



**Community Action Plan on Philanthropy
Addressing the Needs of Diverse and Grassroots Nonprofit Organizations in California
January 1, 2009**

Overview/Introduction

Faced with Greenlining-sponsored legislation that would require disclosure of their diversity in grantmaking and governance, ten of California's largest foundations announced this summer a multi-million dollar, multi-year investment in communities of color. In response, Assemblymember Joe Coto, D-San Jose, and Senator Mark Ridley Thomas, D-Los Angeles, withdrew a bill that would have required foundations with assets of more than \$250 million to disclose the ethnic, racial and gender makeup of their boards and staffs. The legislation, Assembly Bill 624, had already passed the State Assembly.

Proponents of AB 624 believe that foundations have a unique responsibility to serve the entire public, especially poor communities, communities of color, and other underserved communities. But according to a 2008 study by the Foundation Center, communities of color in California do not get their fair share of foundation dollars from the state's 50 largest independent foundations. According to the study entitled "Embracing Diversity," the overwhelming majority of independent foundations in California give less than 20% of their domestic grants to communities of color, in a state where people of color comprise nearly 60% of the population. Only nine of the 50 foundations provide more than 20% of their grants to communities of color and only two foundations, the Christensen Fund and the California Endowment, invest more than half of their grants in communities of color.

The leadership statement signed by ten major California foundations was viewed by Greenlining and others as an opportunity for voluntary leadership within the foundation sector to transform its own expertise into real results for minority-led nonprofits and other grassroots organizations. With this in mind, Greenlining set out to "brainstorm" ideas with leaders of nonprofit organizations to determine how all foundations could be serve minority-led nonprofits and their leaders.

Community Convenings Across California: 300 Minority Leaders Respond

Greenlining hosted eight community convenings over the course of three months. Within this time period Greenlining received feedback from 300 nonprofit leaders. Convenings were held in Sacramento, San Francisco, Berkeley, Fresno, San Bernardino, Riverside, Los Angeles, and San Diego. The goals of the convening were to obtain responses to the foundation statement from key community leaders, specifically to determine:

- The capacity building needs of nonprofits and their leaders.
- The infrastructure needs of nonprofits.
- The recommended changes in the foundation sector that would enable foundations to better serve a diverse demographic base.

Greenlining also used the convenings as an opportunity to evaluate its own advocacy work on this issue to determine how best to move forward in the future.

This report is our first attempt to summarize the feedback we received and to make recommendations to foundations that are considering how to better serve the nation's growing minority communities through grassroots organizations and nonprofits with boards and staff that reflect the diverse make-up of the state's population.

This report contains five sections. The first section, entitled Guiding Principles, describes the common feedback we received from community leaders regarding the framework that should exist when considering issues related to equity in philanthropy. The second section describes the Capacity Building needs of nonprofits. The third section discusses issues related to Core Operating Support and the need for constant investments and partnerships in minority-led organizations. The fourth section describes the Capacity Building Needs of Foundations and the necessary changes that must occur in the foundation world to achieve greater effectiveness in reaching diverse communities. The final section includes a summary of specific Recommendations for foundations to consider.

This report is intentionally brief and broad, as many of its recommendations are addressed in greater detail in other reports, and many similar observations and recommendations from community leaders were echoed at different convenings across the state. What follows here is a general survey of those observations and recommendations.

Section 1. Guiding Principles

There appeared to be mixed reactions from nonprofit leaders to foundation efforts that engage in capacity building efforts. On one hand, some leaders were excited about new opportunities that might arise from capacity building initiatives. On the other hand, many leaders were skeptical and disappointed when they continue to be viewed as "deficits" rather than "assets" by foundations that insist nonprofits are responsible for low levels of giving to underserved communities. The observations of community leaders below, gathered at our community convenings, echo the sentiments of many on the issue of capacity building.

- Many leaders were offended that foundations correlate their own lack of diversity with the lack of capacity by minority nonprofits. Leaders felt that foundations must take responsibility for the lack of diversity at many foundations and diversity conversations should start with that the acknowledgement that many foundations have not tried hard enough to diversity their own institutions.
- Leaders were interested in being part of formal advisory boards that regularly meet with foundation leaders on issues related to diversity and the empowerment of underserved communities. Leaders felt that many foundations do not regularly consult with them to hear community needs and to determine funding priorities. Advisory boards could ensure that foundation leaders hear from community members on a regular basis.
- Leaders were also interested in being part of a community-led effort to ensure that efforts to diversify philanthropy continue through statewide and regional working groups.

- “This is not a new issue!” Many leaders expressed frustration with the lack of progress made on diversity issues at many foundations. Many leaders stated that this issue was “old” and wondered how current diversity efforts would lead to real and sustainable change.
- Leaders stated that foundations must treat minority-led organizations as partners, not as “hired help to do their bidding”. As one leader stated, “Foundations make us follow their priorities instead of funding our own community-based ideas.” Many nonprofit leaders argued that they are best suited to identify the issues confronting their communities.
- Foundations should get comfortable with advocacy. Advocacy should no longer be a dirty word for foundations and nonprofits should better educate foundations on the need for advocacy to find systematic solutions to social problems.
- Foundations should develop long term plans (5-10 years) to deal with diversity efforts. One year plans will not work.
- Nonprofit leaders felt that indicators of success in the evaluation process should be transparent and clear from the beginning. Nonprofit leaders also urged foundations to allow them to create their own standards of evaluation, rather than having others from outside the community determine the evaluation standards for them.
- Structural racism and structural racial inequalities should be acknowledged and addressed openly by foundations.
- Nonprofit leaders expressed frustration with doing a lot of work for “free” when they get little to no funding from foundations. Leaders described instances where foundations fund large and established institutions who then seek community support and input to establish their “community legitimacy”. Although nonprofit leaders are willing to collaborate with others, leaders expressed frustration that they spend countless hours supporting efforts that fund already established institutions, such as universities.

Section 2. Capacity Building for Nonprofits

The suggestions below encapsulate ideas that should be further explored by nonprofits and foundations.

- Many nonprofit leaders were skeptical of foundation-designated consultants. They explained that funding for consultants could be better used to pay and build capacity at existing nonprofit organizations. The best teaching and learning, they felt, is “peer to peer.” For example, foundations could work with nonprofits to develop mentor relationships between less experienced nonprofit executives and very experienced nonprofit executives. Instead of paying outside consultants, both the mentor and mentee could be compensated for their time.
- More foundations should consider funding strategic planning efforts and consider paying a proven nonprofit to help them with these efforts.
- Foundation should develop special capacity building and strategic planning grants for small grassroots organizations. Established nonprofits are interested in working with foundations on developing curricula for small and emerging nonprofits on a variety of issues including advocacy, management, infrastructure development, and communications.

- Nonprofits should be financially supported when they participate in capacity building programs. Funding during training efforts could help organizations manage the day to day operations that often suffer when executives take time off to learn and grow.
- Foundations should work with nonprofits on new models for supporting Development Directors. Some suggested that foundations support shared Development Director positions.
- Foundations should actively work with nonprofit organizations to ensure successful transitions in management. Succession programs should be developed and funded.
- Foundations and nonprofits should work as partners to address rising costs at nonprofit organization such as energy, technology, health insurance, audits, and other overhead expenses.
- Foundations should work with nonprofits to identify future minority nonprofit leaders that could participate in leadership training efforts to develop a pipeline for tomorrow's executive directors.

Nonprofit leaders urged foundations to develop a bridge between capacity building and core operating support. Without major investments, capacity building activities lose their effectiveness.

Section 3. Core Operating Support and Major Investments

Consistent in our discussions was a common complaint that minority-led nonprofit organizations only receive program related support and never enough for core operating support. As a result, organizations rarely receive the opportunity to learn, grow, and experiment.

Large multi-year grants are critical to the success of minority nonprofits. Foundations should consider funding minority nonprofits in the same way they fund universities and other large institutions. Foundations can endow positions similar to the way they endow chairs, and they can name nonprofit buildings and centers, just as they do university departments.

Below are some recommendations that were made regarding major investments and core operating support.

- More foundations should consider funding capital and endowment campaigns.
- Foundations should collaborate to ensure capital and endowment campaigns succeed at minority-led nonprofit organizations.
- More minority-led nonprofit organizations should be allowed to learn and make mistakes as do other recipients of large foundation grants.
- Foundations should consider paying out more than 5% of their assets and should consider paying out an additional 1-2% to causes that address racial disparities.
- Foundations should consider funding existing minority-led organizations when they consider funding major initiatives. Foundations often fund new organizations with large investments that lead to little or no change.

Section 4. Capacity Building for Foundations

Nonprofit leaders expressed that foundations must diversify their own institutions for sustainable change to occur. Diversity must be seen at all levels including board, staff, and grantee diversity. Leaders also expressed concern that foundations were unwilling to track diversity data, even though foundations often requested diversity data in the proposal process.

Nonprofit leaders also expressed frustration with the lack of cultural competence among some program officers. Some program officers, they explained, had too little understanding of the unique issues facing communities of color, frequently leading to poor relationships between foundations and nonprofits. It was recommended that foundations hire people that are very familiar with local communities and that are allowed to be “cheerleaders” for diverse communities. It was felt that sometimes foundations fund excellent people that are not allowed to advocate for diversity initiatives or grants that address racial disparities.

Other recommendations for foundations included:

- Foundations should develop advisory boards of community leaders that meet with the top leadership of foundations on a formal basis.
- Foundation board members and top executives should visit distressed areas on a regular basis through community convenings and town hall forums.

In addition, it was recommended that foundations remove barriers to funding such as “invitation only proposals” and inaccessible offices. Community leaders in rural areas also recommended that foundations open small regional offices, especially in places that receive very little foundation dollars.

Section 5. Additional Recommendations for the Foundation Sector

- Empower communities to do own needs assessments and develop their own funding priorities using foundation designated grant dollars for community empowerment.
- Develop regional “Change Funds” with low-overhead costs and a mission to empower small grassroots organizations. These foundations should have boards that have the confidence of diverse communities.
- Develop special initiatives for underserved areas with high poverty rates such as the Inland Empire and Central Valley.
- Foundations should collaborate to streamline proposals so that they are similar, especially for smaller nonprofits that lack the infrastructure to write lots of proposals.
- Foundations should collaborate to develop a fund for new collaborative ideas and grassroot “start-ups.”
- Nonprofits and foundations should develop minority nonprofit “chambers” that can distribute information, serve as advocates, and be a constant resource for member nonprofit organizations.

Conclusion: Recommendations for Greenlining

Greenlining also used the convenings to evaluate its own efforts to hold foundations accountable. Overall, members from the community urged Greenlining to continue its advocacy efforts on this issue. Community members suggested that Greenlining develop

mechanisms so that diverse community leaders could help in the development and implementation of an overall long-term strategy. Some suggested that Greenlining assemble a statewide task force of community leaders that would meet regularly to develop win-win models to strengthen foundation's responses to problems facing communities of color.

Suggested activities of the task force include developing "best practice" models, putting together foundation report cards, and evaluating foundation diversity efforts.

Overall, Greenlining was urged to continue its work, and to be more inclusive in future strategies.