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# Dimensions of Racial Equity in Foundation Grantmaking

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May 2009

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# Executive Summary

In some parts of U.S. society, there is talk about the nation having become “post-racial.” In philanthropy—the world of foundation grantmakers in control of billions of dollars of tax exempt assets for grants, loans, and investments in communities of need—race or racial equity are not issues of the past, but in need of attention and action within the sector and from the public.

Since the 2007 introduction of legislation in California that would have required large foundations in that state to report on their grantmaking to racial/ethnic communities and to people-of-color-led organizations and on the racial/ethnic composition of their boards and staff, the foundation community has made the issue of racial diversity in philanthropy a major emphasis. However, despite the attention to racial diversity in philanthropy, little progress has been made toward addressing the issue.

This brief report raises questions about how the approximately 90,000 grantmaking foundations (private, community, and corporate) are deploying their well over a half-trillion dollars of tax exempt assets<sup>1</sup> addressing issues of racial and ethnic equity, based on the numbers that foundations report themselves.

*Who Gets—Grantmaking for Ethnic/Racial Minorities:* Grantmaking for minorities has declined as a proportion of grants awarded by the largest 1,000 or so foundations regularly surveyed by the Foundation Center.<sup>2</sup> In 1998, 9.9% of the grants of these foundations were designated for ethnic or racial minorities, a proportion that declined to 7.6% in 2004, increased to 8.2% in 2005 and fell again to 7.4% in 2006. For African-Americans/Blacks, the proportional decrease has been more significant: 3.8% of these grant dollars went to African-Americans in 1998, but only 1.9% in 2005 and remarkably only 1.5% in 2006.

*Who Gets—Grantmaking for the Economically Disadvantaged:* The proportion of foundation grant dollars (from generally larger foundations) targeted to economically disadvantaged population groups was 16.7% in 2002, 20.3% in 2004, only 15.7% in 2005, 21.2% in 2006, and 24.3% in 2007. Grants dollars targeted specifically for the poor/indigent dropped from 19.1% in 2004 to 14.6% in 2005, but rose to 20.1% in 2006 and 23.1% in 2007. In 2007, the Gates Foundation was the top grantmaker in the area of “economically disadvantaged” population groups with \$2.058 billion in grants, followed by Ford at \$195.5 million, the Robert Wood Johnson Foundation at \$132.9 million, and the Annie E. Casey Foundation at \$102.9 million. While the top grant recipients are all legitimate organizations supporting worthwhile causes, they are mostly non-U.S. in their focus.

*Who Gets—Civil Rights Groups (Domestic):* Although foundation granting for “civil rights and social action” purposes has hovered pretty consistently between 1.3 and 1.4% in recent years, the proportion of grants made by larger foundations to civil rights groups has dropped sharply. In 2005, only 1.2% of the grant dollars of 1,154 larger foundations totaling \$190,383,000 went to civil rights organizations; in 2006, the gross amount of grants to civil rights groups rose to \$215,513,000, but as a percentage of grant dollars, this category was down to 1.1%; and in 2007, grant dollars for domestic civil rights organizations rose to \$270,022,000, but only 1.2% of grant dollars. By way of contrast, in 2000, 1.4% or \$216,759,000 grant dollars from 1,015 foundations went to civil rights organizations. Between 2000 and 2005, grants from the larger foundations to civil rights organizations dropped 12.2%. Grantmaking for the subject area of “civil rights and social action” has declined from 1.5% in 2000 (\$231,194,000) to 1.1% in 2006 (\$218,562,000) and 1.2% (\$268,289,000) in 2007.

*Who Gets—Minority-Led Organizations:* There is no official data that foundations report on giving to minority-led nonprofits. In 2006, the California-based Greenlining Institute issued a report on grantmaking by 24 “national independent foundations” and 10 California foundations.<sup>3</sup> Based on an analysis of 13,566 grants awarded in 2004 by the national foundations, Greenlining concluded that 7.7% of grants and 14.7% of grant dollars were given to minority-led organizations. However, when one \$535 million grant from the Bill and Melinda Gates Foundation to the United Negro College Fund is excluded, the percentage of grant dollars to minority-led organizations drops to 3.6%.

In June 2008, the Foundation Center issued *Embracing Diversity*,<sup>4</sup> a report commissioned by California foundations basically to counter the Greenlining analysis. The report focused on whether foundation grants benefit populations of color, emphasizing 6,951 domestically focused grants from 50 California foundations with assets over \$100 million. The researchers concluded that 20.4% of the grants were explicitly designated to benefit populations of color and 39% of all of the grants (though only 33% of the grant dollars) “primarily benefitted populations of color”. The report presented only aggregate data on California foundations, which means that the grantmaking of two “health conversion” foundations skews the analysis. A report from an advisory committee convened by the three California grantmaking associations pointed out that the California Endowment and California Wellness foundations accounted for nearly two-fifths of the grants in the study.<sup>5</sup> The Endowment alone accounted for more than half of the grant dollars targeted to benefit populations of color.

Even so, the report revealed that grants to organizations with the specific mission of serving populations of color “were smaller, on average, than minority-targeted grants given to nonprofits without such a mission.” The report suggested that organizations with missions to serve people of color received, in this sample, mean grants of \$93,000 compared to \$147,000 for organizations without that mission. Fundamentally missing from *Embracing Diversity* were any data on people of color-led organizations.

*Grantmaking for What—Community Improvement and Development:* In 2004, the top foundations devoted 4.4% of their grant dollars, or \$684,089,000, to community improvement and development; in 2005, that plummeted to 3.5% or \$567,969,000. In 2006, the grantmaking of these large foundations grew to over \$700 million, accounting for only 3.7% of foundation grant dollars, and in 2007 to close to \$821 million, approximately 3.8% of large foundation grant dollars, but still below the proportions reached in previous years. But the future of grantmaking for community improvement and development looks bleak given the collapse of the banking sectors and the GSEs such as Fannie Mae and Freddie Mac.

The GSEs, especially Fannie Mae, pose special challenges for community improvement and development. Between 1998 and 2004, the Fannie Mae Foundation (not counting what might have been awarded directly by the corporation outside of its foundation) handed out \$119 million in grants of \$10,000 or more for housing and shelter. For each of those years, Fannie ranked first or second in the nation among all foundations, not just corporate foundations, making grants in the housing arena, often surpassing the totals of independent foundations such as the Ford Foundation, the MacArthur Foundation, and the Lilly Endowment. Among the nation’s largest 1,000 or so foundations, it accounted for just about one out of every 10 foundation dollars for nonprofits addressing housing and shelter. From 1998 to 2005, Fannie’s foundation arm put more than \$138 million into housing groups and projects. On top of that, the Fannie Mae Foundation was a major grantmaker in the realm of community improvement and development, distributing \$106 million through 2006. Between 2002 and 2006, Fannie put \$3.6 million into the Living Cities foundation consortium and millions more directly into an array of national and regional community development intermediaries.

*Grantmaking for What—Employment/Workforce Development:* Although workforce development has been a recent focus of the Council on Foundations,<sup>6</sup> foundations have not put their money behind that issue. In 2005, for the largest foundations, the proportion of their grant dollars going to employment issues was 0.7% of \$114,357,000, down from the 2004 when foundations devoted 0.8% and \$126,567,000 for this topic—or 2001, when foundation grantmaking for employment was 0.9% or \$147,576,000. The proportion of foundation grants for this issue in 2006 stayed at 0.7%, though grant dollars rose to \$135,041,000 million; in 2007, the total declined to \$133,727,000 or 0.6%. In absolute terms, foundation grantmaking for this issue has dropped 22.5% between 2001 and 2005; between 2001 and 2007, the decrease was 9.4% in grant dollars. Given that within three years, unemployment rates across the nation would be burgeoning, in some states reaching double-digit levels, this is not an auspicious lead-in to the job-creation and job-advocacy needs of an emerging recession.

*Who Governs U.S. Foundations:* Remarkably, the racial composition of foundation boards<sup>7</sup> shows a higher proportion of white board members (87.7%) than the composition of Fortune 500 boards (86.6%). Only 6.7% of foundation board members are African-American/Black compared to 9.1% of Fortune 500 board members and 10% of Fortune 100 boards.<sup>8</sup> The larger foundations (assets over \$500 million) tend to do a little better in diversity, with African-Americans/Blacks comprising 11% of board members, than smaller foundations. Citing statistics not publicly available on the Council on Foundations website, Rockefeller Philanthropy Advisors suggests that 13% of 515 board foundation board members responding to a Council survey are apparently members of racial or ethnic minorities.<sup>9</sup> Those 515 survey respondents constitute approximately only one-fourth of the Council’s membership, hardly reflective of the world of 90,000 predominantly family foundations.

*Who Runs U.S. Foundations:* For all full-time paid foundation staff, 76.8% were white in 2006, down slightly from 77.2% in 2005. African-Americans/Blacks comprised only 11.4% of paid foundation staff, barely up from 11.1% in 2005 (only 2% of full-time paid foundation staff were African-American/Black males in 2005). For “program officer” positions, only 4.2% were African-American/Black men (compared to 12.8% African-American/Black women, 16.3% White men, and 52.4% White women). If the Council’s survey information is accurate for the sector, the proportion of African-American/Black program officers declined from 17.0% in 2005 to 16.9% in 2006. For foundation chief executive officers and chief giving officers, 1% were African-American/Black men and 1.8% were African-American/Black women compared to 41.8% White men and 51.8% White women.<sup>10</sup> According to Rockefeller Philanthropy Advisors access to unpublished Council on Foundations data, only 5.8% of surveyed foundations had minority CEOs. Notably, corporate foundations were much more likely to be minority led (13.1%) than “independent” foundations (5.5%) or, shockingly, community foundations (3.7%).

*Implementation of the California Agreement:* After vociferously opposing proposed state legislation to increase aid to groups that serve communities of color, California foundations headed off any possibility of governmental intervention in their grantmaking with a half-year process to explore what they might do to respond.<sup>11</sup> California State Assemblyman Joe Coto and State Senator Mark Ridley-Thomas agreed not to push the measure they sponsored, AB 624, through to Governor Arnold Schwarzenegger’s desk, prompting significant relief among foundation executives. The June 2008 announcement of a commitment by nine California foundations (and one out-of-state foundation) to voluntarily address diversity issues

in philanthropic grantmaking forestalled legislative action for the moment culminated in December with a plan announced by nine of the ten to make new investments in nonprofits serving communities of color.

After months of deliberations, nine of the foundations announced their plan (a tenth, one of the smallest of the original signatories to the AB624 deal, did not participate in the final announcement). The December 2008 plan committed the foundations, through collective and individual foundation commitments, over a 2-3 year period to do the following:

1. "Increased grant support—over and above ongoing commitments--...to nonprofit organizations serving minority-led and other grassroots community-based organizations serving diverse and/or low-income communities **totaling more than \$20 million**" (boldface in the original)
2. "Joint community-based regranteeing programs in Northern and Southern California to provide leadership training, technical assistance, and organizational capacity support to smaller, minority-led and other grassroots organizations...(with a) total commitment over three years...in excess of **\$10 million**"
3. "Research and analysis (including evaluation of these new initiatives)...to...better understand the current state of minority leadership in California's nonprofit community and how best to support those leaders and organizations".

In general, these California foundation commitments focus on building the capacity of people of color-led organizations to qualify for foundation grants, that is, an assumption that minority-led organizations need to become more capable in order to get their appropriate share of foundation grants—a problem with the "demand" side, not the "supply" side of foundation grantmaking. In their official statement, the California foundation referenced the economic downturn as something of an explanation for the lack of larger and more aggressive responses to opportunities for supporting people-of-color led organizations, though issues of racial equity could be justified as warranting even more ambitious foundation responses during recessionary times such as these.

### *Concluding Observations*

The statistics and observations above do not by any measure present a comprehensive review of how well foundations deliver for lower-income metropolitan communities. Many other issues could have been added to or substituted for the topics addressed here. Nonetheless, the items presented here do raise challenging questions about the roles and impacts of these tax exempt foundations at a critical juncture in U.S. history.

With the recession sweeping the nation, the most foundations have reduced grantmaking in 2009 from previous 2008 levels<sup>12</sup> and appear ready to cut grantmaking again in 2010 as the recession and the market downturn deepen. The worst recession since the Great Depression should compel foundations to do more, not less with their grantmaking, even if it calls for tapping the corpus of their endowments. Moreover, the recession might induce foundations to rethink their grantmaking priorities and missions to emphasize the needs of communities and populations most at risk in an economic downturn. But relatively few of the nation's 90,000 grantmakers have chosen countercyclical grantmaking strategies of increasing their grant budgets in 2009, much less shifted their grantmaking to ratchet up socio-economic and racial equity concerns in their priorities

In sum, this report basically highlights the following issues and pertinent considerations about some aspects of the intersection between philanthropic foundations and public policy:

- Foundation grantmaking for racial/ethnic minorities is low and, if not receding, certainly not growing in a major way.
- Grantmaking targeted specifically to poor, indigent populations has clearly been declining as a proportion of total foundation grantmaking.
- Studies indicate that relatively few minority-led nonprofits are very successful in getting access to foundation grant dollars.
- Foundation grantmaking for employment issues (workforce development) has dropped both as a proportion of total grants and in absolute grant dollars.
- Foundations still lag behind Fortune 500 corporations in terms of the racial/ethnic diversity of their boards of directors.
- Racial/ethnic minorities, particularly African-American males, are underrepresented in professional and senior foundation decision-making staff positions (ranging from Program Officer to CEO).
- And despite highly publicized intentions, foundations seem to still be reluctant to make major commitments to provide significantly increased grant dollars to people of color-led organizations

#### About the Author:

Rick Cohen is a national correspondent and columnist for the *Nonprofit Quarterly*, a columnist for the *NonProfit Times* and the *Philanthropy Journal*, and editor of the *Cohen Report* e-newsletter. From 1999–2006, he served as Executive Director of the National Committee for Responsive Philanthropy (NCRP), a national nonprofit organization dedicated to advocacy on behalf of disadvantaged and disenfranchised populations to obtain greater access to and support from public and private foundations in the U.S. Cohen, a Senior Policy Fellow at the Community Service Society of New York, is also a frequent contributor to the *Chronicle of Philanthropy* and various mainstream newspapers.

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<sup>1</sup> Foundations typically invest a significant portion of their assets in equities and therefore have suffered losses in their endowment values, but not nearly as deep as the overall plunge in the stock market. From December 31, 2007 to December 31, 2008, the Dow Jones Industrial Average declined from 13,264.82 to 8,776.39, a decline of -33.8%. However, foundations surveyed by the Council on Foundations report an average decline in the value of their assets of -27.8% for the same time period; for “independent” foundations, -28.7%; “family foundations” -27.2%; and “public” foundations (primarily community foundations), -18.9% (cf. *Asset Declines and Investment Strategy Changes by Family, Independent, and Public Foundations*. March 6, 2009, <http://www.cof.org/files/Documents/Research/09InvestStrategy.pdf>). Working with investment managers and investment consultants, foundation investments have traditionally done better than the stock market in bull markets and been less adversely affected in bear markets. In addition, the foundations in the Council survey report investing less than half of their assets in equities, some of which have done better than the stock market. Moreover, even with a decline in the asset value of existing foundations, there are new foundations and new donor advised funds being established regularly, all of which add to the total asset value of America’s philanthropic sector that could be deployed as grants and investments promoting racial equity and social justice.

<sup>2</sup> Foundation Center data drawn from FC Stats (<http://foundationcenter.org/findfunders/statistics>); the Foundation Center surveys typically focus on roughly 1,000 foundations, now they include the grants of over 1,150 foundations which artificially boost the totals somewhat.

<sup>3</sup> *Investing in a Diverse Democracy: Foundation Giving to Minority-Led Nonprofits* (Fall 2006)

<sup>4</sup> Lawrence T. McGill, Algernon Austin, and Brielle Bryan, *Embracing Diversity: Foundation Giving Benefiting California’s Communities of Color* (Foundation Center, 2008)

<sup>5</sup> NCG/SCG/SDG Diversity in Philanthropy Advisory Committee: Initial Report

(<http://www.ncg.org/assets/diversity/CADiversityAdvisoryCommitteeRecommendations.pdf>), p. 3

<sup>6</sup> The Council on Foundations sponsored a one-day program on workforce investment in May, 2006, focusing on models and best practices (<http://www.cof.org/Action/content.cfm?ItemNumber=4809&navItemNumber=1988>)

<sup>7</sup> *Foundation Management Series 12<sup>th</sup> Edition*, pp. 35-38

<sup>8</sup> *2005 Catalyst Census of Woman Board Directors of the Fortune 500*; and the Alliance for Board Diversity’s *Women and Minorities on Fortune 100 Boards* (2005); Note that the Executive Leadership Council’s study of Fortune 500 corporations puts the African-American board member proportion at 8.1%.

<sup>9</sup> [www.sff.org/documents-home/Diversity%20slides%20-%20raw.ppt](http://www.sff.org/documents-home/Diversity%20slides%20-%20raw.ppt)

<sup>10</sup> These statistics come from the *Grantmakers Salary and Benefits Report 2005* and the executive summary of the 2006 edition. The combination of CEOs and CGOs in the statistics masks somewhat the fact that among CEOs, the proportion of positions held by African-Americans is even lower than these small proportions.

<sup>11</sup> The legislation would have required foundations to report on their racial/ethnic giving through reports appearing on foundation websites, but not submitted to the state government, nor would externally verified

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<sup>12</sup> The latest report on this subject from the Foundation Center (*Foundations Address the Impact of the Economic Crisis*, April 2009, [http://foundationcenter.org/gainknowledge/research/econ\\_outlook5.html#01](http://foundationcenter.org/gainknowledge/research/econ_outlook5.html#01)) doesn't clearly address reductions in foundation grant budgets, but indicates that of the foundations surveyed by the Center, 43% will cut the number of grantees they will support, 46% cutting the number of new grantees they will fund, and 43% of surveyed foundations expect to reduce the overall number of grantees they fund in 2009 and 46% anticipate decreasing the number of new grantees they will fund, and 63% will "reduce the number of grants they will award in 2009 and/or the size of their grants". According to a survey of foundations conducted by Guidestar regarding their activities in the five months between October 2008 and February 2009, one-third of the grantmakers reduced their grantmaking during the period, 32 out of 249 grantmakers said that they had stopped accepting grant applications, and 7 said that they had reneged on "payouts we had committed to", apparently not following through with grants already committed (reported in *The Effect of the Economy on the Nonprofit Sector: October 2008–February 2009*, [http://www.guidestar.org/march09\\_npo\\_economic\\_survey.pdf](http://www.guidestar.org/march09_npo_economic_survey.pdf)). Surveys conducted by various regional associations of grantmakers indicate that close to half of the surveyed foundations anticipate cutting their grants budgets in 2009, with larger proportions of foundations cutting grants in 2010 (see "Foundation Grantmaking during Economic Collapse: Pollyanna or Cassandra at the Helm?" in the *Cohen Report*, March 13, 2009, <http://www.nonprofitquarterly.org/cohenreport/2009/03/19/foundation-grantmaking-during-economic-collapse-pollyanna-or-cassandra-at-the-helm/>).