NONPROFITS: FUNDRAISING & DEVELOPMENT

Ford Foundation, Others, Move to General Operating Support

03.13.19 | Linda J. Rosenthal, JD

A few months ago, we explained that in the past decade or so, the nonprofit world has moved away from a pervasive allegiance to the entirely misguided concept that overhead is taboo. See *Are Funders Ready to Throw The Overhead Myth Overboard?* (January 16, 2019).

Now, we see the beginnings of a more enlightened era: Thought leaders, nonprofit organizations, funders, and donors recognize that adequate spending on general operating expenses – including reasonable pay for nonprofit executives and workers – creates the solid structure on which an organization can grow, thrive, and fulfill its charitable mission.

Funder Resistance Breaking Down

In addition to their entrenched hostility to funding overhead, grantmakers have historically favored making awards for specific purposes, programs, or purchases. A key reason for this preference is that it gives them the most direct control over the funds.

Similarly, fundraisers are eager to oblige cautious donors who want assurances that their money will go directly to one or another advertised program or service.

Slowly, some sophisticated donors and visionary funders are responding to the reasoned arguments that nonprofits desperately need financial support for their day-to-day operations as well as for the build-up of a sustainable base of assets and talent.

But so far the funding of general operating expenses remains at just 20-25% of all foundation giving. "The good news is that number is starting to rise."

In *This Foundation Has Been Giving General Support for Years. What's It Learned?*, Caitlin Reilly writes for *Inside Philanthropy* that "quite a few of the major funders [they] track" like the Ballmer Group "favor general support grants." Other funders including the Chicago Community Trust are moving in that direction as well.

"Philanthropists from business," writes Ms. Reilly, "often intuitively grasp the value of unrestricted funding because that's how investments flow in their world; no venture capital firm, for example, would invest in a startup with the stipulation that their funding could only bankroll the engineering team." For instance, the Cummings Foundation – formed by Boston real estate entrepreneur Bill Cummings – "has long given general support grants and has now gone a step further by promising to support some nonprofits over a 10-year period."

Another example is The Sobrato Family Foundation, based in Silicon Valley, with its commitment to making that community a "place of opportunity for all of its residents." Since 2004, it has given out General Operating Support (GOS) grants including two-year unrestricted awards for organizations to provide direct services to low-income beneficiaries. This contrasts with many other Silicon Valley Funders that focus on national or international nonprofits. In 2018, Sobrato posted a review of its GOS program including valuable insights for other funders as well as for the nonprofit community at large.

Ford & General Operating Support

In 2016, The Ford Foundation embarked on an important experiment and change of direction: that is, to "give $1 billion to social justice nonprofits, with all funds going to a combination of general operating support and organizational strengthening." This "was a big, if overdue, move for a lumbering giant of a foundation that had historically given mostly small, short-term, project-based grants."

Now, two years into the designated five-year test period, Ford's BUILD Initiative is hitting its stride and starting to see results," according to Tate Williams writing for *Inside Philanthropy* in *One of the Country's Largest Foundations is Trying to Change How Philanthropy Works*. Mr. Williams cites "positive survey data from grantees, and emerging anecdotes from organizations that are planning for long-term change and working collaboratively in ways they never could in the past."

The director of BUILD initiative, Kathy Reich, has big plans even beyond the this five-year window. The "job won't be done," she says, until this change of focus is "status quo" for the entire foundation, and "then maybe even in the rest of the philanthropic sector." While there will continue to be a need for project-specific grants, she wants to see general operating support as the "default way" that Ford and other funders make awards.

Conclusion

General operating support grants are "at the very top of the list of things that our nonprofit members … want from philanthropy," says Aaron Dorfman, president of watchdog-group National Committee for Responsive Philanthropy. It's "maddening to see that the message doesn't seem to be getting through to so many funders." Mr. Dorfman, who "has been watching BUILD closely," describes it as "fantastic."

Other observers of the Ford Foundation's project also have a favorable view but are a bit more cautious. "BUILD, even with its formidable size, has limits," particularly because most of the grantees in the current program have worked with Ford in the past.

But NCRP's Dorfman believes that Ford making such a huge change of direction could be "hugely important. When Ford does things, people pay attention."

— Linda J. Rosenthal, J.D., FPLG Information & Research Director