NONPROFITS: FINANCE

Funder-Grantee Relationships: Navigating Change

11.30.21 | Linda J. Rosenthal, JD

One notable consequence of the 18-months-long pandemic is that regularly-issued annual or quarterly reports are anything but routine or run-of-the-mill updates or reviews of the status quo.

The topics that ordinarily dominate sector analyses or (virtual) conferences are gently pushed aside to make way for urgent consideration of unprecedented issues and developments.

For the charitable community, the crushing economic chaos and disruption beginning in March 2020 brought unique challenges. For many nonprofits, the sudden break in the ordinary funding or revenue pipeline became Topic Number One.

For donors and philanthropists (individually or through foundations or other giving mechanisms), their own unsettled financial horizons *could have* become an obstacle to much-needed help – as it did in the Great Recession of a decade ago. But it did *not*, unlike the "pulling back" response from the nervous wealthy in 2008-2009.

Charitable giving has broken records, soaring to a "staggering" $20 billion for the year 2020 alone and continuing through 2021. And America's funders stepped up to the plate not just in terms of dollar amounts but also in the way many of them relaxed their entrenched grantmaking policies and procedures. See *Foundations Respond to Crisis: Lasting Change?* (November 2021), Center for Effective Philanthropy (CEP) and our discussion of it in *Funder-Grantee Relationsips: What The Future May Be (November 23, 2021).*

Local Scene

The Center for Effective Philanthropy's much-anticipated November 2021 report is national in scope. But just ahead of CEP's publication, the University of San Diego's Nonprofit Institute issued The State of Nonprofits Annual Report and Quarterly Index with data and analyses for this region.

The Nonprofit Institute was established in 2002 as a self-sustaining unit housed within USD's School of Leadership and Education Sciences. This influential community resource "provides education, training and research to strengthen organizations that help meet community needs." (FPLG's own May L. Harris, Esq., holds a Masters Degree in Nonprofit Management from the Nonprofit Institute and also currently teaches there.)

In the introductory section to the latest Annual Report and Quarterly Index, the authors note that "… many nonprofits have adopted innovative and promising program delivery methods and ways of working that they plan to make permanent. Nonprofit leaders have also forged new partnerships with funders and government agencies, some for the first time."

Among the topics featured heavily in the Nonprofit Institute report, and as part of a related (virtual) conference in early November 2021, is the nature and extent of the response by local philanthropy to the disruption of the normal revenue and funding chains as well as the evolving and more cooperative relationship between the funders and the funded. By and large, this regional report shows consistency with the nationwide concerns and responses as discussed in the Center for Effective Philanthropy's November 2021 publication.

In "How Funders Can Support Nonprofits to Meet Community Needs," the researchers explain: " Many foundations adapted their grantmaking practices to enable nonprofits to more rapidly respond to the community's needs throughout the pandemic."

From the general to the more specific, they continue: "Some funders minimized reporting burdens, increased flexibility in funding, and sought additional feedback from nonprofits about where to prioritize dollars."

Survey Choices

The survey respondents representing nonprofit organizations were asked to rank the practices they would most like to see funders make permanent. The results included in this chart of 10 items show that the most popular reform (84%) has been "increased flexibility in funding" including multi-year grants. Also ranked high (75%) is "fund capacity building for nonprofits." Coming in at about the mid-point are "shorten applications" (54%) and "reduce reporting requirements" (45%).

Perhaps a bit surprising is the choice selected by local nonprofits as the (modified) practice they are least enthusiastic about making permanent: that is, "reduce site visits" (6%). And while "some nonprofits want to see funders listen and communicate more transparently, this was not the top priority."

Consistent with the CEP's findings as well as many other researchers', our sector acknowledges the urgent need to address racial-equality deficiencies including "funding more BIPOC-serving nonprofits" (25%). But there is a long way to go before that concern moves higher on the priorities list, both aspirationally and in practice.

During the Institute's virtual conference on the Report, the second day was devoted to this topic; namely, the way that foundations and organizations have pivoted from the traditional (and pre-pandemic) top-down and rigidly hierarchical grantmaking paradigm. Attendees on November 10, 2021, both in the general sessions as well as in break-out groups, were enthusiastic about sharing tips and advice on navigating these uncharted waters.

A word about "selection bias": Social science researchers, including the ones authoring the CEP Report and the Nonprofit Institute's Report, caution that the results may be skewed a bit because the responses came from those who affirmatively and voluntarily chose to participate in the survey (from a much larger group to whom the surveys were addressed.)

Conclusion

The Fund for Shared Insight has an excellent, in-depth, resource online describing how nonprofits and funders have adapted to this new model of more participatory grantmaking. It includes many helpful case studies and invites others to actively join in this conversation by presenting their own experiences and challenges.

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