Breitfeld, "Race to Lead Revisited."

21 Dorsey, Bradach, and Kim, "Racial Equity and Philanthropy."

22 Emergent Pathways, "The Case for Funding Black-Led Social Change: Redlining by Another Name: What the Data Says to Move from Rhetoric to Action," report prepared for ABFE: A Philanthropic Partnership for Black Communities, 2019. Available at https://philanthropynetwork.org/sites/default/files/resources/BSCFN_BLSOCO_Report_Dec2019.pdf.



The Hill-Snowdon Foundation

In 2020, the Hill-Snowdon Foundation launched a new initiative, Democracy's Promise, to support 15 grassroots organizations across the South and Midwest as they engaged in nonpartisan work to increase civic participation and voting and encourage people to participate in the 2020 census.

As part of the initiative, Hill-Snowdon provided the nonprofits with two years of upfront general operating support. "The idea was that these groups shouldn't have to be managing grants and fundraising and proposals at a time when they were trying to protect democracy," explains the foundation's executive director, Nat Chioke Williams.

Under Williams's leadership, Hill-Snowdon has made a public commitment to provide general operating support to grassroots organizing groups in the South, most of them led by people of color. Williams notes that the foundation's embrace of flexible, reliable forms of funding is based on the gaps it sees in resources available to support the work of such organizations.

"We already know that foundations tend to shy away from supporting community organizing, but that's not the only reason why these groups are underresourced," Williams says. "These are groups that are working in communities of color and that are led by people of color, and because of that they face a clear and distinct disadvantage when it comes to getting philanthropy to support their work."

Williams says Hill-Snowdon views its support for people of color-led nonprofits as "reparative and restorative practice." "We view it as part of the repair and restoration that is necessary to create a more equitable philanthropic practice because of our field's historic underinvestment in these organizations and their communities."

In its research, Echoing Green identifies four barriers leaders of color face in accessing capital that reflect a pattern of systemic bias: getting connected, building rapport, securing support and sustaining relationships.²³ Collectively, those reasons highlight that predominantly white staff in philanthropy often have not nurtured deep relationships with nonprofit leaders of color in the community that are typically the basis for long-term funding relationships.

Christina Livingston, statewide executive director of the Alliance of Californians for Community Empowerment Institute, says her organization has seen foundations reduce funding as it moved from a majority-white board of directors to one consisting mostly of people of color. "It does not feel like funders appreciate our wisdom in terms of tactics and what it means to truly empower people, and I have to put that down to implicit racism," she said.

First Peoples Fund president, Lori Lea Pourier notices the same dynamic among Native American-led nonprofits. "We've been lucky to develop those relationships within philanthropy, but it's taken a lot of time and hard work," says Pourier of her work at First Peoples Fund. "But I see too many other organizations out there that are really struggling to find the reliable, long-term grants they need to strengthen and sustain their organizations."

In light of growing attention within the field of philanthropy to racial inequities and how they play out in the nonprofit and philanthropic sectors, a number of grantmakers are providing more flexible, reliable funding to people of color-led groups. Borealis Philanthropy, for example, launched its **Black-Led Movement Fund** in 2016 with the goal of providing general operating and capacity-building support to local groups affiliated with the Movement for Black Lives. Similarly, the Southern Power Fund distributes funding to small, grassroots organizations that are primarily Black led. The Ford Foundation, the JPB Foundation and others have contributed to the fund; not only are the grants flexible, but grantmaking decisions are made via a committee of movement leaders — those who are closest to the work.²⁴

23 Dorsey, Bradach, and Kim, "Racial Equity and Philanthropy."

24 Olivera Perkins, "Fund for Black-Led Grassroots Groups Is Upending Traditional Grantmaking," *Chronicle of Philanthropy*, June 2021.

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By providing general operating support grants and multiyear funding, grantmakers can bring a holistic, systems focus to the work, one that recognizes the complex and multiple levels of capacity and effort required for an organization, as well as its programs, to function and succeed, rather than looking at programs in a siloed manner.”

Catalyzing Strong, Resilient Infrastructure

In GEO’s “General Operating Support: Action Guide,” former F.B. Heron Foundation president, Sharon King offers a powerful observation: “In the long run, you can’t have strong programs in weak organizations.”²⁵ In other words, organizations that do not have strong internal structures and well-supported staff are unlikely to have the capacity to deliver effective programming.

Flexible, reliable funding allows nonprofit organizations to invest in their organizational capacity. That includes everything from hiring staff and retaining them (by providing good salaries, decent benefits and ongoing professional development such as equity training/healing) to ensuring robust and up-to-date IT systems.²⁶ While such investments are often a given in our own grantmaking institutions as well as the corporate enterprises that spawn foundations, they are too often given short shrift in the nonprofit sector. As the full-cost framework, developed by the Nonprofit Finance Fund along with other partners, asserts, project-based grants do not account for the true costs of running a healthy, thriving and resilient organization.²⁷

Indeed, investments in organizational development and staff capacity are critical to building organizations that survive and thrive over time. Yet too often when we focus on programmatic support, we fail to recognize that it is flexible and reliable funding over time that sets up nonprofit programs for longer-term success. Shorter-term grants can hurt the ability to recruit, retain and develop staff, contributing to less stable organizations overall.

Robert Hawthorne, executive director of Roots International, Ltd., describes the advantages of general operating support grants: “With unrestricted dollars, it’s a lot easier to make moves in a meaningful way for the organization. There are a lot of back-office things that have to be done: staffing, my time spent with employees that I’m not able to allocate to other projects, so it is crucial to have those unrestricted dollars to really help you through.”

As Hawthorne’s reflection conveys, by providing general operating support grants and multiyear funding, grantmakers can bring a holistic, systems focus to the work, one that recognizes the complex and multiple levels of capacity and effort required for an organization, as well as its programs, to function and succeed, rather than looking at programs in a siloed manner.

The Ford Foundation has made a case for flexible, reliable funding through its Building Institutions and Networks (BUILD) initiative. Through the initiative, social justice organizations receive five years of general operating support, combined with targeted organizational strengthening support. Importantly, nonprofits, rather than the grantmaker, identify areas for organizational strengthening. According to the Ford Foundation, the goal is to “equip these organizations with the strategic clarity, people, knowledge, and resources they need to achieve

25 Grantmakers for Effective Organizations, “General Operating Support: Action Guide,” 2007. Available at <https://www.geofunders.org/resources/690>.

26 For more information about supporting nonprofit staff equitably and fully, visit <http://fundthepeople.org/toolkit/>.

27 For more information about full cost, visit <https://nff.org/full-cost>.

impact and advance systems change over the course of years and decades.”

In its interim evaluation, the Ford Foundation found that organizations of all sizes – from emerging ones to established ones – found longer-term and flexible support crucial to strengthening capacity. The support was especially valuable for organizations in the midst of a leadership transition – a moment in time when some grantmakers pull back their support because they deem transitions to be risky. Importantly, the BUILD grants benefited not just the organizations receiving them but also the broader networks that the organizations belong to, allowing them to serve as more stable, reliable partners within the network.²⁸

Strengthening Focus on Organizational Mission

Flexible, reliable funding helps nonprofits focus their limited resources on what matters most to them and the communities they serve as well as the grantmakers that support them – helping to solve some of society’s most intractable challenges. These issues – economic inequality, the ongoing effects of racism and discrimination, and the climate crisis, to name just a few – did not surface overnight. Meaningful and lasting solutions will take years, if not decades, to implement. By shifting to multiyear grants, grantmakers and their nonprofit partners are better poised to ensure that there are realistic time frames for engaging in social change work.

NALEO Educational Fund CEO Arturo Vargas notes that his organization’s civic engagement work in Latinx communities does not occur in one-year grant cycles: “Moving people to take action takes sustained effort, and it’s a long-term process. One of the things that has been difficult in the civic engagement space is that sometimes donors want immediate results. I’ve come to appreciate that . . . you’re not going to increase the number of Latino voters from one election to the next, but it’s constant engagement of an electorate and talking to voters, the same voters over and over again, and keeping them engaged.” Vargas says flexible, reliable funding “removes the pressures of having to produce deliverables and metrics to show you’re being effective because you created so many widgets versus demonstrating you are a stronger institution in a position to have greater impact.”

In addition to bringing a systems lens that honors more realistic time frames, flexible, reliable funding helps strengthen a focus on organizational mission on a more practical level. Nonprofit executives spend an inordinate amount of time raising money for their organizations, a process that involves building relationships with grantmakers, navigating differing and sometimes onerous application procedures, and managing a wide range of reporting requirements.



Hands-on art making for civic engagement campaign.

📷 Jesus Iniguez, courtesy of the Center for Cultural Power

28 NIRAS Sweden AB, *Interim Report: BUILD Developmental Evaluation* (Stockholm, 2020).



GEO's 2019 Learning Conference

📷 Carolina Kroon

Renee Fazzari, former director of strategic partnerships at the Center for Cultural Power, shares her experience with grants management: “It’s extremely complicated to manage 45 active grants, each with its own unique time frame, set of deliverables and special reporting requirements. While the task is onerous for the development and finance departments, it has a more insidious effect on programs and leadership because they have to shift their energy towards managing an atomized set of grantmaker-defined deliverables rather than guiding the work based on their vision of what is most strategic in rapidly changing circumstances. Each grantmaker has its own system of what is required, usually with character limits and specific questions to answer so that standardized reporting from the organization’s point of view is not possible or welcome, sometimes even for general support funding. It requires so much sophistication and understanding of what each grantmaker needs, which exacerbates equity and access issues because only those organizations that can develop complex tracking systems and translate grantmaker demands to their team can secure larger, long-term grants.”

When grantmakers provide multiyear grants (and ideally simplify reporting requirements, too!), they can significantly reduce the staff time required to raise money and to manage grants, freeing up time to focus on the activities that contribute to advancing organizational mission, including program development and innovation.²⁹ In this way, multiyear grants can be more impactful by giving nonprofits the time and space to invest in the very efforts that drew grantmakers to support them in the first place.

29 For tips on streamlining grantmaking processes, visit <https://www.peakgrantmaking.org/insights/project-streamline-where-d-come/>.

“You have to hustle and submit proposals nonstop, and you end up having staff pulled in all directions,” states Phyllis Boyd, former executive director of Groundwork Indy. The organization subsists primarily on one-year grants. Boyd adds that she often compares philanthropy to the welfare system – “foundations sometimes seem to want to make it as hard as possible to get the support you really need.”

Recently, The Indianapolis Foundation, an affiliate of the Central Indiana Community Foundation, awarded the group a general operating support grant. The foundation’s former director of community leadership, Andrew Black, says he and his colleagues increasingly are focused on how best to support the vision and mission of small nonprofits like Groundwork Indy that are working in communities of color.

Black reflects, “I think for us there’s a realization that any nonprofit organization that has an annual operating budget of less than a half a million dollars, even if it’s a programmatic request, it’s likely going to operating expenses. And so Groundwork Indy’s grant had been program related early on, but we’ve also come to the realization that if we believe strongly in an organization like Groundwork then what we need to do is focus on the outcomes they’re producing rather than how they’re spending the funding. And so, we developed a relationship with Phyllis in that we hold her accountable to the outcomes while providing financial flexibility around how funds are expended.”

The shift to general operating support coincides with the foundation’s growing focus on racial equity. Black shares, “We want to ease the barriers to entry for groups that may not have been able to access philanthropic resources in the past. And we want to be more flexible when it comes to providing communities and nonprofits with what they need to actualize their potential.”

Indeed, many grantmakers that have made the decision to offer multiyear, general operating support grants have done so after spending time up front to discuss values and strategic alignment. When nonprofits and grantmakers spend time getting to know one another’s missions, strategic priorities and approaches, grantmakers can have confidence that their nonprofit partners will use their dollars in ways that are aligned with their mission while nonprofits can commit more deeply to long-term mission work without having to worry about short-term organizational survival.

By starting with a different set of expectations and conversations, both grantmakers and nonprofits are better positioned to work collaboratively to advance common goals and to do so within a funding relationship that is less transactional, more trusting and resourced to maximize its impact.

Multiyear grants can be especially significant for smaller nonprofits that may lack dedicated development staff and whose directors may already be stretched. In addition, a funding relationship that feels stable and secure allows directors of smaller nonprofits, which are likely to have more tenuous financial flows, to work strategically with their grantmaking partners to ensure organizational stability.



Youth Sentencing and Reentry Project client-partners, former juvenile lifers and community members, celebrate the fourth anniversary of the landmark *Montgomery v. Louisiana* U.S. Supreme Court decision and freedom in January 2020 in Philadelphia.

📷 Shira Yudkoff® 2020, courtesy of the Youth Sentencing and Reentry Project

Providing Flexibility to Respond to Changing Community Needs

General operating support and multiyear grants help nonprofits direct their spending where it is most needed, providing much-needed flexibility to adapt to changing community needs.

Program or project grants are often accompanied by strict requirements about how dollars can be spent. When unexpected needs arise, this can impede a nonprofit's ability to address emergent community needs and decrease its ability to be an effective partner. From an equity perspective, this can be especially detrimental to communities of color and people living in underresourced communities, as they are likely to experience the greatest instability when unexpected events occur.

In addition, restricted grants exist under a specter of paternalism – a legacy of racism and colonialism and a culture of compliance. Basing relationships on control and the assumption that grantmakers know best, rather than rooting funding relationships in trust, can perpetuate long-standing power dynamics between grantmakers and their nonprofit partners.

The importance of flexibility is underscored by the events of 2020. Community-based organizations had to respond rapidly to the COVID-19 pandemic as many people lost their income and required emergency access to food, shelter and other basic needs. Still others needed access to COVID-19 testing, personal protective equipment, basic education and information about the virus and how to stay safe. The philanthropic community needed to seek input, adapt and respond quickly, and in some cases convert program grants to general operating grants.

For example, when the Youth Sentencing & Reentry Project saw its restricted grants converted to unrestricted ones due to the pandemic, the organization redeployed the funds and provided emergency micro-grants to formerly incarcerated client partners who were facing housing insecurity, food insecurity and joblessness.

Cofounder and codirector Joanna Visser Adjoian shares, “The unrestricted funding had an immediate impact. It gave us some room to explore new advocacy strategies and pathways. We filed our first ever lawsuit as an organization asking the state supreme court to release as many kids from detention and jail, in light of the pandemic, as possible. Just those two things, the emergency micro-grants and the filing of the lawsuit, would not have been possible but for the unrestricted funds that we had. The ability to pivot quickly and be nimble and nuanced in our response and not tied to programmatic promises that we were not going to be able to deliver on in the moment was crucial.”

Fostering Innovation and Creating Space to Explore New Opportunities

Flexible, reliable funding to nonprofits can ultimately help foster innovation and create space for new opportunities to emerge. With a lengthy time horizon and few restrictions on the use of funds, nonprofits have the space to explore new opportunities that arise and engage in pilot or exploratory efforts that can generate new and more effective ways of doing their work.



The Satterberg Foundation

The board and staff of the Satterberg Foundation, a majority white-led family foundation based in Seattle, began prioritizing multiyear general operating support for nonprofits in the wake of a large increase in assets from a family bequest in 2013. Shortly after that, the foundation embraced the principles of trust-based philanthropy and launched a process aimed at expanding its commitment to racial equity. As part of that process, the staff and board took a hard look at how and why the foundation chose to fund different types of organizations.

“We spent a lot of time talking about implicit bias and why certain ideas and solutions from the community are considered risky for funders and others are not,” shares executive director Sarah Walczyk. “And what we found is it wasn’t that the ideas coming from people of color-led groups were risky. It was an issue of trust. We realized that these groups did not get the same respect from us or others because of race and because maybe they weren’t staffed or they didn’t have an office or a grantwriter.”

Today, Satterberg’s staff of eight has a majority of people of color, and it prioritizes core support grants for groups led by people of color. Shortly after the murder of George Floyd in May 2020, the foundation announced that the staff and board were launching a new set of conversations about race. More specifically, the announcement said Satterberg was looking at “how to better steward our resources to ensure BIPOC organizations have the capacity to enact community-led solutions and address systems change work.”

The Satterberg Foundation’s story shows that the journey to racial equity is an ongoing one. And one of the most important actions we can take along that journey is to continually raise and analyze the disparities and inequities we see in our grantmaking. As part of this process, we will likely find ourselves face to face with our organizations’ preconceived notions around risk.

In a business setting, putting money into research and development and dedicating funds to explore new innovations are considered necessary expenses, and “failure” is thought of as part of the process. In contrast, giving nonprofits “too much freedom” can be deemed a risk by grantmaker staff and their boards. Grantmakers want to be responsible stewards of the money that they distribute and thus attach requirements to it; at the same time, such requirements reinforce dynamics of power and control between grantmakers and nonprofits. Moreover, attaching these requirements to funds further reinforces the notion that grantmakers, not those working directly with affected communities, are better equipped to address societal problems. Providing flexible funding signals trust and an understanding that innovation requires time and space to experiment and learn.

Smaller, grassroots organizations, in particular, can benefit from unrestricted dollars, as they are often well positioned to innovate because they have a deep understanding of community priorities. For example, the Buffalo, New York, community organization **PUSH Buffalo** converted an abandoned school building to solar-powered affordable housing. When the pandemic hit, PUSH Buffalo innovated again, temporarily transforming the campus into a hub for mutual aid.³⁰

Marquis Taylor, executive director of Coaching 4 Change, a nonprofit improving K-12 student outcomes for high-need students by bringing talented, diverse college students into schools to provide extra academic, behavioral and social-emotional support to students, articulates the importance of unrestricted funding succinctly: “Flexible funding allows us to learn and fail and succeed. We know what this is like in Fortune 500 companies. They have retreats, they have spaces to think, right? How do we create spaces that allow teams to think? To be innovative?” Taylor goes on to describe how flexible funding allowed the organization to experiment with its model, which began as an after-school program but through the freedom to innovate and test new approaches has since expanded to a summer program as well as a school-day model.

³⁰ Shamar Bibbins, “How Philanthropy Can Meet the Moment: The Vital Importance of Trust,” *NPQ*, August 7, 2020. Available at <https://nonprofitquarterly.org/how-philanthropy-can-meet-the-moment-the-vital-importance-of-trust/>.

Importantly, grantmaker concerns about risk³¹ – including the capacity of nonprofit organizations to use funds and their previous track record with funding support – can disadvantage BIPOC-led organizations, which often have smaller budgets or do not show up on the radar of traditional philanthropy. At the same time, grantmakers are less likely to think about the risk of *not* funding such organizations, which often are more closely connected to the community than other nonprofits and thus better positioned to provide culturally resonant and effective solutions to community issues.

“Shifting power in philanthropy means engaging those directly affected by our work and recognizing that those closest to the issues are those best positioned to generate effective and viable solutions. Without fundamental shifts in power, we cannot achieve lasting social change.”

“To have an honest reckoning on why we haven’t gone all in to support Black and Brown communities, we need to name and eliminate the practices in our institutions that prevent us from funding the leaders and ideas that, while they might feel uncomfortable and risky, could re-orient our economy towards greater inclusion,” writes Surdna Foundation program officer Mekaelia Davis in a 2020 article for *Stanford Social Innovation Review*. “It’s on us to examine and release our need for perfect plans and PowerPoint presentations, and instead, expand our networks to find and fund Black-led organizations that have the proximity and power to respond to the challenges of structural racism.”³²

Catalyzing More Community-Driven Approaches

Shifting power in philanthropy means engaging those directly affected by our work and recognizing that those closest to the issues are those best positioned to generate

effective and viable solutions. Without fundamental shifts in power, we cannot achieve lasting social change. Too often, though, neither grantmakers nor the nonprofits they fund have processes set up that center the voices of community. Doing such work requires thinking differently about timelines and the very nature of who is involved in decision-making.

Given the time and reflection required to be community driven in our work, multiyear grants and general operating grants are better situated to give both grantmakers and their nonprofit partners the spaciousness needed to engage community members in informing the work. By creating structures that allow for a broader time horizon and more flexibility, grantmakers and nonprofits can ensure that participatory processes are in place, that there is buy-in from community members, and that ample feedback loops are in place for ongoing program development and evolution.

Importantly, though, unrestricted funding is not enough on its own. John Esterle, co-executive director of the Whitman Institute, shares, “It entails really looking at your screening practices, your gatekeeping, whatever you want to call it. Even if you’re giving multiyear, unrestricted funding, is your grantmaking approach preventing you from really connecting and engaging with the people you most want to serve? These issues of equity are not just about whether it’s unrestricted, multiyear funding; it’s also about the other processes that you set up for being in relationship with the organizations and communities you’re supporting.”

31 For more information about how grantmakers can assess dimensions of risk, visit <https://openroadalliance.org/resource/risk-management-toolkit/>.

32 Mekaelia Davis, “Risks for the Future We Want,” *Stanford Social Innovation Review*, July 23, 2020. Available at https://ssir.org/articles/entry/risks_for_the_future_we_want.



Headwaters GO! Grantees

 Courtesy of the Headwaters Foundation

The Indianapolis Foundation, which recently adopted a racial equity lens for its work and is increasingly providing general operating support grants to grassroots organizations, believes that this combined approach has helped the foundation become more community-driven in its grantmaking.

Andrew Black, the foundation’s former director of community leadership, states, “I think it has become relatively standard in the social services sector to create an intervention or an approach to service without the input of those you’re seeking to serve. And, for us, this is about how we better engage residents around the tools that they need to get to the points in life where they hope to reach, not defined by a third party or a nonprofit that may have a program that an individual has to fit into to achieve what someone else may deem as success. But really working with individuals, in an asset-based way, on identifying the tools and the talents that they already have access to in giving them what they need to fully actualize their potential in ways that they find meaningful and are sought after.”

Likewise, the Headwaters Foundation and the Colorado Trust have used community convenings and design thinking in their work to ensure community input in their grantmaking. Setting up grants in a flexible way allows both community partners and the foundation to use their time and resources to engage in a more collaborative process. For instance, the Colorado Trust funds communities for eight to 10 years, using a community-organizing model to support the change that residents want to see in their communities. That model enables them to address issues that feel salient to their communities, some of which include health equity, educational programs and language justice.

SUMMARY

How Flexible, Reliable Funding Enhances Grantmaker and Nonprofit Effectiveness

Incorporating flexible, reliable funding in grantmaking portfolios is ultimately about strengthening the effectiveness of our sector. The provision of multiyear funding and general operating support grants begins to disrupt long-standing power dynamics in the sector while allowing nonprofits to invest in their organizational capacity, positioning them to spend time on the work they do best – carrying out their mission by listening to their communities and innovating and adapting in response to community needs.

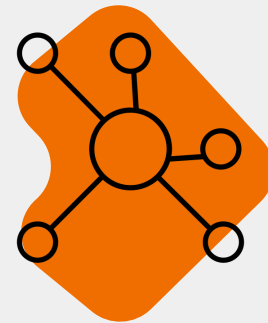
REDUCING POWER IMBALANCES

Given the historical antecedents of institutional philanthropy and the pervasive power dynamics within philanthropy, a shift to flexible, reliable funding represents, foremost, a critical and substantive step toward narrowing the power differences between grantmakers and nonprofits. Doing so fosters relationships rooted in trust, ultimately leading to more transformative outcomes for the work.



RESOURCING BIPOC LEADERS MORE FULLY

Power within institutional philanthropy is concentrated among white leaders and white-led organizations and reflects the historical legacy of oppression that has diminished the contributions of BIPOC-led organizations. The delivery of flexible, reliable funding to such organizations can help ensure that BIPOC leaders and their organizations are more fully resourced and that organizations are more culturally resonant in the communities they serve.



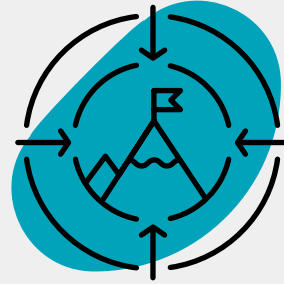
CATALYZING STRONG, RESILIENT INFRASTRUCTURE

Flexible, reliable funding allows nonprofit organizations to make critical investments in their organizational capacity, helping them build resilient organizations that survive and thrive over time rather than relying on inefficient or weak systems that can hinder effectiveness.



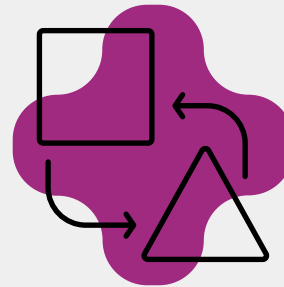
STRENGTHENING FOCUS ON ORGANIZATIONAL MISSION

Flexible, reliable funding helps nonprofits focus their limited resources on what matters most to them and the communities they serve. The social issues nonprofits address did not surface overnight, and meaningful and lasting solutions will take years, if not decades, to implement. Multiyear grants are better positioned to align with time frames for meaningful social change to occur.



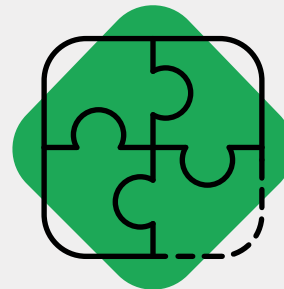
PROVIDING FLEXIBILITY TO RESPOND TO CHANGING COMMUNITY NEEDS

General operating support grants and multiyear grants provide nonprofits with the ability to direct their spending where it is most needed, providing much-needed flexibility to adapt to changing community needs and conditions.



FOSTERING INNOVATION AND CREATING SPACE TO EXPLORE NEW OPPORTUNITIES

With a longer time horizon and fewer restrictions on how funds can be used, nonprofits can explore new opportunities that arise and engage in pilot or exploratory efforts that can generate new and more effective ways of doing their work.



CATALYZING MORE COMMUNITY-DRIVEN APPROACHES

Flexible, reliable funding affords nonprofits the space to set up decision-making and engagement processes that center the voices of community. By engaging those who face the direct impacts of inequity, we are more likely to generate effective and viable solutions for our most pressing social challenges.



Integrating Flexible, Reliable Funding Into Grantmaking Portfolios

As grantmakers begin to incorporate more general operating support grants and multiyear grants into their portfolios, we encourage them to use the reflection questions and action steps in this section to inform internal conversations among staff and board members.



1. Build Relationships and Trust

A crucial aspect of flexible, unrestricted funding is trusting that nonprofits have the best insight into how their money should be spent. Time and time again, both foundation and nonprofit leaders have emphasized the importance of honest and trusting relationships between grantmakers and their nonprofit partners, especially when the grant consists of multiyear, unrestricted funding. By building strong relationships rooted in trust, grantmakers can better understand their nonprofit partners and their needs, and nonprofits can be more open in making their needs known to grantmakers. Such trust-based partnerships ultimately result in more effective work.

REFLECT ON YOUR CURRENT PRACTICE

- What do our relationships with nonprofits currently look like? How do we communicate with them? What kind of dialogue do we have with our nonprofit and community partners?



Climate Woke 2019 Movement Convening

📷 Brooke Anderson, courtesy of the Center for Cultural Power

- How much do we know about our nonprofit partners' commitments, values and goals? What do we know about the communities our nonprofit partners are working with? How do we go about learning this information?
- To what extent do we solicit feedback from our nonprofit partners about our grantmaking process?
- Is there anything currently preventing us from giving more flexible, reliable funding?
- How do we demonstrate trust in our nonprofit partners' work? Are there areas where we can be more flexible?

ACTION STEPS

- *Take the time to get to know the nonprofits you are working with* – follow them on social media, subscribe to their newsletters and spend time in the field with them.
- Prioritize and create opportunities for *open and honest conversations* with nonprofits. It can be helpful to acknowledge power dynamics. If needed, explore ways to reframe your organization's relationships with your nonprofit partners and build trust through listening, feedback and open dialogue.
- Use *feedback loops* to listen to, acknowledge and respond to the feedback you receive from nonprofits. This includes *closing the loop*, a process the Fund for Shared Insight defines as sharing what you heard and being clear about how you will respond to the feedback.³³
- *Discuss values and create shared goals* with nonprofits rather than privileging the foundation's goals.
- *Make long-term commitments to relationships* that extend beyond the grant application and evaluation process.

³³ Fund for Shared Insight, "What Is Feedback?," n.d. Available at <https://fundforsharedinsight.org/learn-more/what-is-feedback/>.



Shifting to Flexible, Reliable Funding

Although in its research the Center for Effective Philanthropy has found few shifts in the provision of flexible, reliable funding over the years, it also found that grantmakers did not consistently identify significant barriers to making that shift. In some cases, grantmaker leaders said reservations from board members, donor intent and funding limitations were issues, but by and large, the shift to flexible, reliable funding is a feasible one for most grantmakers.

Grantmakers that have made the shift consistently cite the importance of trust-based relationships with nonprofit partners. Funders that have transitioned to flexible, reliable funding emphasize the value of having open, candid conversations with prospective nonprofit partners as part of the review process to understand the organization as fully as possible – including governance, leadership, program activities and financials. This deep dive can help both the funder and the nonprofit determine how flexible, longer-term support can best be deployed to strengthen the organization and its work.

This process lays the groundwork for longer-term partnerships with shared goals, allowing nonprofits to focus more squarely on advancing their missions, rather than fundraising and reporting.

SOURCES:

Fred Ali and Belen Vargas, “Unrestricted Core Support: Strengthening the Capacity of Our Nonprofit Sector,” *Candid*, October 15, 2013.

Buteau, Marotta, Martin, Orensten, and Gehling, “New Attitudes, Old Practices.”

2. Acknowledge the Power Imbalance

At its core, flexible, unrestricted funding seeks to reduce the power disparity that is often present between grantmakers and nonprofits. That disparity can be attributed to several factors, including but not limited to philanthropy’s historical origins in racism and colonialism. Grounding unrestricted funding in equity often begins with acknowledging the ways that inequitable relationships manifest, albeit sometimes inadvertently, in grantmaking practice.

REFLECT ON YOUR CURRENT PRACTICE

- How do we, as grantmakers, define power? How much are we currently working toward partnership with and in support of nonprofits?
- Are there any cultural or implicit norms preventing us from providing (more) flexible, unrestricted funding?
- How do we account for equity, especially racial equity, when allocating grant money? Are we actively reaching out to and engaging with BIPOC-led nonprofits?
- What percentage of our multiyear unrestricted grants is allocated to white-led versus BIPOC-led nonprofits? What percentage goes toward legacy grantees versus nonprofits newer to the funder?
- Can traditionally underfunded or emerging organizations access our funding?

ACTION STEPS

- *Acknowledge the position of power you hold* as a grantmaker. This includes power in multiple forms – the power to influence through messaging, the power to bring people together through connections and convening, and the power to direct financial capital.
- *Educate yourself* about the ways that unconscious bias can show up in your grantmaking practice and what it takes to do systems change work.
- *Reframe what risk means* to your foundation, especially when it comes to funding newer or smaller nonprofits. What is the risk of not supporting these organizations?
- Examine your current grantee sourcing channels. Are there ways you can *diversify your pool* of prospective nonprofit partners?



3. Center Nonprofits and Their Needs (Strengthen Nonprofit Organizations)

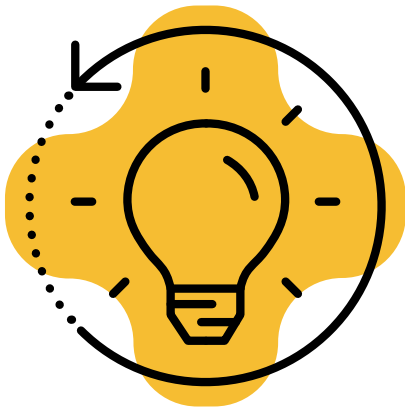
Because flexible, unrestricted funding operates from a place of trust that the nonprofit best knows how to spend its grant money, incorporating it into a grantmaking portfolio requires prioritizing nonprofits' needs above those of the foundation. By centering the needs of nonprofits, grantmakers demonstrate a willingness to listen to nonprofit leaders and honor their backgrounds and expertise, especially those with lived experience.

REFLECT ON YOUR CURRENT PRACTICE

- Who has defined the priorities that guide our decision-making when it comes to funding?
- What do we consider worth funding? What criteria do nonprofits need to meet to be considered for funding?
- How do our nonprofit partners' needs currently factor into our funding decisions? Are we aware of our grantees' full cost when making a grant?
- What is our current role in strengthening nonprofit organizations and supporting their long-term resiliency?

ACTION STEPS

- *Learn from your nonprofit partners* – ask your nonprofit partners what challenges they face and what their needs are. Take the time to determine whether the nonprofits need capacity-building support to achieve their goals. Ensure that nonprofit partners are compensated for providing their time and expertise.
- *Prioritize the nonprofit leaders experiences and backgrounds*, especially those leading and working in communities of color and those with lived experience. Take the time to learn about their experiences.
- Analyze your process of vetting potential nonprofit partners. How do their *organizational needs* play a role in your funding decisions?



4. Rethink the Grantmaking Process

Both foundation and nonprofit leaders recognize that the grant application process can act as a gatekeeper, preventing traditionally underfunded nonprofits from receiving the money they need. In these situations, multiyear, unrestricted funding can be a tremendous asset. Provision of multiyear funding relieves nonprofits of the pressure of seeking funding year after year and gives them the freedom and flexibility to spend the grant money where they see fit.

REFLECT ON YOUR CURRENT PRACTICE

- What does our grantee portfolio currently look like? What kind of nonprofits are we funding, and how do they align with our mission as an organization?
- What percentage of our current grantmaking is project support? What percentage is general operating support?
- What does our grant application process look like? How does it differ for project support versus general operating support?
- How often do we grant single-year versus multiyear funds? What is the average size and duration of our project grants versus unrestricted funding?
- What steps would we need to take to start providing multiyear unrestricted grants or to provide more of them?

ACTION STEPS

- *Rely on nonprofit leaders' voices:* Ask your nonprofit partners what is working for them in the way you are currently funding, and what is not working.
- *Check for any knowledge gaps:* Consider what limitations might exist in the current ways you learn about prospective grantees.
- Consider which aspects of your policies and grant processes either prevent or support providing more multiyear funding. Examine whether any grant guidelines or application processes are geared toward providing short-term or restricted funding.





5. Reframe the Conversation Around Evaluation

A recurring question that comes up around flexible, unrestricted funding is how to evaluate the impact of such grants. Standard grant evaluation practices can often be situated in counterproductive industry norms that emphasize compliance, erode trust and prioritize short-term results. Once again, multiyear unrestricted funding can alleviate the burden of proof on nonprofits to show the impact funding has had in a one-year time period. Providing flexible, unrestricted funding may require rethinking how impact is evaluated, since outcomes are tied to organizational capacity, not specific outcomes. In 2019, the Weingart Foundation undertook the process of assessing several of its unrestricted grants. The foundation's efforts offer a helpful example of how to approach such evaluations.³⁴

REFLECT ON YOUR CURRENT PRACTICE

- How do we define impact? What metrics are we looking for from our nonprofit partners?
- How are we evaluating the impact of our grants? How often are we asking nonprofits for impact reports?
- How do our accountability mechanisms differ depending on the type and size of grant support? Are our expectations for impact evaluation proportional to the size of the grant and the nonprofit organization?
- What guidance do we give our nonprofit partners on assessing their longer-term impact?
- Have we made space for evaluating our work as a grantmaker?

ACTION STEPS

- Consider *reframing conversations* about impact to prioritize organization capacity assessment and long-term growth.
- *Create clear expectations* for your nonprofit partners about how you assess grants.
- Ensure nonprofits understand how to assess their longer-term work.
- Make space for evaluating your own grantmaking processes. *Seek out feedback* from nonprofits about how they experience your grantmaking process.

³⁴ Harder+Company Community Research, "Weingart Foundation: The Case for Unrestricted Operating Support: Key Findings from 2018 Grantee Partner Case Profiles," Weingart Foundation, 2019. Available at <https://weingartfnd.org/wp-content/uploads/2021/01/Summary-and-case-studies-1.pdf>.

A Closer Look: Considerations in Evaluating and Assessing General Operating Support Grants

As grantmakers make the shift to flexible, reliable funding, they often ask how they can assess the impact of this type of grantmaking. Indeed, because flexible, reliable funding is rooted in supporting an organization's mission, evaluation requires rethinking how impact is defined and measured.

For example, the Weingart Foundation undertook the process of assessing several of its unrestricted grants. To assess those grants' impact, Weingart conducted four case profiles using small-scale qualitative assessment. The goals of the assessment were to understand whether the unrestricted funding improved the organizational effectiveness of the four grantees and to understand how the findings could inform future grantmaking practice. The evaluation also focused on how grantmaking strengthened communities in addition to organizations. With the new approach, the foundation shifted its evaluation from relying solely on organizational capacity outcomes to looking at the context-specific impact of each organization.

Other foundations that have embarked on assessments of flexible, reliable funding have found the Equitable Evaluation Framework™ helpful in orienting their thinking. The EEF invites grantmakers to reflect on the underlying beliefs and assumptions that drive their evaluation processes and can perpetuate systems of inequity. Thus, the EEF aims to refine the evaluation process through continual reflection and learning. An EEF approach also requires redefining rigor, which is often used within white-dominant culture as a proxy for a rigid methodological approach to evaluation that disregards the context of the intervention, work, culture or community. Instead, the definition of rigor can be expanded to include additional components, including quality of thinking, credibility, cultural responsiveness and context, and value of the learning process.

Here are a few additional considerations in assessing the impact of flexible, reliable funding:

PERFORM DUE DILIGENCE PRIOR TO GRANTMAKING

Because flexible, reliable funding aims to support the broader mission of an organization, it can shift most nonprofit evaluation to up-front assessments. Instead of relying on post-grant evaluation, some grantmakers choose to conduct due diligence, life-cycle assessments or site visits with potential nonprofit partners prior to providing a grant. After the grant is made, grantmakers then step out of the way and minimize post-grant reporting requirements. Up-front assessments can ensure that nonprofits and grantmakers have shared goals and provide a self-reflective learning tool for nonprofits.

Furthermore, grantmakers should not use a one-size-fits-all model for screening and evaluating nonprofits, as that can fail to account for the ways in which a nonprofit's developmental stage affects how it will use the unrestricted funds or what the organization's capacity for self-reporting is. Instead, grantmakers should take the time to understand where nonprofits are developmentally and how that will affect their use of flexible, reliable funding.

RETHINK THE PURPOSE OF EVALUATION

Evaluation of flexible, reliable funding should align with its goals to support an organization's mission and provide nonprofits with the freedom to spend the money where they see fit. Focusing on programmatic outcomes undermines the purpose of flexible, reliable funding. The purpose of evaluating general operating support should be grounded in understanding the social impact of an organization. Thus, evaluation should be conducted with the goal of promoting comprehensive organizational development.

However, organizational capacity metrics should not necessarily determine the full impact of flexible, reliable funding. By establishing evaluation as part of a continual learning process, grantmakers can shift away from the traditional measures of grantmaking impact, which often are grounded in paternalism and prioritize short-term outcomes over long-term and viable change.

CENTER RELATIONSHIPS BETWEEN GRANTMAKERS AND NONPROFITS

Many evaluation practices stem from an unequal and one-sided relationship between grantmakers and nonprofits that disproportionately serves grantmakers. Because equity and trust between grantmakers and nonprofits are crucial to providing flexible, reliable funding, evaluation provides an opportunity to undo some of these harmful practices.

For instance, evaluation processes often stem from the assumption that grantmakers are the arbiters of success. Seeking out nonprofits' definitions and metrics for success is one way to prevent grantmakers from imposing their own expectations on nonprofit partners. Moreover, by involving nonprofits in the evaluation design and process, grantmakers can ensure that evaluation is not an added burden for the nonprofit and that they are not asking for information that is not actually useful to either the foundation or nonprofit.

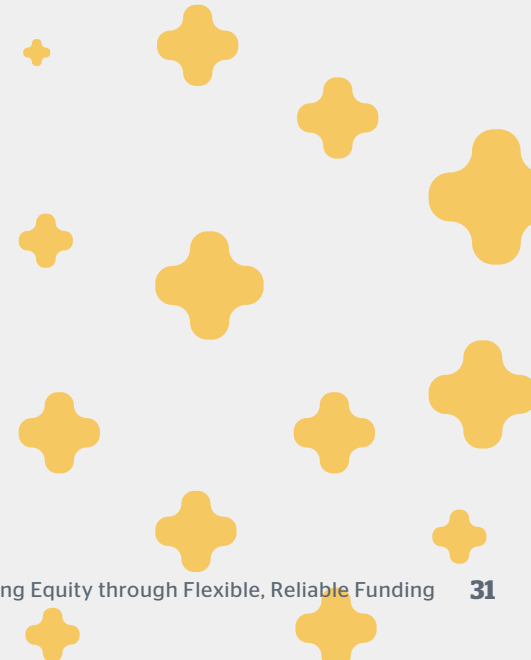
Finally, flexible, reliable funding evaluation should solicit nonprofit feedback as part of the ongoing relationship building between grantmakers and nonprofits. This feedback allows foundations to learn which aspects of their grantmaking process are effective and which are extractive. Only then does the evaluation practice counteract the traditionally held belief that foundations are the only ones to conduct and benefit from evaluation.

SOURCES

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Resources on Flexible, Reliable Funding

These key resources, available from GEO as well as others in the sector, provide guidance about shifting to flexible, reliable funding as well as advice about how to assess the impact of such grantmaking.

“Capturing General Operating Support Effectiveness: An Evaluation Framework for Funders and Evaluators” (2017)

<https://www.tccgrp.com/resource/capturing-general-operating-support-effectiveness-an-evaluation-framework-for-funders-and-evaluators/>

Based on TCC Group’s experience evaluating general operating support grants, this resource presents an evaluation framework for assessing the effectiveness of general operating support based on outcomes for the grant recipient, the funder and the community.

Foundations Respond to Crisis (2020)

<https://cep.org/foundations-respond-to-crisis/>

In this three-part research series, the Center for Effective Philanthropy explores how foundations have used equitable and flexible funding in their response to the COVID-19 pandemic. CEP also discusses the implications such changes have for foundations’ funding practices in the future.



NALEO Educational Fund's trained hotline operators assist voters from across the country with questions about the electoral process as part of the ¡Ve y Vota! campaign – a nonpartisan, comprehensive civic participation strategy designed to empower Latinos with the information and support they need to fully participate in the electoral process. The 1-888-VE-Y-VOTA (1-888-839-8682) hotline is live, bilingual, and staffed year-round to provide information and assistance Monday through Friday, from 8:00 a.m. to 8:00 p.m. ET.

 Courtesy of the NALEO Educational Fund

Full Cost Resources

<https://nff.org/full-cost>

With this collection of resources from Nonprofit Finance Fund, the reader can take a deep dive into the full cost of nonprofits' work and learn what it takes to ensure they can continue serving their communities.

“Funder Spotlight: Headwaters Foundation” (June 28, 2018)

<https://thewhitmaninstitute.org/shout-outs/headwaters-foundation/>

This is one in a series of profiles from the Whitman Institute highlighting different funders and foundations that have incorporated general operating support and trust-based philanthropy into their grantmaking practice. The series covers topics from how to define and measure the impact of general operating support to redefining the power dynamics between funders and nonprofits.

“General Operating Support: Action Guide” (August 17, 2007)

<https://www.geofunders.org/resources/general-operating-support-action-guide-690>

This report from GEO focuses on general operating support and the arguments for incorporating it into grantmaking; it includes action steps for grantmakers who wish to make it a part of their practice. The report profiles foundations (including staff interviews) that implement general operating support in their grantmaking.

“General Operating Support: A Guide for Trustees” (April 24, 2018)

<https://www.geofunders.org/resources/general-operating-support-a-guide-for-trustees-1043>

This guide introduces foundation trustees and board members to general operating support grants. It can serve as a useful tool as foundation leaders have candid conversations about their grantmaking practices and general operating support grants with their boards.

“How Can We Evaluate the Impact of Our General Operating Support Grants?” (May 29, 2014)

<https://www.geofunders.org/resources/631>

Many grantmakers struggle with measuring the impact of general operating support grants. In this report, GEO provides guidance about how to approach such evaluation through the entire grantmaking process. GEO offers suggestions about differentiating evaluation of general operating support grants from that of program grants and contextualizing progress within organizational capacity.

“Overcoming the Racial Bias in Philanthropic Funding” (May 4, 2020)

https://ssir.org/articles/entry/overcoming_the_racial_bias_in_philanthropic_funding

This online article at *Stanford Social Innovation Review* addresses race-based barriers to philanthropic funding and the impact such barriers have had on nonprofits led by people of color, especially when it comes to unrestricted funding. For each barrier they identify, the authors provide resources to help funders address that barrier in their own practices.

“The Holy Grail of Funding: Why and How Foundations Give Unrestricted Funding” (November 2021)

<https://www.ivar.org.uk/publication/the-holy-grail-of-funding/>

This resource from IVAR lifts up the voices of trustees and senior staff from 12 trusts and foundations arguing for the value of unrestricted funding and offers advice for grantmakers looking to include more unrestricted funding into their grantmaking portfolios.





GEO's 2019 Learning Conference

📷 Carolina Kroon

Trust-Based Philanthropy Story Map (2021-onward)

<https://www.trustbasedphilanthropy.org/map>

This interactive map shares the stories of grantmaker practitioners who are upending harmful grantmaking practices, values and cultures in order to center trust, transparency and equity. Read about the experiences, challenges and “aha moments” of grantmakers across the country who have radically shifted their approaches and shifted philanthropy along the way.

“What Is General Operating Support and Why Is It Important?” (May 29, 2014)

<https://www.geofunders.org/resources/what-is-general-operating-support-and-why-is-it-important-678>

This short report by GEO underscores the importance of general operating support and debunks seven common myths about general operating support grants. The report encourages grantmakers to initiate conversations with their nonprofit and community partners about the full costs of the work they do.

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