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## **‘Color Blind’ Assessments of Grant Proposals Don’t Work. Here’s a Better Idea**

[https://www.philanthropy.com/article/Color-Blind-Assessments-of/247431?cid=cdfd\\_home](https://www.philanthropy.com/article/Color-Blind-Assessments-of/247431?cid=cdfd_home)

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My organization, Nonprofit Finance Fund, has for decades urged grant makers to take financial analysis seriously when figuring out which grantees to support and how to support them. We believe that is still an imperative. But we also now recognize that colorblind financial analysis too often unintentionally exacerbates racial inequality and ends up hurting the nonprofits who can do the most good in advancing justice.

I was a foundation program officer before I moved into my current role. Like an increasing number of grant makers, I sought to promote racial equity throughout my work, and I also tried to be conscientious about assessing the financial health and viability of potential grantees.

What I did not realize then was how colorblind application of financial assessment and funding practices can make it harder for organizations led by and serving people of color to get grants and make the most of them. The racial gaps in personal wealth and income in America are well documented. As is the reality that most donors tend to fund people who look like them. It’s disheartening, but not surprising, that 61 percent of people of color responding to 2017’s Race to Lead survey agreed that organizations led by people of color have a hard time fundraising. Because of that, the financial condition of a potential grantee is often a false measure of the effectiveness of its leadership or potential.

**Organizations led by highly skilled people of color, operating without access to the same networks of wealth, could appear less resilient if a grant maker analyzes their financial condition without taking this context into consideration, as my colleagues Claire Knowlton and Trella Walker and Weingart Foundation President Fred Ali have explained.**

Nonprofit leaders of color interviewed by the *Chronicle* have detailed. The detrimental effects of ignoring an organization’s context — they struggle to obtain large grants and often must work twice as hard for the same level of support. They face high levels of distrust from donors and are often excluded from existing networks. It’s time to listen, and to change.

## Steps to Racial Equity

To help grant makers do this, we're publishing a [guide](#) today to explain the specific ways nonprofit financial analysis is not race neutral and give practical steps grant makers can take to replace biased measures with analyses that put their funding decisions in line with their racial-equity commitments. This work has led me to reflect on five ways I could have changed my approach to reviewing grant proposals to both be a conscientious grant maker and avoid bias:

**Provide unrestricted funding and connections to other grant makers instead of making challenge grants:** I wanted to help my grantees raise money from others. So, I sometimes offered my funding as a dollar-for-dollar match to entice other givers. That works great for organizations with established donor networks they can tap into. But it becomes a burden for organizations working without access to those networks.

**A better approach:** Provide the funding without any restrictions and then connect grantees with other donors.

**Find ways to assess a board's contributions beyond the dollars board members contribute:** Organizations benefit from boards that are actively involved in advancing the organization's work and finances, so it's reasonable to look at whether boards are contributing in dollars and in other ways. But for a wealthy donor, giving \$10,000 might be just an afterthought. That's why simply tallying board donations doesn't provide an accurate measure of investment.

**A better approach:** Instead of assessing nonprofits based on how much their boards give, consider the relationships and networks board members represent that can advance the nonprofit's mission and finances. And look closely at the value their insights bring.

**Determine grant size based on the value of the work rather than the current revenue of the organization:** When you recognize the structural barriers that prevent many well-run and effective organizations from gaining traction, you come to see how distorted the link can be between an organization's size and capacity. And the formal accounting rules that determine what counts as revenue make the problem worse. For example, pro bono legal advice from a corporate law firm counts as revenue. The many hours a volunteer spends reading to young people in a community center does not.

**A better approach:** Rather than creating rules that peg grants to a share of revenue, spend time understanding the value the work would generate and the full cost to undertake it.

**Ask how a grantee would cover unexpected costs rather than only looking at its formal operating reserve:** I wanted to support and reward well-run organizations. But I

did not recognize how difficult it is for organizations without access to private donor networks to build up financial reserves. Or how organizations that have faced barriers to accumulating financial assets build resilience in other ways.

**A better approach:** In addition to considering how many months of reserve the financial statements show, ask potential grantees what they would do to manage an unexpected cost. That question gives organizations room to describe the social capital they rely on (for example, volunteers who are on standby to repair a roof or a window) that official financial statements miss. And if an organization lacks a formal reserve, provide grants that help them build it.

**Assess skills and experience rather than using salaries as a proxy for the market value of services:** Low salaries are often a result of scarce resources or significant sacrifice on the part of a nonprofit's workers. Perversely, a low salary for a nonprofit's executive director, or low average salary for other staff, signals to some grant makers a lack of skill and experience or lack of financial savvy, making it harder for a nonprofit to secure a grant and reducing the grant size if it is pegged to day rates of salary being paid.

**A better approach:** Consider the results a nonprofit delivers, and the value of its people's skills and experience, instead of salary size. Work with nonprofits to make sure grant funds support the full costs it takes to deliver on mission, including fair salaries.

In addition to these tweaks to standard practice, I should have kept a tally of the racial diversity in the leadership and clients of the organizations I funded. Without that information, it's too easy to let good intentions mask unintended results inconsistent with our self-image as progressive grant makers.

I am very encouraged that racial equity is commanding more attention among grant makers. But combating racial inequity will also be about how you fund, not just who you fund. Philanthropy has contributed to the racial inequity that grant makers increasingly seek to address, and status-quo grantmaking approaches often unintentionally perpetuate injustice. It's time to make sure we give our money in ways that match our intentions to reality.

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