

2022 State of the Nonprofit Sector Survey Results

Discussion Series: What Funders Should Know

Presented by

Nonprofit Finance Fund

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Meet the Presenters



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Agenda

Welcome

Introduction to Nonprofit Finance Fund (NFF)

NFF's State of the Nonprofit Sector Survey: What Funders Need to Know

Introduction to Trust-Based Philanthropy

Trust-Based Philanthropy Project's Focus Group Research

Recommendations to the Funding Community

What can funders do with this information?

Q&A

Thank You!



Help mission-driven organizations achieve the communities' aspirations through tailored capital, strategic advice, and accessible insights.



NFF's State of the Nonprofit Sector Survey

The Survey collected insights from 1,168 nonprofit leaders across the nation about the impact of the past two years, from the pandemic to events that activated calls for racial justice.

The power of the Survey:

- Raising and sharing the powerful sector-wide voice of nonprofits
 - Context
 - Ideas
 - Advocacy
- Storytelling— quantitatively and qualitatively
- Learning from the fascinating lessons of this recent time period

Who took the Survey:

- 1,168 respondents from 47 states plus Puerto Rico and Washington, DC
- Diverse array of service areas (highest response from human services: 39%)
- Primarily/exclusively serve people with lower incomes: 69%
- BIPOC-led* organizations: 33%

**For purposes of this survey, we define BIPOC-led as having an Executive Director or CEO who is Black, Indigenous, or other person of color.*



Key Themes

When times got tough, government, philanthropy, and community members turned to nonprofits, and nonprofits responded.

Events of the last two years also accelerated a racial reckoning in this country. The murders of innocent Black Americans like George Floyd and Breonna Taylor sparked widespread calls for racial justice. The anti-Asian attacks in places like Atlanta and San Francisco ignited the Stop Asian Hate movement. **As with the COVID-19 response, nonprofits were on the frontlines of these movements for racial justice and equity.**

BIPOC-led nonprofits are deeply connected to communities' aspirations and needs. They need to be supported financially in a way that honors their work, and the long-held racial bias in the nonprofit funding system must be overcome.



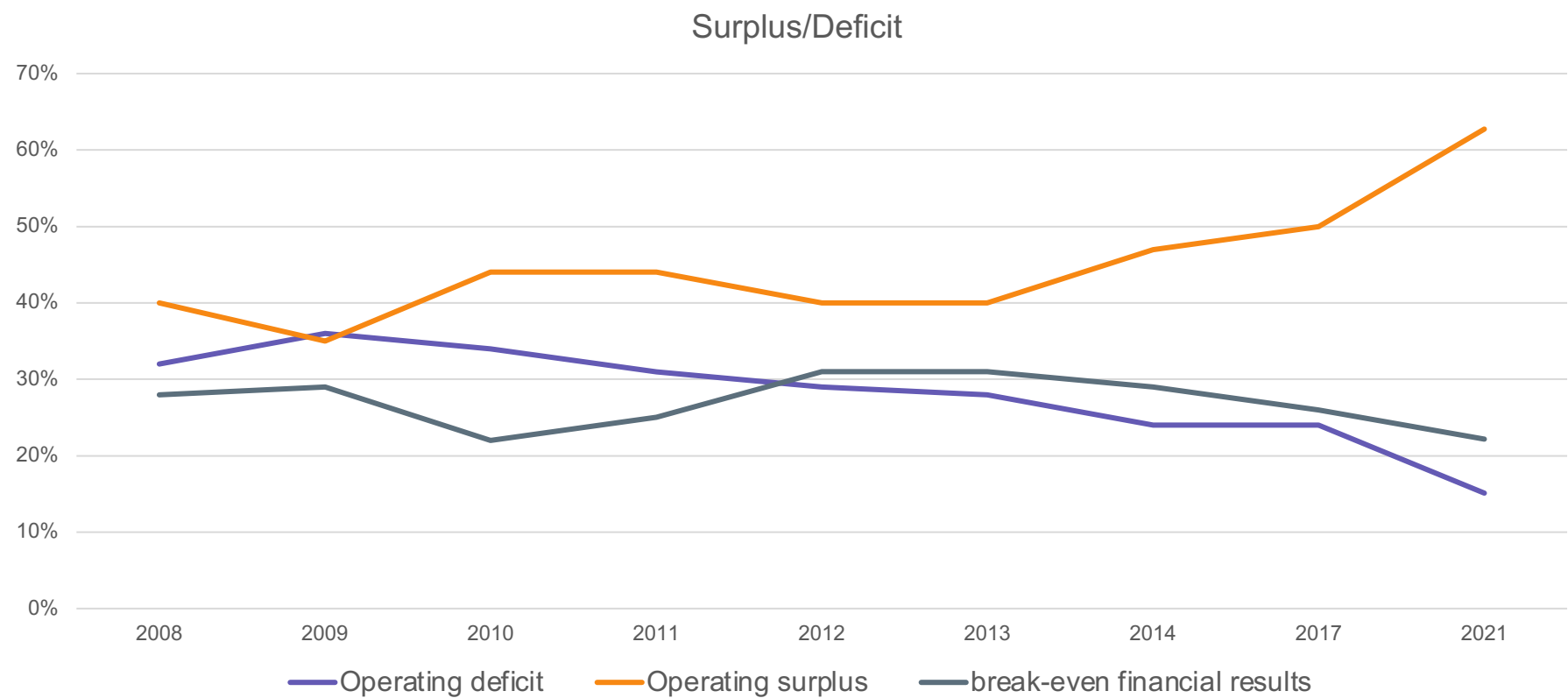
Examining the Data: What Funders Need to Know



This Was a Moment of *Relative* Financial Strength

Higher Percentage of Surpluses, Lower Percentage of Deficits in 2021

Operating Results for Respondents from Each Survey Year



Note: Survey years are not all contiguous, and respondents vary from survey to survey.



Funders Responded to this Critical Moment for Nonprofits and Communities

Increased Crisis Funding and More Flexibility

Support from Public and Private Sources

- 71% of respondents received one or more PPP loan
- 36% received half or more of their FY2021 funding as unrestricted
- 57% said funders have been more flexible with use of funds since March 2020
- 70% of nonprofits said their current level of funding is actually higher now than it was before the pandemic, in FY2019



Nonprofits Had Resources and Flexibility to Respond to Changed Needs

Nimble nonprofits on the frontlines for communities

- 71% saw an increase in service demand
- At half (49%) of nonprofits, staff took on duties outside of their job description all or most of the time
- 88% developed new or improved ways of working during the pandemic, and half (51%) expect those changes to become permanent
- 62% expanded programs or services



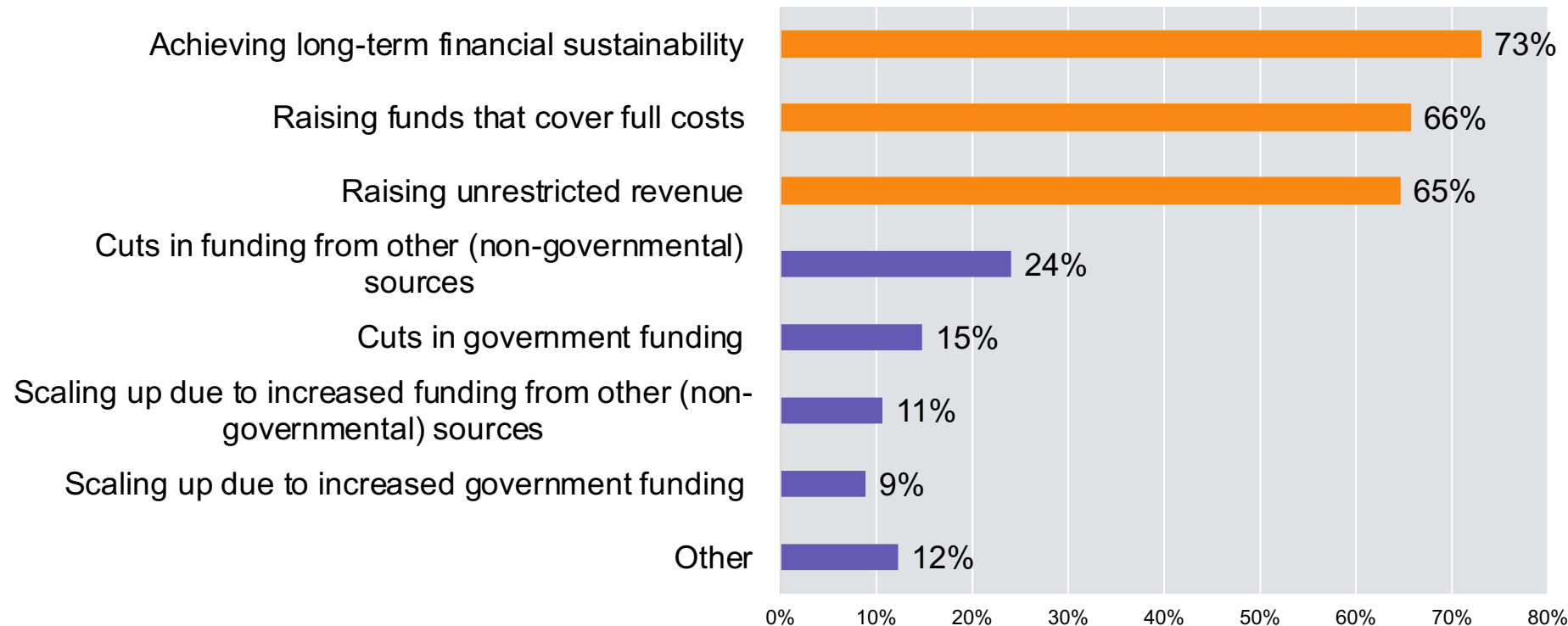
“Prior to 2020, our home visitors conducted visits in participants' homes. In 2020, in order to respond to the pandemic and reduce the risk of infection, we developed "walking visits" in which our home visitors and participating mothers interacted while walking and pushing a stroller.

We were able to redirect funds to the purchase of sturdy, good quality strollers for families that did not have them... We will continue to utilize this positive innovation.”

Small-budget infant/child development nonprofit, Western region, leader identifies as multi-racial

At the Same Time, Long-standing Financial Concerns Remain...

Top 3 Financial Challenges

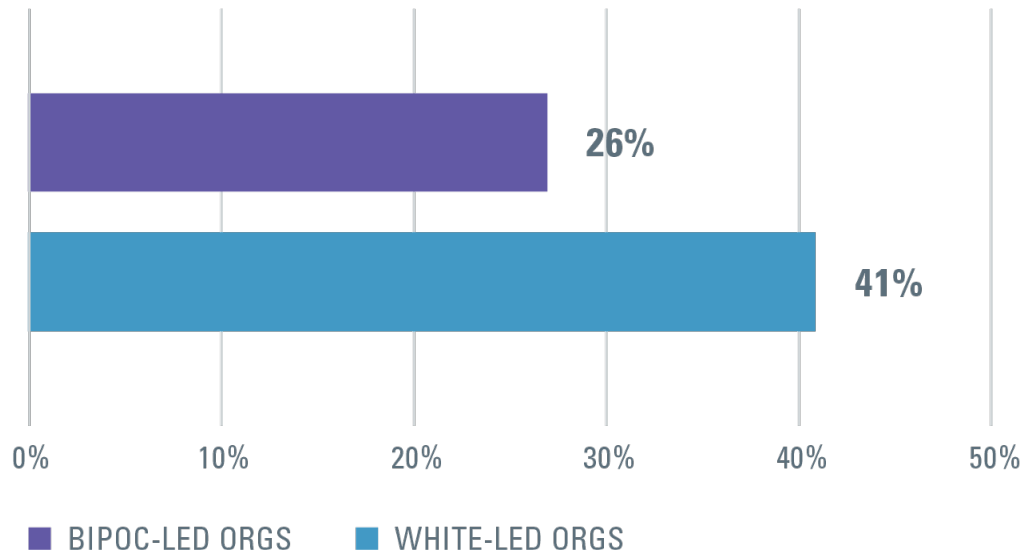


82% of BIPOC-led organizations reported long-term sustainability as a top challenge, as did 69% of white-led organizations.

... And Inequitable Funding Persists

White-led nonprofits continue to have more financial access

RECEIVED HALF OR MORE OF THEIR FUNDING
AS UNRESTRICTED FUNDS IN FY2021



76% of white-led organizations received PPP loans, compared to 58% of Black-led organizations. This may be due to two factors:

- Fewer Black-led organizations applied for PPP loans (64% of Black-led nonprofits as compared to 77% of white-led nonprofits)
- Among those that did apply for PPP loans, 99% of white-led organizations received them versus 90% of Black-led organizations

BIPOC-led respondents less likely than white-led ones to receive revenue from varied sources, with greatest disparities in federal funding (excluding PPP), corporate donations, sales, and investment income.



Poll

How familiar are you with trust-based philanthropy?

- Very familiar
- Somewhat familiar
- Somewhat unfamiliar
- Very unfamiliar

Poll

Based on what you know about trust-based philanthropy, where on the journey is your organization currently?

- Not yet engaged
- Early-Stage: Just beginning to explore trust-based practices
- Mid-Stage: Practicing some trust-based practices
- Late-Stage: Fully trust-based and continuing to refine and improve
- Unsure



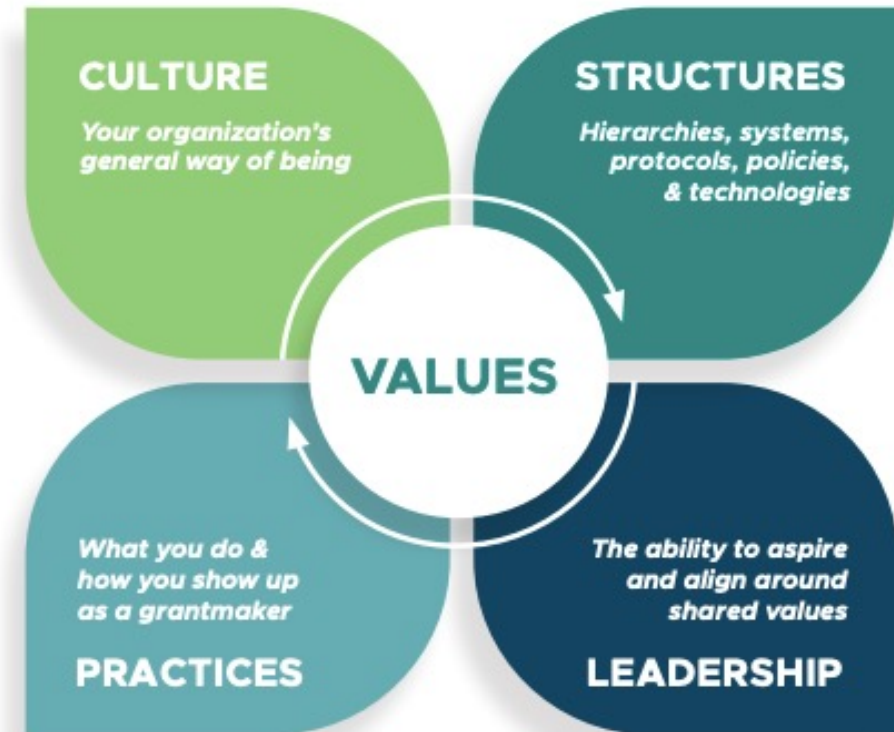
What Is Trust-Based Philanthropy?

Approach to giving that **addresses the inherent power imbalances** that exist between funders, nonprofits, and the communities they serve. At its core, trust-based philanthropy is about **redistributing power** -- systemically, organizationally, and interpersonally -- in service of a healthier and more equitable nonprofit ecosystem.



A Values-Based Approach With Six Key Grantmaking Practices

- 1) Give Multiyear, Unrestricted Funding
- 2) Do the Homework
- 3) Simplify & Streamline Paperwork
- 4) Be Transparent & Responsive
- 5) Solicit & Act on Feedback
- 6) Offer Support Beyond the Check



Trust-Based Philanthropy Project's Focus Groups

Key Questions

- Are nonprofits experiencing the shifts and benefits of the funder-reported trend toward trust-based practices?
- Are there specific actions or behaviors funders should consider as they seek to embrace more trust-based and equity-focused practices?

Who participated:

- 18 EDs who have current relationships with both trust-based and traditional funders
- Diverse array of orgs: community-based organizations, service providers, and advocacy groups.
- More than half BIPOC



Organizations Describe Trust-Based Funding As “Liberating”

Focus Group Insights:

- Unrestricted funding allows organizations to be nimble and responsive
- Streamlined processes free up time to focus on the work
- Multiyear funding helps reduce anxiety and stress related to staffing, fundraising, etc.



Unrestricted, Multiyear Grants Only Make Up a Small Percentage Funding

Backed By Research:

- According to CEP, most foundations that offer multiyear unrestricted funding only provide it to no more than a quarter of their grantees
- In our 2022 survey among funders that are actively practicing trust-based philanthropy, only 29% indicated that more than half of their grants were unrestricted.



Nonprofits Worry that TBP Is the “Wave of the Moment”

As things go “back to normal,” foundations are defaulting back to traditional grantmaking practices

“I definitely saw funders eliminating their restrictions, converting to gen ops, reducing reporting requirements—that was really nice and helpful. Subsequently, some of those same funders are going back to their old way of doing business; [it’s] disheartening. In a crisis moment they responded and behaved in a way [and] they seem to think the immediate crisis has passed.”



Philanthropy's Interest In BIPOC-led Orgs Is Bringing About New Tensions

Focus Group Insights:

- BIPOC-led and grassroots orgs are increasingly being asked to recommend prospective grantees to funders
- Many of these orgs are experiencing a disproportionate demand to provide input on foundation grantmaking strategies
- The influx of new funding is raising HR and infrastructure considerations that funders need to be aware of



“I think grantmakers can leverage their relationships better to make those [non-monetary] resources available. Funders are looking to help communities and provide basic needs, but the organizations that are providing those services (and standing in the gap between the community and the funder) are often devoid of basic needs. So many times, we are serving but are unable to serve ourselves.”

Small-budget community-based org, Midwestern region, leader identifies as BIPOC

Some Funders are Talking the Talk But Not Walking the Walk

"Everyone is calling themselves 'trust-based' [and/or] 'equitable'... It is making me more distrustful if it's being used without any concrete evidence that they are being trust-based. [Some] foundations are giving one-off unrestricted grants and calling themselves trust-based."



How Funders Can Respond to these Learnings



Practice **Trust-Based Philanthropy**
both in actions you can take today and in
making longer-term, cultural and structural
changes to advance more equity and
power-consciousness in your work.

trustbasedphilanthropy.org

Three Core Themes

Start with actions that are relatively lower lift for your institution as you plan more

1. Continue the transformative ways of funding that the pandemic instigated and accelerated
2. Build a culture of trust and partnership with grantees
3. Advance racial equity in nonprofit funding



1. Continue the Transformative Ways of Funding that the Pandemic Instigated and Accelerated

Continue/Start with one of these:

- Give multi-year, unrestricted funding.
- Streamline your application and reporting process to be more respectful of nonprofits' time and energy; consider adopting verbal reporting or accept proposals or reports written for other funders
- Listen for ways you can support grantees beyond the check, and offer additional supports and infrastructure whenever possible



2. Build a Culture of Trust and Partnership with Grantees

Continue/Start with one of these:

- Tune in to the power you hold as a funder, and approach your relationships with humility and curiosity.
- Take a holistic approach to internal policies and practices.
- Treat grantees in a relational way, as you would with any trusted partner.
 - Listen to their needs rather than asking them to conform to yours
 - Be direct and upfront early about what you can and can't fund
 - Don't micromanage the work
- Give grantees opportunities to give you feedback on your grantmaking processes (make it optional!)



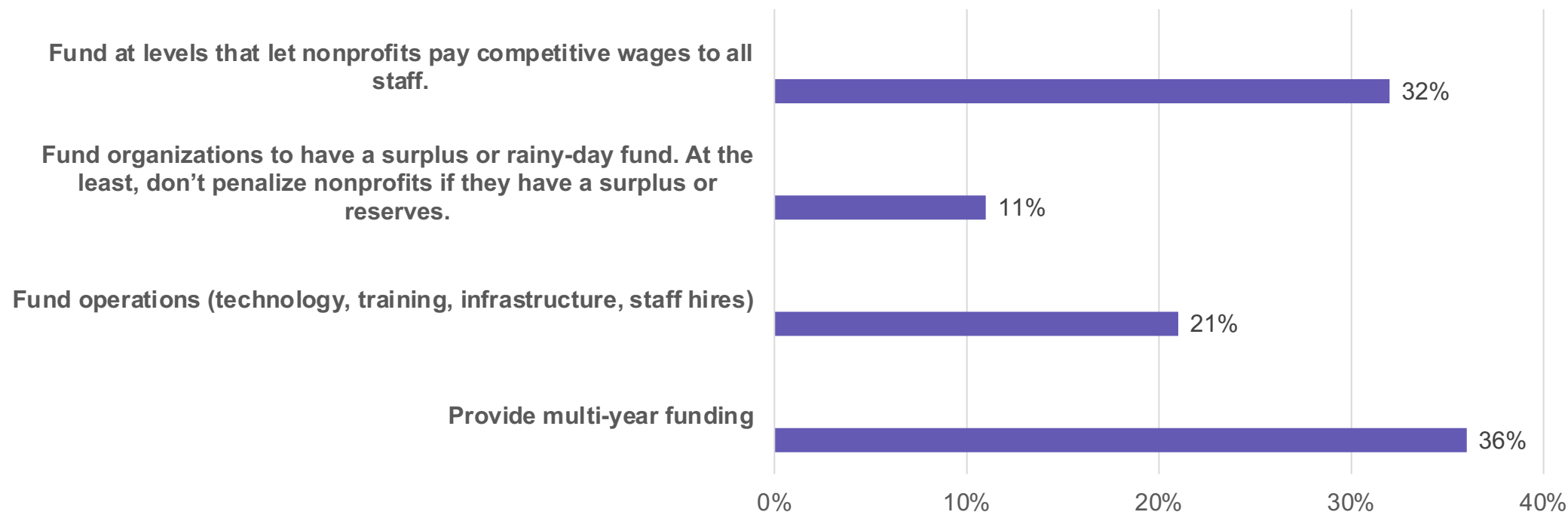
3. Advance racial equity in nonprofit funding

Be part of the solution

- Seek out and fund organizations that are led by people with relevant direct experience, and personal relationships in the communities you're supporting. Pay particular attention to BIPOC-led, community-centered orgs that may be overlooked or underfunded.
- Diversify your staff and board to ensure that your strategies, decisions, and relationships are informed by a range of perspectives.
- When inviting nonprofits and community leaders to co-design grantmaking initiatives, make it optional and always compensate them for their time. Be mindful of potentially extractive behavior.
- Stop practices that can exclude smaller and newer organizations
 - Make funding/contracting applications easier and don't disqualify organizations based on minor errors or omissions.
 - Remove requirements that may be cost-prohibitive and time-consuming (e.g., audited financial statements).



Reflecting on your organization's relationship with funders over the past two years, what is one practice you most hope funders take on, or continue, moving forward?



Over a third of respondents wanted more funders to provide multi-year funding. Another third wanted funders to help support competitive wages for their staff.



“TRUST US. We are the experts in our work. We need multi-year, unrestricted funds. We are looking for partnerships, not oversight.

Stop invite-only grants because you cannot reach the small BIPOC-led orgs doing the work on the ground when you rely on friends and colleagues who don't know who's out here. It creates a power imbalance...

Small-budget arts, social justice, and civic engagement nonprofit, Western region, leader identifies as multi-racial

Thank you!

Q&A

TBP thanks:

- The 18 nonprofit executive directors who took time out of their schedules to give us feedback
- The TBP Champions who helped us recruit focus group participants

NFF thanks:

- 1,100+ nonprofit leaders, who took the time to complete the survey and show the country what's at stake
- Hundreds of individual and organizational partners who help share the Survey with their networks and stakeholders to build this much-needed social sector data set

NFF thanks the Bank of America Charitable Foundation for generously supporting the State of the Nonprofit Sector Survey since 2010. The 2022 Survey was conducted in partnership with EVITARUS and Ambit 360.



Want to Learn More?

Get in touch with us!

- Download trust-based tools and resources, and read the findings from our focus groups, by **visiting www.trustbasedphilanthropy.org**
- If you'd like to hear more from NFF about Survey findings— including a soon-to-be-released analysis about the differences in experiences between organizations of different sizes— as well as other nonprofit resources, **visit nff.org and go to the **Subscribe button**** at the bottom of the page

