

CHAPTER 3: WHERE DOES THE MONEY GO?

Despite the seemingly infinite variety of funds' grantmaking interests, family philanthropy giving tends to concentrate in three areas: education (in particular colleges and universities), arts and culture, and human services.²⁷ There's also a pattern to what family philanthropy *doesn't* fund. **Only a marginal amount of money goes to communities that experience inequality and discrimination.**²⁸

Family philanthropy is not redistributing resources

An incredibly small percentage of family philanthropy's resources and foundation resources overall are supporting low-income people; people of color; indigenous peoples; immigrants and refugees; international communities; lesbian, gay, bisexual and transgender people (LGBT); and women and girls.

For example, in 2004, only 7.6 percent of all large foundation grant dollars went to communities of color, and only 5.2 percent went to women and girls organizations. Immigrant and refugee organizations received only 0.9 percent of the funding, and LGBT organizations received just 0.2 percent.²⁹ While the statistics are inconclusive about the exact amount that goes to low-income communities, it's minimal.³⁰

Why is this happening? While there are many possible reasons for the trend, *who* is making decisions in family philanthropy has a big influence on *what* gets funded.

Who makes the decisions?

From the earliest funds to the present-day, donors have commonly appointed their own family members as decision makers. Because the

institution of family philanthropy itself is restricted to people with wealth, the majority of grantmakers come from privileged families and don't experience significant economic hardship.

At the same time, people of color rarely lead family philanthropy. This is due in large part to the racial wealth divide—the gap in wealth between families of color and white families. For example, in 2001, the median net worth of families of color was only \$17,100 compared to \$120,900 for white families.³¹ Currently, only 2.2 percent of family foundation trustees are people of color.³² Almost everyone at the family philanthropy decision-making table is wealthy and white.

How does this affect what gets funded?

In the institution of family philanthropy, funding priorities derive primarily from donors' personal interests and networks.³³ Philanthropists often focus on organizations that have touched their lives, whether it's giving back to an alma mater or sponsoring the local symphony. They also tend to fund groups that people in their networks are involved with and currently supporting. Many donors look to personal connections to confer legitimacy.

When privileged experiences and networks shape where the money goes, the bulk of funding is directed to wealthy, white communities and concerns. We also can't forget that, no matter how charitable the intentions, wealthy families have a vested interest in maintaining the status quo.³⁴ As a result, supporting communities that experience inequality and discrimination is a low priority in the field.

What about funds that do support social change?

Even when family funds do commit to supporting social change, the seats at the decision-making table remain reserved for relatives. Community members and movement leaders are seldom invited in and their absence significantly impairs the process. Grantmaking choices continue to be characterized by family networks and connections. Without activist expertise, families are also ill-equipped to assess an organization's long-term potential and overall movement strategy.

Here's a quick example: A family fund wants to address widespread asthma caused by air pollution in a local low-income community. The family decides to support a hospital clinic run by a well-known doctor. But without consulting activists and residents, family members are not aware of an upcoming parent-led health fair. They miss the importance of a

grassroots campaign pressuring government officials to upgrade a nearby bus depot—one of the primary sources of the pollution. And family members overlook activists who are reframing the problem entirely by pointing to the need for local political representation. Lacking these perspectives, the fund's grantmaking is considerably less effective.

Perhaps most importantly, family funds are denying people a voice in decisions about significant resources that are affecting their lives. In this way, funders wind up further marginalizing the very communities they mean to empower. Even if family members bring their own experiences with inequality and discrimination to the table, broader representation beyond family is still essential. As long as decision-making authority is based solely on proximity to wealth, family philanthropy will be unable to truly support social change.

Shifting power

Proposing a more democratic decision-making process can inspire a lot of resistance. Many families fear that this will mean the end of their own involvement. Some do not see a value in activist and community member expertise and trust only in privileged credentials and degrees. Others assume that people outside the family will have no interest and that efforts to involve them are a waste of time and money. It will also take much more than just inviting in new decision makers to ensure their voices are heard. Until tokenism,³⁵ entrenched power dynamics, and family assumptions about race and class are addressed, real change can't occur.

These are only a few of the reasons why opening up our funds' decision-making processes can feel like a monumental task. Yet the fact remains that family philanthropy's assets are public resources, not private property. Even if we succeed in moving more grant money to social change, as long as the real power over these resources rests only with those who are wealthy and white, how much has really changed? Questioning how power is held in family philanthropy has the potential to completely transform our funds—and the field.

A Case Study of Access Strategies Fund

Access Strategies Fund (ASF) is a family foundation that was created in 1999. It was established to support community-based organizations in Massachusetts working with disenfranchised communities involved in the democratic process. ASF supports these groups in their efforts to increase and leverage electoral participation to advance more responsive public policies.

ASF is a great example of a family foundation that has brought community representation and social change expertise into multiple layers of its grantmaking and governance. Since its inception seven years ago, ASF has taken a number of steps to open up its decision-making process, described in the timeline below. This evolution has taken place through many conversations between family members, community activists, and non-family staff spanning several years. ASF continues on a path toward more inclusive grantmaking to support its social change strategies and goals.

1999

ASF is incorporated as a private foundation with the original donor couple sitting on the board.

One of the donors becomes the executive director. She meets with community activists, elected officials, community leaders, and academics to help inform the focus of the foundation.

During its first year of operation, ASF makes grants with the guidance of a local activist-led foundation.

2000-2001

A director of grantmaking is hired—a woman of color who has experience in state-level legislative politics and community-based organizational management.

A diverse group of community activists is convened to help develop the mission statement and funding guidelines.

The foundation launches an annual event for all grantees to network with each other and participate in a capacity-building program. In the first year, the Alliance for Justice leads a workshop on the lobbying rules for non-profit organizations.

2002-2003

The grantmaking guidelines become public and ASF launches a website.

The grantmaking committee is created to represent geographic, ethnic, age, and class diversity. The committee reviews all proposals and makes recommendations to the staff and board. Committee members are compensated for their expertise and time at comparable rates to other professional consultants.

2004-2006

Because the roster of grantees becomes relatively stable, foundation staff and board are able to spend time leveraging other funds for their partners. Also, referrals are made when foundation colleagues are looking for staff or consultants from the communities the foundation supports.

The family board promotes the director of grantmaking to the position of executive director.

The board of directors is expanded to include a member outside the family with community expertise.

Decision-making Power

“There are sibling and parent and child relationships and they all come into the family foundation board room. It’s not just business when we get into making philanthropy decisions—it’s a lot about family history and legacy issues and all the dynamics that go on.”

-Mary, 34

“The issues surrounding why we have the power to give away this money—and that the final decision of who will receive the money which we give away is based entirely on our values and life experiences—has never been brought up in a foundation meeting.”

-David, 30

“There just really isn’t much diversity among the trustees. So this year we are trying to increase our diversity to bring different perspectives to an all-white family.”

-Rachel, 27

“I’ve often posed this question at the foundation: Am I the most qualified person to serve on a board or is there somebody more qualified? Does being a family member give me the right to be on it or should it be something that’s earned because of what I’ve done, how I’ve been involved, and my knowledge of the issues?”

-Ridgway, 25

“I joined the staff of a non-profit organization as their grantwriter because I am familiar with the world of philanthropy. I think that I understand the way foundation board members’ minds work. I understand what they’re looking for since I have sat through hours and hours of conversations at board meetings. I know how relational it is. I know how important it is for grantees to directly address the intentions of the foundation, to speak their language. And I know how whimsical boards are and how quickly they can change their minds based on someone’s feelings at that moment.”

-Maura, 31

CHAPTER 4: HOW ARE GRANTS MADE?

The grantmaking process is defined as all the steps a fund goes through to solicit, assess, and respond to requests for money. An imbalanced power dynamic is inherent in this process: the fund controls resources that organizations require. However, rather than mitigating this imbalance, many current practices in family philanthropy actually magnify it.

The process is tailored to funders' needs

Many family funds share only the barest minimum of information about themselves. With no website, contact information, or publicly available guidelines, funds send organizations on a wild goose chase just to learn how to apply.

And that's just the beginning. Funders often request a huge amount of information from prospective grantees: extensive narratives, elaborate budgets, exhaustive outcome measures. Yet they hardly ever consider if what they're asking of organizations is reasonable in relation to the resources offered. Proposals can run upwards of twenty pages and the process can demand hundreds of hours—and thousands of dollars of staff time. In the end, the odds of receiving a grant are low. Moreover, almost every family has their own unique application, which means organizations have to start all over again for each new fund they approach.

Smaller grassroots groups seldom have the capacity to embark on this process. As a result, larger, established organizations with more fundraising resources dominate family philanthropy's applicant pool.

The entire grantmaking process is tailored to the needs of funders. From timing to location to even the simplest communications, everything is structured around preferences of family, staff, and board. As a result, the thirty-three thousand-plus family funds in this country are all over the map in terms of what they ask for and when they want it.

Lack of operating support

Funders often assume that an efficient organization spends most of its money on program expenses while keeping administrative costs minimal. For this reason, family funds rarely provide general operating support and may look suspiciously at groups with anything more than a bare bones administrative budget.³⁶ The truth is, organizations need money to pay for rent, salaries, supplies, technology, printing, and all the other components of a smoothly running office. A program grant is meaningless if an organization can't afford to keep the lights on.³⁷

Strings attached

Funders continue to set the agenda, even after a grant is made. Time-consuming evaluation reports are a common requirement and typically ignore how organizations assess their own progress. Participating in funder-driven collaborations and trainings is often mandatory, whether or not this aligns with grantees' own priorities. Evaluation, collaboration, and training are real organizational needs. But these needs can't be met effectively without grantee input.

Fear of commitment

Many funders restrict their grants to a maximum of 2-3 years, which means their giving often ends just when a group starts to succeed. Social change is difficult and slow—it can take years to establish a new program. Yet, funders act as temporary investors with no stake in long-term success, forcing organizations to continually seek new support.

We're on the same side

Family philanthropy's grantmaking process is characterized by a lack of communication and trust. Funders assume the sole prerogative to set the rules of a game where grantees are treated like the opposing team. But when it comes to social change, shouldn't we all be on the same side? Philanthropists may provide money, but it's the energy and commitment of activists that makes the work happen.

If we want to truly join forces, we'll need to tear down the walls around our funds that block communication. While it may seem like those walls protect us—both as funders and as people with wealth—they actually compromise our effectiveness. A responsive and respectful grantmaking process would make us all more successful in creating change.