BRUTAL TRUTHS

America has never needed more from civil society. That's because our country is being rocked by a health pandemic, an age-old racism pandemic, economic upheaval, sweeping cuts in safety net programs, and the increasing political vitriol that's killing efforts to address these daunting challenges. I sometimes feel like we're in the midst of the 1918 flu pandemic, the Burning of Black Wall Street, the Civil Rights/Vietnam era, and the Great Recession all at the same time!

These crises cry out for a strong, thriving civil society. And yet many parts of our helping-and-healing sector have been hit in the solar plexus by COVID-19 and its economic fallout. If the virus continues to surge and the restart of the economy sputters into late fall or winter, the next 12 to 18 months may well be the most trying time for our sector in my memory (and since I'm 77, that's a long time 😊).

These are the realities we face:

• The demand for many core nonprofit services will skyrocket.
• The supply of funding for nonprofit services will come under heavy pressure, largely as a result of multibillion-dollar shortfalls at the state and local level.
• Funders will face significant backlash from their communities and grantees if they fail to respond to calls for greater equity in their processes.

There's another brutal truth that threatens to obscure the severity of these realities: Affluent families like mine are already benefiting from an economic recovery, while most low-wage workers and small businesses are still struggling and will for the foreseeable future. An article in The Atlantic predicts, “Many small businesses won’t survive, and that will change the landscape of American commerce for years to come.” According to The New York Times, “One-third of New York’s small businesses may be gone forever.” The point? The impact on nonprofits is very real—and the severity of what nonprofits face may be hard to grasp for those living in affluent bubbles.

CREDIBLE HOPE

We’re encouraged to see many funders step up to the challenges of our time. Almost 800 funders have signed a pledge committing to eight practices—from loosening grant restrictions to listening to “those communities least heard”—that will help their grantees manage through this crisis and maybe even emerge stronger. Ford, Doris Duke, MacArthur, Kellogg, and Mellon Foundations have taken the historic step of borrowing billions of dollars so they can dramatically increase their payouts at this time of exceptional need. The Gates Foundation is using its brainpower and unequaled treasury to advance COVID-19 treatments and vaccines, and it’s also playing a major role in securing products for poor countries that might otherwise be left out in the cold.
Since late May, funding for social-justice reform is surging, as organizations that were getting very little love from funders are now seeing record donations. We’ve also seen large commitments from private donors: Michael Jordan pledged $100 million for social justice, George Soros $220 million for racial justice, Jeff Bezos $100 million for food banks, and Apple $100 million for racial-equity and -justice causes.

OUR SUGGESTIONS

We offer these concrete suggestions to help foundation boards and management teams focus on what really matters at this inflection moment.

1. **GIVE MORE.**

The generosity many are showing simply isn’t enough to cope with the enormity of the challenges in our communities. Not even close. So dig deeper. We know most foundations are reluctant to pay out more than the legally required five percent of their endowments, but increase your grant payout. (For non-judgmental guidance on this topic, take a look at “Balancing Purpose, Payout, and Permanence” by the National Center for Family Philanthropy in partnership with the Council on Foundations.) Perhaps even take out a loan or float a bond the way Ford, Duke, MacArthur, Kellogg, and Mellon Foundations are doing. And by all means, take advantage of the stronger giving incentives for foundations and individuals in the CARES Act.

2. **EXPLORE MISSION INVESTING.**

One good way to punch above our weight at this time of severe need is to go beyond traditional charitable grants. Innovators like the Nathan Cummings and Heron Foundations are investing all of the assets from their endowments to make loans and equity investments that advance the mission of their foundations. To this end, we hope funders will review Clara Miller’s outstanding SSIR article “Arriving at 100 Percent for Mission. Now What?” This article came out three years ago, but Miller’s proposal turned out to be prescient: “The urgency and size of the problems we face require that we work differently. Everything at our disposal is now a mission-critical resource. ... Philanthropy’s financial tool kit should include every investment instrument, all asset classes, and all enterprise types.”
3. GO TO BAT FOR YOUR GRANTEES.

Pull out all the stops to support grantees with the greatest potential to deliver meaningful, financially sustainable results in vital areas of need. Some need your support to sustain their value, while others are poised to materially scale their impact. Provide multiyear, flexible dollars that give the grantee the best chance to succeed. And if you can, be a “lead investor.” In this role, think like the visionary investors in Blue Meridian Partners, who are aggregating their capital for maximum impact. Bring other funders to the table.

4. ADOPT AN EQUITY LENS.

It’s great to see funders talking about equity. But we fear that some new efforts will actually be counterproductive if they’re more about workshops and checklists than deep introspection and genuine culture change. If you’re open to the latter, then you’ll find PolicyLink, FSG, and Just Capital’s “A CEO Blueprint for Racial Equity” and Bridgespan and ABFE’s “Guiding a Giving Response to Anti-Black Injustice” to be excellent starting points. You might also gain insights from “Shared Prosperity: Our Corporate Responsibility in a Time of Consternation,” which explains that we’re at a watershed moment to take on race, offers insightful approaches, and shares tangible actions for what we can do.

5. MOVE OUT OF YOUR COMFORT ZONE.

Give your grant pipeline a good, hard look. If you’re a typical funder, you’ll find that most of these organizations came to your attention through an influential person in your personal or professional network. This dynamic hurts leaders of color. Sam Cobbs, an outstanding nonprofit leader who now sits on the funder side of the table, reports that he frequently finds funders, including some of the biggest names in technology, investing huge sums in white-run nonprofits that look great in PowerPoint presentations but don’t deliver nearly as well as Black-run, neighborhood-based organizations.

6. LEND EXPERTISE WHEN NEEDED.

In these crazy times, nonprofits may face a host of externalities they can’t control. For instance, the Great Recession’s financial markets’ failure nearly bankrupted a school for children who learn differently. When the markets crashed, the school’s multi-million-dollar loan, collateralized by a swap agreement, blew up. A funder stepped in to help the school marshal leaders with great “work-out” experience and staved off foreclosure. SeaChange’s Think Outside The Box offers creative ways funders can bring their skills to bear for the benefit of grantees and entire communities.
7. HELP GRANTEES ENGAGE IN SKILLFUL TRIAGE.

Given the many challenges your grantees are facing all at once, encourage them to prioritize effectively with some form of triage assessment. Don’t make it a big to-do project. They just need to bring together six to nine of the best thinkers and truth-tellers from the team, board, and stakeholder groups to spend a half day on a brisk, focused review of critical elements. Or you can forgo the group approach and use the tool to have a one-on-one discussion with the leader of your grantee organization to learn of his/her areas of concern. Doing so may help you organize your thinking about how to best support your grantee. We’ve developed a basic **tria gi** tool you might consider sharing with relevant grantees.

8. FUND NONPROFIT ADVOCACY.

All the crises we face involve public policies. Help your grantees advocate for policies that can help (e.g., expanding charitable giving incentives) and fight those that can hurt (e.g., cuts to unemployment benefits, which will send even more people to nonprofits for help). In addition to providing more funding, review your grant-aw ard letters to ensure they don’t prohibit grantees from engaging in advocacy. For every business or philanthropic leader who has uttered the phrase “nonprofits should be run like businesses,” please remember that private-sector firms invest heavily in using their voice to influence public policy. Almost needless to say, companies massively outspend nonprofits in policy advocacy.

9. ENCOURAGE AND SUPPORT COLLABORATION/CONSOLIDATION.

This is an especially sensitive topic in our sector, especially when you start talking about possible mergers and acquisitions. But in some cases, mergers should be on the table. In his article “COVID-19’s Impact on Nonprofits’ Revenues, Digitization, and Mergers,” merger expert **David La Piana** points out that 23 percent of the nonprofits he surveyed are considering some type of consolidation. To help grantees navigate these waters, it may make sense to add an “executive in residence” with strong, practical experience in consolidation. You can also provide catalytic funds to help grantees who want to engage in exploratory planning, create courtships to gauge chemistry and fit, pilot partnership projects to confirm meaningful value, and even test the waters of mergers or acquisitions. You can set up stipends to help leaders envision and find a future life, if a consolidation means they lose their jobs. And you can provide funding to cover the planning, transaction, and integration costs inherent in significant collaborations and mergers.
Funders might consider building off of this restructuring project in Northeast Ohio. Eighteen funders joined together to examine how to support human-services organizations during the Great Recession. They discovered that “successful restructuring can yield many benefits that can help a nonprofit organization to do more and better [and can] help to save valuable services or assets when an organization is struggling.”

**CONCLUSION**

I grew up in an immigrant family of blue-collar workers in Ohio and coal miners in Pennsylvania. If you were from our part of town and of our ethnicity, the ladder of upward mobility wasn’t quite as safe or sturdy as the ladder for “better” families from the communities where my mom cleaned houses. But at least we had a chance to find opportunity. The American Dream felt legit.

Today I feel fearful—more so than I did at any time during the Sputnik years of my childhood or the fateful years of 1965-1973, when riots broke out in our cities, Dr. King was assassinated, students were massacred at Kent State (one of my alma maters), and friends were fighting in an unjust war.

I’m hopeful we can help our grantees cope with the intersecting crises we face—but only if we step up our game in a big way. Signaling our virtue is great. But action is what we really need!

*Note: A list of the articles referenced and/or used in developing this paper can be found [here](https://leapofreason.org/the-big-reset-home/funder-guidance).*

You can access all of The Big Reset resources at [https://leapofreason.org/the-big-reset-home/](https://leapofreason.org/the-big-reset-home/).