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A Qualitative Exploration of “Following the Money:
An Analysis of Foundation Grantmaking for Community
and Economic Development”

By Noelle St.Clair

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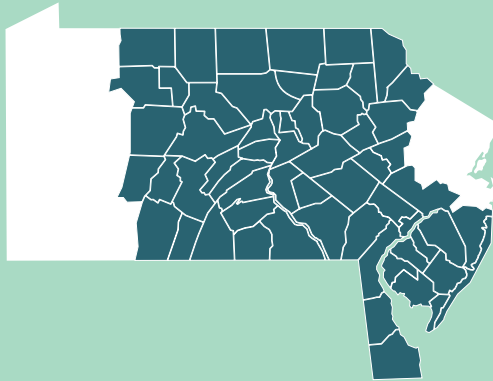
AUTHOR



Noelle St. Clair* is a community engagement associate in the Community Development Studies & Education Department at the Federal Reserve Bank of Philadelphia.

THE THIRD FEDERAL RESERVE DISTRICT

The Federal Reserve Bank of Philadelphia serves the Third District, which covers eastern Pennsylvania, southern New Jersey, and Delaware. The Bank's Community Development Studies & Education Department supports the Federal Reserve System's economic growth objectives by promoting community development in low- and moderate-income communities and fair and impartial access to credit in underserved markets.



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INTRODUCTION

In September 2016, the Federal Reserve Banks of Philadelphia and Atlanta released a publication titled "Following the Money: An Analysis of Foundation Grantmaking for Community and Economic Development."¹ Based on data provided by the Foundation Center that capture all grants of at least \$10,000 made by the 1,000 largest foundations between 2008 and 2013, the analysis finds that some metro areas received a substantially greater level of philanthropic support for community and economic development (CED) than did others during this period.

To illustrate, the Battle Creek, MI, metro area received nearly \$393 in grant capital for every resident over these six years. By contrast, nine metro areas — including Williamsport and Lebanon in Pennsylvania — received less than 50 cents per resident. The research indicates that a number of metro area factors are associated with higher levels of per capita grant receipt, including the presence of a large foundation, a denser nonprofit sector, a larger population, and a higher poverty rate.

Following the release of the research, the Community Development Studies & Education (CDS&E) Department of the Federal Reserve Bank of Philadelphia interviewed a sample of key informants throughout the Third Federal Reserve District to further investigate the metro area and organizational factors that affect a community's ability to attract foundation support for CED activities. The goal of this qualitative research was to explore in more depth the factors at play in determining where philanthropic capital flows and to gain the perspective of nonprofits on the role of local and national philanthropic support for CED efforts. This study presents the themes that emerged from interviews with representatives from nonprofit organizations across Pennsylvania, New Jersey, and Delaware.

METHODS

Study Sample

To gain insights into the interactions between foundations and nonprofits engaged in CED efforts, the CDS&E Department contacted nonprofit representatives from across the Third Federal Reserve District. Purposive sampling was used by selecting participants from a database of contacts who had previously interacted with the CDS&E Department. Stakeholders were randomly selected from the database, although

¹ Keith Wardrip, William Lambe, and Mels de Zeeuw, "Following the Money: An Analysis of Foundation Grantmaking for Community and Economic Development," *Foundation Review*, 8:3 (2016), pp. 51–65. To read the report and accompanying infographic or to use the related data tool, visit www.philadelphiafed.org/community-development/publications/special-reports.

the selection process was iterative to ensure that the voices in the study represented the three states in the District — Pennsylvania, New Jersey, and Delaware. Additionally, the sample was selected so that roughly half of the interviewees represented metro areas that were shown in the quantitative analysis to underperform with respect to expectations for CED grant receipt during the study period, while the rest represented metros that were shown to overperform on this metric.² Publicly available tax documents (i.e., Form 990s) for the selected organizations were reviewed so that the sample included only those that had annual expenses of \$500,000 or greater. Fifteen one-on-one phone interviews were conducted, and the perspectives of those key informants are included in this analysis.³

Analysis

Telephone interviews were recorded, transcribed verbatim, checked for accuracy, and entered into MaxQDA qualitative data analysis software. Using the software, interviews were coded⁴ to identify themes that emerged regarding the organizational and metro area strengths and challenges that affect a community's level of philanthropic support for CED. Interview questions also explored how funding impacts nonprofit strategy and the issues pertaining to philanthropic capital broadly. A priori codes were developed to correspond with interview question topics, and additional codes were developed after the initial transcripts were reviewed. This process allowed for the analysis and synthesis of large amounts of qualitative data that otherwise would have been difficult to manage.

Three of the 15 interviews were coded independently by two members of the study team and checked for intercoder reliability. This rigorous and collaborative qualitative approach allowed the analysis to move beyond anecdotal insights. Code analysis through full and repeated immersion in the data led to the identification of several **meaningful themes**, which are explored herein. The views expressed in this report are the perceptions and opinions of the key informants who were interviewed and do not necessarily represent the views of the author or empirically supported facts. Direct quotes from participants are shared whenever they help to support and illustrate summary statements.

COMMUNITY CONDITIONS

When asked about the community conditions that lead to effectively attracting foundation grant support, a high level of **collaboration among community partners** was the most commonly mentioned strength. Interviewees explained that if a community has an active convener that brings diverse stakeholders together to meet the needs of the community as a whole while avoiding duplicating efforts, that community will be much more successful in securing philanthropic support for that work.

“Back in the day, everybody worked in the silo and probably didn’t know what each other were doing, let alone worked collaboratively, and so things were all over the place. The biggest change in the last couple years that makes us more competitive is that the silos are coming down and programs are realizing that the good of the area, the region, the community is more important than what we do individually.”

As previously mentioned, the quantitative analysis found that a number of additional metro area factors are associated with higher levels of per capita grant receipt, including the presence of a large foundation, a denser nonprofit sector, a larger population, and a higher poverty rate. Key informants interviewed reiterated the **importance of a foundation being headquartered in the community**. They also agreed that a **higher poverty rate**, as an indicator of a higher level of need for philanthropic support, is a key factor in attracting grants for CED work.

“When you talk about the disparity between communities raising money and having money invested in their community, I think that what you see in the foundation world as well as with general businesses including banks and individuals, is that you have situations where if there’s a foundation that’s based in Chicago, it’s more likely to give to Chicago. It may be a national foundation that would also give in other places, but it’s more likely for these foundations and businesses to have larger amounts of support where they’re headquartered.”

² Under- and overperformance were measured by comparing each metro area’s observed level of per capita grant receipt with the level predicted by the regression model in the quantitative analysis. Although interviewees were selected from both over- and underperforming metro areas, the themes that emerged were not sufficiently differentiated along these lines to report separately.

³ The interview guide is available in the online appendix at www.philadelphiafed.org/-/media/community-development/publications/beyond-the-numbers/0117-beyondnumbers_appendix.pdf.

⁴ The codebook is available in the online appendix at www.philadelphiafed.org/-/media/community-development/publications/beyond-the-numbers/0117-beyondnumbers_appendix.pdf.

“It’s unfortunate but our economic circumstance is such that you can make a compelling case because of the higher unemployment, the higher levels of poverty — things of that sort. It would be better not to have that in your community, but I think that’s something that can be of help in trying to raise money.”

Other factors that often lead to communities receiving higher levels of philanthropic support were mentioned as well. The **presence of local industry and institutions of higher education**⁵ were cited as being important community strengths.

“The other thing that might be of help is we do have colleges. And some organizations will go to a college and get assistance from the college in trying to develop a plan. They may be able to help you with doing some research and making a case for support.”

COMMUNITY CHALLENGES

When interviewees were asked how they think their community measures up when it comes to attracting grants and investments from large foundations, several mentioned that they feel that their community is **overshadowed by larger metros**.

“I think that when you talk about urban blight, when you talk about the need for affordable housing, even though everybody will acknowledge, well, yeah, you have that everywhere, the focus is always going to be on Philadelphia and Pittsburgh in the state of Pennsylvania.”

“I think it’s hard for a community our size, which is not — it’s not an Atlanta. It’s not a [large] metropolitan area. I think it’s hard for us to compete because we just don’t have the numbers. We don’t have the public attention, the media attention — it’s not sexy for somebody to give money to us, you know?”

In addition to being overshadowed by larger neighbors, smaller metro areas may have difficulty attracting grants because, in real terms, the level of need is not as great. As such, **rural communities and smaller cities are not in a position to utilize large grants** made available by national foundations.

“Many of the larger foundations are looking to invest \$300,000, \$500,000, one million and a half. And when you get into a rural area, that may be a program’s whole budget and they don’t need that much money. And if they had the money, they wouldn’t be able to utilize it over the grant period. If I asked for \$10,000 for a work program, with the effort and everything that it takes them to fund something, they probably wouldn’t be interested in that.”

One key challenge cited is that most regional and national **foundations have specific geographic service areas**, and many of the organizations interviewed said that they tend to fall outside of those target areas.

“We’re in Neverland, between the trenches. Some people say, well, you’re part of Philadelphia. Others say you’re part of New York, and by the way you’re in Trenton, so that’s not close enough. And that’s unfortunately an attitude that we run into all the time and they say, oh, no, you’re not in the geography we want to do business in. So, I think we’re at a disadvantage. We’re at either the southern end of New York or the northern end of Philadelphia in most instances.”

“I think the challenge is being right in the middle of the state — two hours from Pittsburgh and over four hours from Philadelphia. So [with] the large foundations in those areas, it’s a struggle to find ones that come as far east or west.”

Some informants interviewed mentioned that their communities, for a variety of reasons, are simply **not applying for grants from large national foundations**. Some mentioned a lack of knowledge regarding national foundations, while others stressed that strong local support decreases the need for support from national philanthropic institutions.

“I will say that [our community] does, for the most part, play nice amongst nonprofits and share internal support and philanthropy amongst ourselves, so maybe that might be why we’re not seeking as much. We have a lot of internal support and don’t reach out as much.”

⁵ It is worth noting that the quantitative analysis did not find a significant positive relationship between a community’s level of grant receipt from large foundations and the presence of a research university.

ORGANIZATIONAL STRENGTHS AND CHALLENGES

When asked about strengths at the organizational level, every informant interviewed agreed that **relationships** with foundations are the most critical when it comes to successfully raising grants. Whether a board member knows the senior leadership of a foundation or the president of a foundation is from a certain community, these connections were cited as being extremely important.

“There’s a mild relationship between performance and reward. So, organizations that are doing good work generally over time get some rewards, but it’s a mild relationship. It ought to be very direct. It ought to be clear. It ought to be predictable and it’s not. So, what that means then is that the other relationships, like the personal relationships between the donors and those that are asking for money, become really, really important.”

Still, some informants did share that they believe a compelling **mission and the ability to demonstrate outcomes** make an organization successful when it comes to securing funding. While providing a needed service is seen favorably, some interviewees shared that, to funders, the quantity of the outputs measured sometimes outweighs the quality of the overall impact. Additionally, some interviewees expressed that funders’ timeframes for expecting to see measurable impact is often too short.

“I think a major component of successful fundraising is the number of people that you impact. Programs that can show a large impact in terms of numbers are more successful.”

“And it’s very competitive, and there’s less and less money every year. And frankly, foundations, especially in philanthropy, are interested in having a big [impact] — being able to show impact to their donors. And that’s totally understandable. But sometimes, the impact takes a long time to be seen.”

Another important organizational factor interviewees believed contributes to successfully attracting grant capital is adequate **staff capacity and fundraising sophistication**. This includes being able to discern a foundation’s mission and target geographic area and using that information to apply to foundations most likely to fund the organization or project. It also

includes having a talented grant writer, either on staff or as a consultant, who can articulately illustrate the case for support, and having systems in place to collect and share relevant information in applications and in subsequent grant reporting.

“I am responsible for fundraising. My COO is responsible for fundraising. Our development specialist/grant writer is responsible for fundraising. Our financial coordinator supports those fundraising efforts with budgets and projections. Our communications staff of one and a half people is responsible for cataloging the work that we do in media to make sure our foundations who support us know that the work is being done. Everybody on our program staff and technical assistance and training staff is responsible for providing reports and working with data to do reports to philanthropy.”

Other respondents recognized that a lack of capacity to both deliver services and fundraise limited their ability to attract foundation support.

“I think overall capacity inside of an organization is important. If you don’t have a grant writer, how do you write the grant to get the grant writer? Chicken or an egg kind of question.”

“We have to utilize what staff we have for program delivery to also raise our funds. So as we’re scheduling and trying to make sure that we’re delivering our services, there are times when we get pulled aside and we have to do fundraising. And that does take from consumer time.”

Several informants mentioned that another capacity constraint is insufficient **communications and marketing efforts**, which impair the organization’s ability to widely share its work and attract interest from the philanthropic sector.

“We haven’t gotten onto their radar screen, which might be our issue. It might be that light under the bushel. There’s cool work that has national ramifications. We think it’s an important demonstration. We think it’s important to get the word out and that there ought to be a lot more organizations like this one. But most folks don’t know about us. We haven’t formulated a communication strategy that lets the light out from under that bushel.”

“I think with the larger foundations reputation would be something that would be helpful. And I think we’ve always had a little bit of an issue with visibility. I think if someone is a recognized organization like a Big Brothers Big Sisters, or something like the Boys & Girls Club, they might have more success with the national foundations.”

ALIGNING PHILANTHROPIC SUPPORT WITH GRANTEE AND COMMUNITY NEEDS

The majority of key informants interviewed shared that they do not regularly interact with large national foundations. Most do, however, have **strong relationships with smaller local and community foundations** who serve not only as grantmakers, but often also as **community conveners and capacity builders**.

“I think every one of our local foundations provides training around various topics. It’s never just providing the money. They always have follow-ups in terms of what your organization has in management, in outreach — all different topics that are very helpful — as well as the funding.”

Several interviewees mentioned, however, that often organizations feel **challenged to find mission-aligned foundations** at the local and national level or are concerned that **foundations are shifting their program areas** over time.

“In some cases, it has to do with who is your clientele and who you are as an organization. And we’re very proud of civil rights and disability history. So we’re not a pity environment. So if you want to come in and say, oh, those poor disabled people and pat us on the head, you’re not going to be a really good match to us because we believe in dignity — it’s who we are.”

“We don’t have sustainable funds for that program. So we are challenged in that we depend on the funding of the foundation, and then sometimes maybe their priority shifts would affect our ability to run the program.”

Interviewees were also asked to discuss how the process of raising funds from foundations affects their organization’s program delivery and strategy. Interviewees explained that while alternative funding sources such as government funding, earned revenue, and corporate and individual donations are available, foundation grants still remain an essential piece

of almost every organization’s capitalization strategy. Many shared that **inadequate philanthropic support often leads to dropping a program or reducing available services**.

“I would say that money affects every decision we make. And whether or not we have funds to do something absolutely makes us sometimes have to go a different way. I mean, we are very focused on mission and everything we do is mission-focused. But if we can’t find the funds to do something, we may have to delay implementation of a certain strategy until we find a different way of getting there. So we definitely are impacted on a daily basis by funding. There’s absolutely no doubt about it.”

Alternatively, some interviewees shared that **the availability of funds may make an organization create new program areas or alter their strategy in order to obtain those grants**.

“It becomes the tail that will wag the dog and most organizations move toward mission creep, as well as oftentimes do things that they would rather not have to do because of funding requirements to do them.”

“I always tell my team you are not grant chasers. Some organizations feel compelled to try to conform something to their needs, whether it’s something that they necessarily do or not, to get the funding. And I hope that we never get to the point where we get that stressed out. But I’ve seen organizations struggle like that and fall like that.”

Interviewees agreed that a major challenge is the fact that most foundations make programmatic funding available but there is a dire need for unrestricted capital that can be used on capacity building and general support and that will allow organizations to collaborate, learn, and adapt over time.

“One of the dynamics about fundraising over the last five years has been that increasingly the sources of funds that used to provide us with general operating monies have not stopped giving. [However,] they’ve started restricting what monies can be used for because it has become their way of increasing accountability to some particular outcome that they can see, feel, touch, and that undermines our ability to learn,

adapt, pivot, and improve our systems. And it really places lots of pressure on the organization. We have money for the unit production, but we don't have adequate resources for R&D and for the administration to keep the lights on. And that is that starvation cycle that people talk about. We're experiencing it in a serious way right now."

"I do think the future of high-performing philanthropy lies with the base need to build relationships between those that give and those that receive. And that relationship needs to be built upon respect. It needs to be built upon an expectation that the organization is going to change, learn, adapt, get better at what it does. And it shouldn't be the slave to its objectives that it told the funder it would do, if it can find a better way, right? And so, I think that unrestricted funding is critical. I think that the change is going to happen through organizations evolving, connecting to each other over time, and being encouraged to do that rather than being hyperattentive to unit production, which is what the donors force us into and branding of our own stuff. I think that real change is going to occur in a more networked fashion, in a more collaborative fashion. And there is going to be more learning when that occurs and that is what we ought to be focused on. It's important to do good work, but the magic is in the learning and people don't fund that."

CONCLUSION

This report represents an effort to connect community development research produced by the CDS&E Department with

the local knowledge and expertise embedded in community development practitioners working throughout the Third Federal Reserve District. The interviews on which this report was based validated some preconceived explanations for the disparity of philanthropic grantmaking among metro areas. For example, interviewees reiterated the importance of the location of foundation headquarters, the size of the community, and the level of poverty or need present in that community. However, the other organizational and community strengths and challenges revealed during the interviews add value to the quantitative analysis, which could not identify many of the factors the interviewees believe play a contributing role in the attraction of philanthropic support.

Areas for further exploration became apparent throughout the course of this analysis. Nonprofit representatives articulated challenges related to attracting philanthropic support to underserved areas and to differences in how funders and nonprofits define and measure impact. Additionally, interviewees' insights highlighted the need for capacity building and technical assistance to improve fundraising sophistication for many organizations, though this could be deemed problematic as it may take resources away from program delivery. Though these are topics frequently discussed in the field of philanthropy, further research is needed to fully understand both the capital needs of organizations engaged in community and economic development and the strategies that foundations can utilize to better serve potential grantees. This research suggests more can be done to better align the goals of funders with the needs of not just grantees but also the communities they serve.



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