

Multi-Level Grantmaking: Creating an Environment for Sustainability

Nancy Devine
The Wallace Foundation
at
Grantmakers for Effective Organizations
Seattle, Washington
March 14, 2012

Our presenters



- Nancy Devine: Director of Learning and Enrichment, The Wallace Foundation, New York City



- Hilda Polanco: Founder and Managing Director, Fiscal Management Associates, New York City and Chicago



- Valerie Lies: CEO, The Donors Forum, Chicago

Plan for today's session

- **Goal:** Shed light on grantmaking that seeks to both *strengthen individual organizations* and *improve the environment* – so that you can decide whether or not it's applicable in *your* situation.
- **9-9:20:** Overview – Nancy Devine
- **9:20-9:40:** Building nonprofit financial management capacity – Hilda Polanco
- **9:40-9:50:** Improving the operating environment – Valerie Lies
- **9:50-10:10:** Table top discussions – When, if ever, would a two-pronged approach make sense for my foundation?
- **10:10-10:30:** Reporting out

The crucial role of nonprofits

“Nonprofit organizations are now firmly established on the front lines of social policy implementation, and are critical to the life-chances of much of the citizenry, especially in times of acute economic crisis and high levels of unemployment.”

-- Michael Edwards, Distinguished Senior Fellow, Demos



The ‘New Public Management’ movement to improve government effectiveness drove more competitive contracting for services, public-private partnerships, and consumer choices.

U.S. 2010 nonprofit employment vs. selected other sectors



Source: *Holding the Fort*, Lester Salamon, et al, The Johns Hopkins Nonprofit Economic Data Project, Johns Hopkins University Center for Civil Society, 2012

Nonprofit fiscal forecast: Stormy

- “To date, major cuts in state and local funding have been at least partially offset by a huge influx of federal stimulus dollars; that one-time uplift is now being replaced by federal cuts. Unfortunately, the worst is yet to come, and it is not yet clear what can be done about it.”

- Vishal Shah, co-author,
The View from the Cliff, Bridgespan



State budgets rise slightly

States face bleak economic forecast, report says



“Growth is weak and there is not enough money for all the bills coming in. [In 2012] State officials will still be cutting some programs and increases in funding for any program except for health care will be rare.”

- *National
Association of State
Budget Officers
Executive Director
Scott Pattison*

...but still below 2008 levels.

Property-tax reliant cities facing a sharper pinch

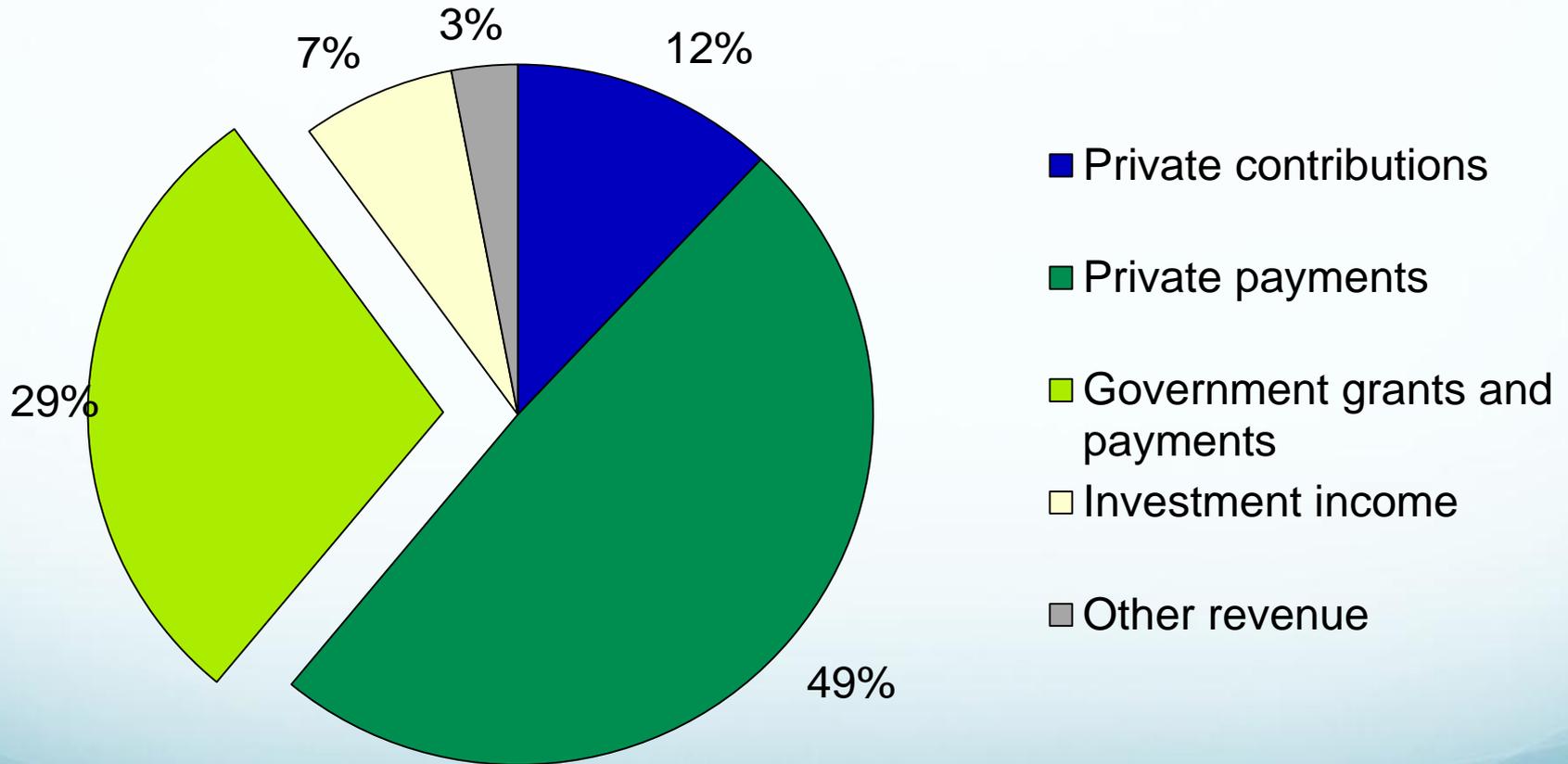
- “Revenue and spending shifts in 2010 and 2011 portray a worsening picture for America’s cities. The projected decline in 2011 revenues represents the fifth straight year-to-year decline going back to 2007... it seems very likely that cities will confront further declines and cuts in city spending in 2012.”



-- National League of Cities,
City Fiscal Conditions in 2011,
September 2011

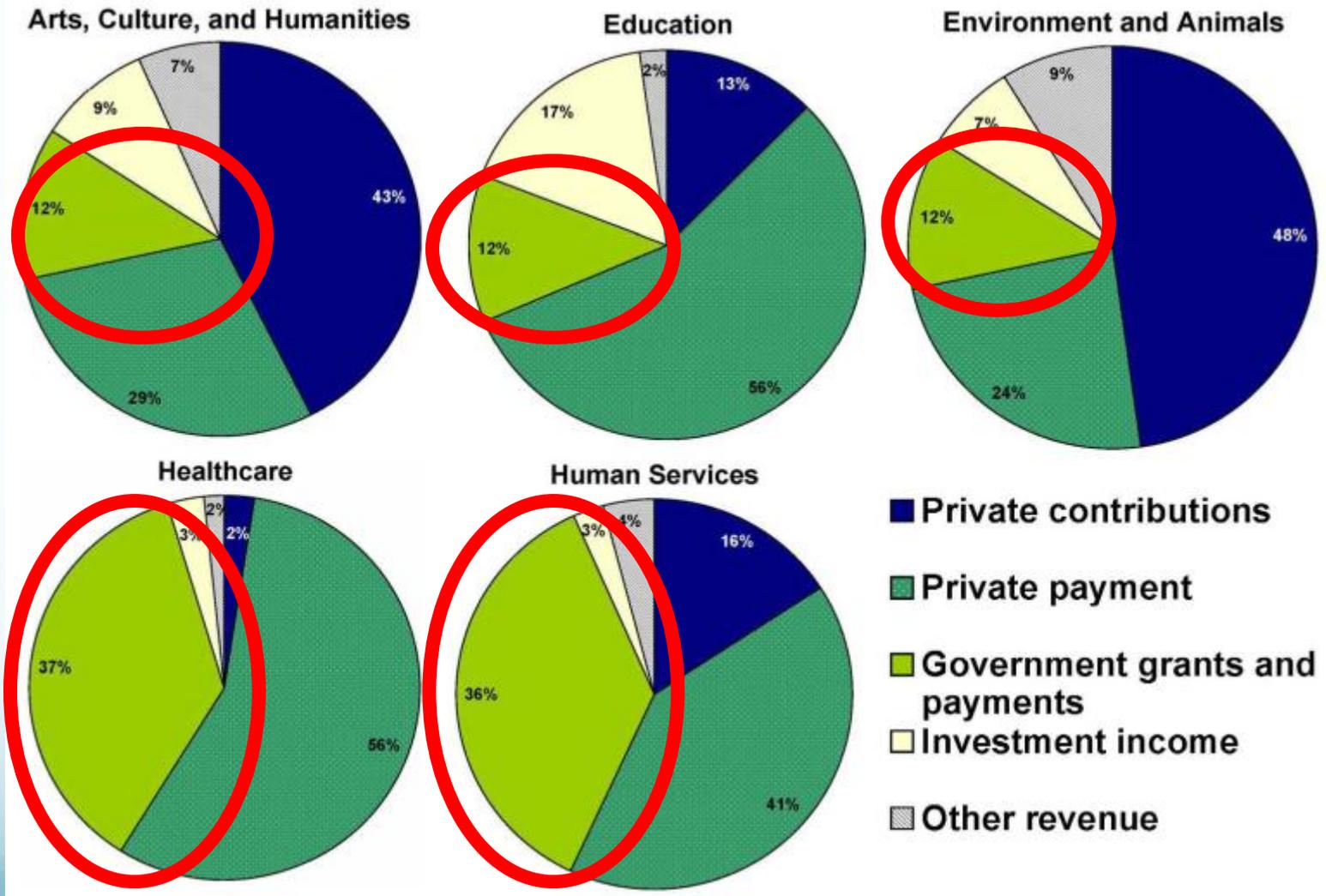
Government funds about one-third of nonprofit budgets

Sources of non-profit revenue



Source: *An Overview of the Nonprofit and Charitable Sector*, Congressional Research Service, 2009

Government Funding Varies By Sector



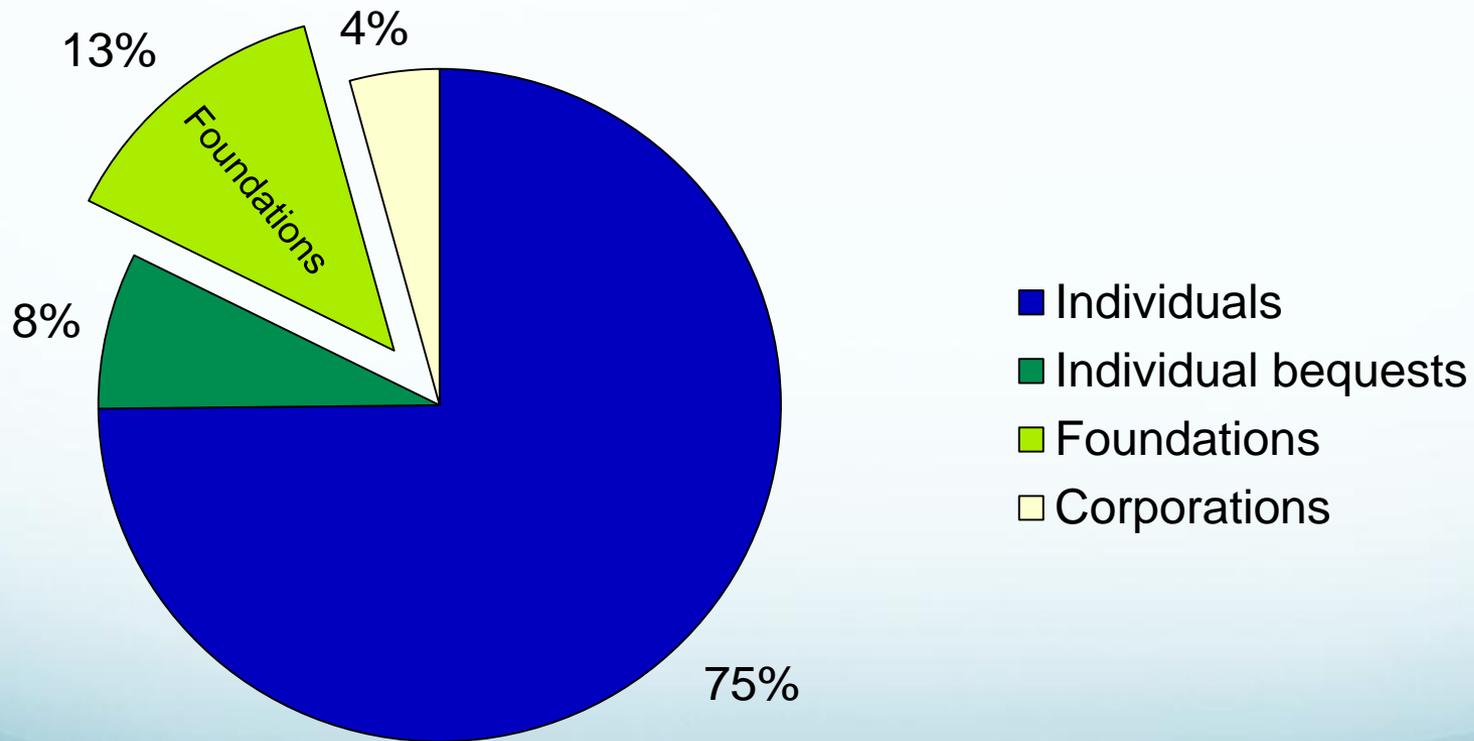
Source: *An Overview of the Nonprofit and Charitable Sector*, Congressional Research Service, 2009

Can foundations make up the shortfall?



Foundations only 13% of private contributions

Composition of private contributions



Source: *An Overview of the Nonprofit and Charitable Sector*, Congressional Research Service, 2009

Adding it up

- Nonprofits always faced fiscal challenges.
- Nonprofits – especially human services – rely on government funding
- Budgets are tight currently
- More cuts likely going forward
- **Conclusion: More than ever, financial management skills are not just nice – they are necessary.**



- “Financial and economic literacy play a vital role in the creation and sustainability of a vibrant nonprofit sector, particularly during a time of limited resources.”

-- *Financial Literacy and Knowledge in the Nonprofit Sector*, The Center on Philanthropy at Indiana University



Providers ‘muddling through on thin margins’

- 2008 study by Fiscal Management Associates: fiscal management key
- But providers bravely “muddling through on thin margins and limited resources.”
- And they lacked:
 - Strong fiscal management infrastructure
 - An environment conducive to effective operations



Weakness have internal and external causes

- Internal causes
 - Little appreciation of value of organizational infrastructure
 - History of doing more with less
- External causes
 - Policies and Practices of Funders
 - Variable, often inadequate funding of indirect costs
 - Complicated Reporting Requirements

A Two-Pronged Approach Needed

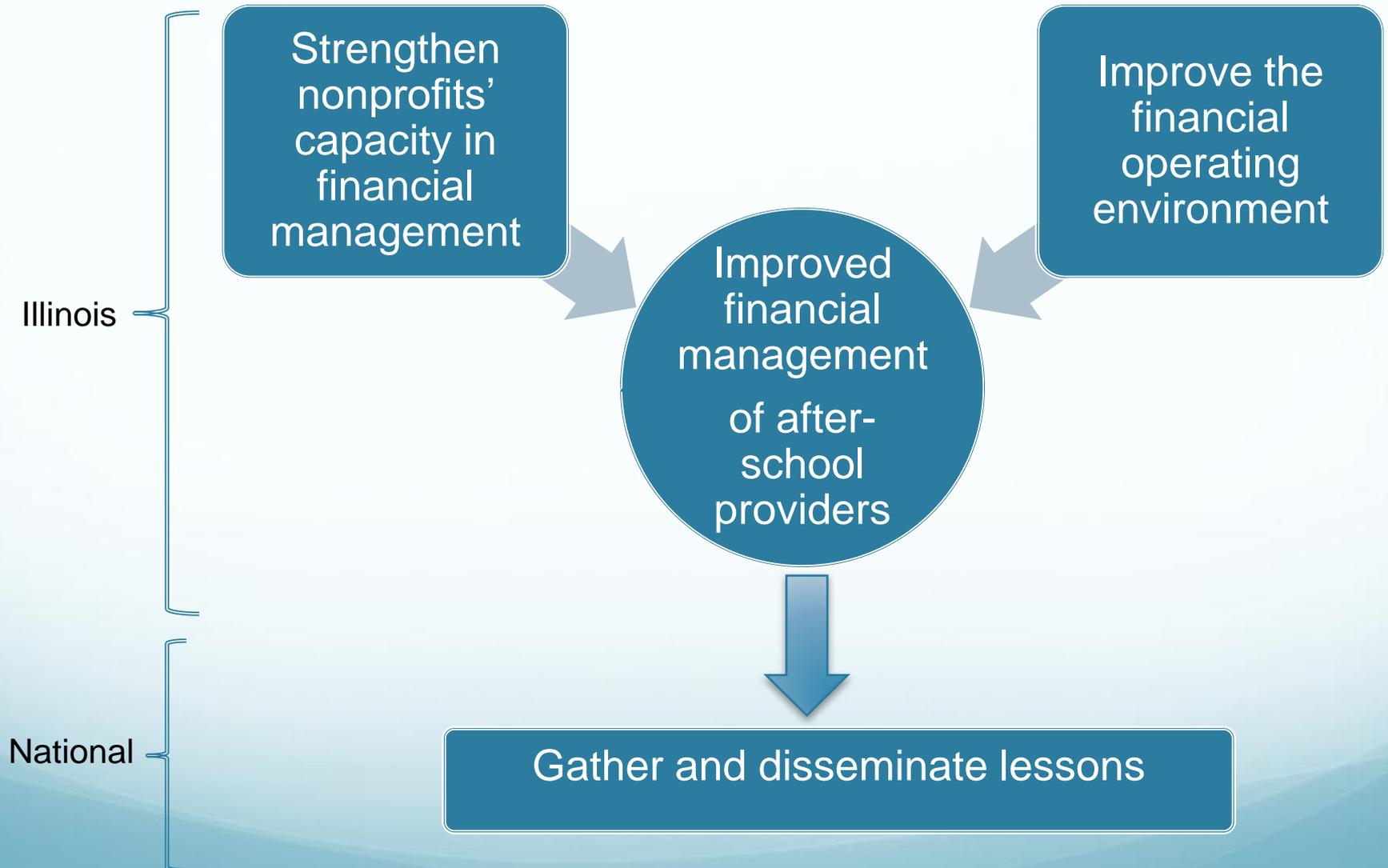


Table-top discussion questions

1. Do you see a connection between nonprofits' financial management skills and their ability to deliver services – and, if so, would you incorporate it into your organizational capacity building?
2. Might a two-pronged approach (on this topic – improving the policy environment and building organizational capacity – or on another topic) make sense for your foundation? Or are you already doing this?
3. If yes – in which area and why? What might it look like? If no – why not, and are the reasons internal (excessive risk, lack of board interest, or time commitment) or external (too difficult to change policy in this area).

Closing reflections

