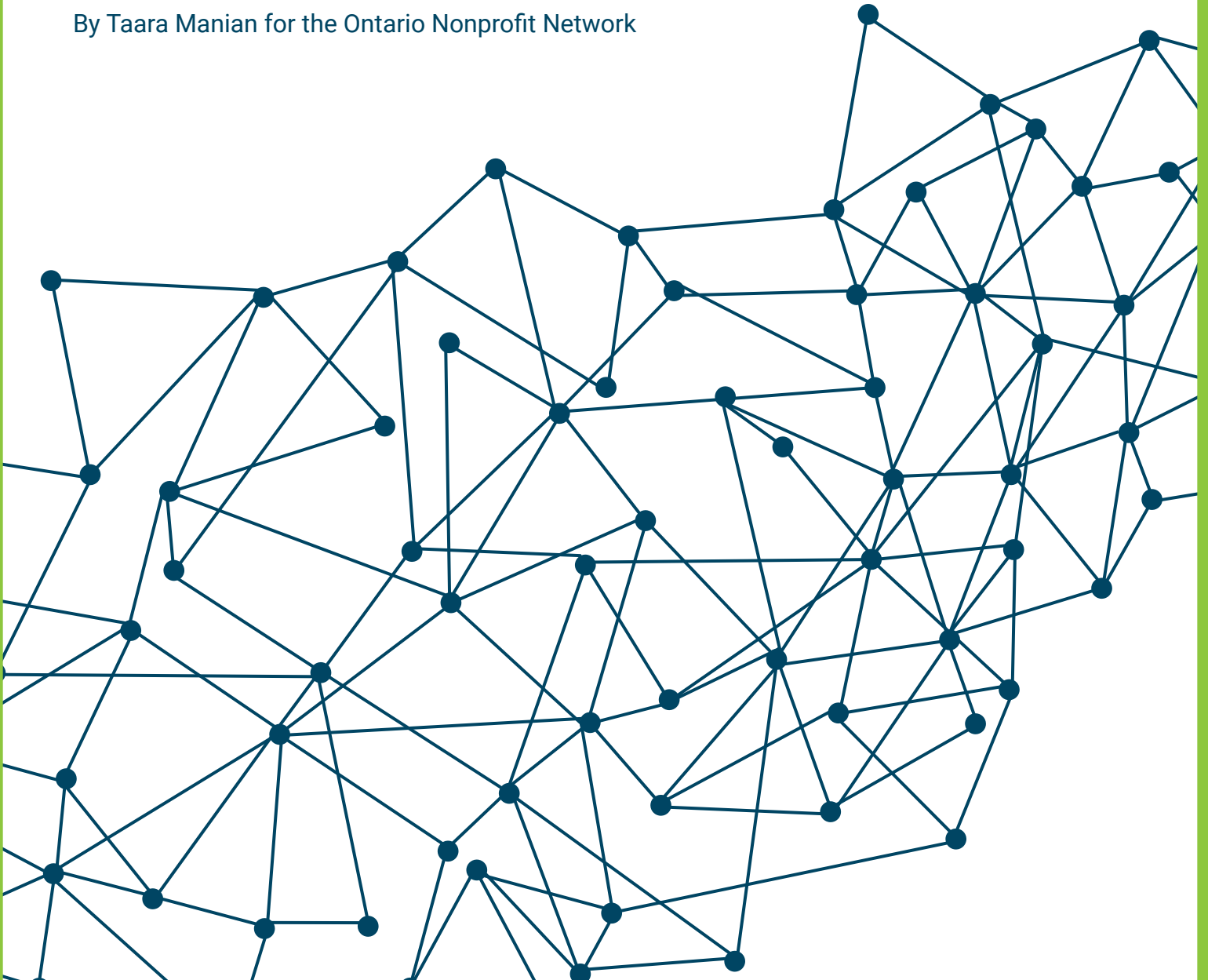


# FUNDING DECENT WORK:

## Best Practices and Key Insights for Supporting Nonprofits

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The ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders, and other stakeholders.

# INTRODUCTION

# 1

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This report was commissioned by the Ontario Nonprofit Network (ONN), which has been working for five years to engage the province’s nonprofit sector to build a decent work movement. As part of this work, ONN also engages non-governmental funders to inform their journeys to becoming “decent work” funders, understanding that decent work funding practices help nonprofits to achieve their missions.

This document is a review of grant reports from four different funders: one from Canada, two from the United Kingdom, and one from the United States. It passes on the key insights their respective research and evaluation revealed regarding flexible “decent work” funding. We hope this review inspires more conversations and deepens the sector’s commitment to decent work.

# KEY INSIGHTS

# 2

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Each organization provided flexible grants in one form or another, and reported on the outcomes from that granting period. Whether the grants were relatively small or significantly larger, organizations shared similar experiences and results. There was a general consensus amongst the funders profiled here that before flexible funding (in many cases, general operating support or core funding<sup>1</sup>) all grantee organizations faced challenges such as recruitment, retention of talent, chronically low salaries, budget constraints, and high staff turnover.

With a transition to support for flexible funding, organizations were able to invest more in staffing and professional development. Such decisions freed up valuable time for CEOs and executive directors to concentrate strictly on duties specific to their organization’s core mission.

<sup>1</sup>Core funding can be understood as financial support for administrative and other core costs, and can include costs such as salaries, office equipment, rent, utilities, and other operating costs. Core grants can be restricted (to locality-based work, or the CEO’s salary, for instance), or unrestricted (used freely for anything within the organization’s charitable objects, including for reserves). Project grants are restricted to the aims and delivery of a specific piece of work, usually time-limited, and may be shared with more than one organization (Esmée Fairbairn Foundation, *Insights on Core Funding*).

This transition also allowed CEOs to quit chasing funds, and instead set up team time to delve into improving processes and creating evaluation metrics that gave them a deeper evidence base for their programming and the confidence to step forward at planning tables. *'We have more confidence now to be at the decision-making table with strategic partners. I feel like we are operating at a better, more strategic level locally and that is new – [we're] really raising our profile in the local community.'* (Lyle S. Hallman Foundation)

**TABLE 1: SUMMARY OF FUNDING ORGANIZATIONS**

Lyles S. Hallman Foundation (Canada)	Unrestricted funding over three to five years	Covers up to 25 per cent of an organization's total budget to a maximum of \$250,000/year.		Three organizations selected
Sussex Community Foundation (United Kingdom)	Unrestricted funding \$44,000/year for three years			Four organizations selected
Esmée Fairbairn Foundation (United Kingdom)	635 Unrestricted grants for a total \$127 million. These grants are now closed and formed the basis for the findings of the report (628 learning conversations)			Today, 64 per cent of their active grants totalling \$164 million provide core or unrestricted support
BUILD Ford Foundation (United States)	Six-year, \$1 billion funding program (2015 – 2021)	Unrestricted funding over five years to successful applicants	On average, 60 per cent of each BUILD grant is completely unrestricted funding	Remaining 40 per cent of each grant is still very flexible funding, but must be used for "core support for institutional strengthening"—activities designed to promote the long-term resilience at the organization.

## General Operating Support Pilot Project, Year 1 Evaluation Brief, March 2020

### 3.1 CONTEXT

In 2018, the LSHF board introduced a General Operating Support (GOS) project to understand the potential and impact of unrestricted funding and how they can scale this approach. This initiative emerged from talks between LSHF executive members and their board on the impact expected from LSHF moving forward. The GOS project offered organizations unrestricted funding over three to five years. It also provided a means of supporting day-to-day organizational expenses. According to LSHF, GOS funding has proven to help nonprofit organizations focus on their missions, thereby allowing them to create a significant impact over time.

### 3.2 PROCESS

The process to implement the project included extensive research, consultation, and guidance from other organizations with GOS experience. LSHF committed to a three-year funding period, expecting that a percentage of the funds would go towards internal capacity building. Project funding covered up to 25 per cent of an organization's total budget to a maximum of \$250,000 per year.

LSHF shortlisted a group of organizations adhering to clear selection criteria, such as mission alignment with LSHF, existing relationships with LSHF, and trusted organizations.

LSHF then chose three organizations: Carizon Family & Community Services, Kinbridge Community Association, and YWCA Cambridge. Post-selection, executives of these organizations had access to peer learning circles, allowing them to have open conversations about the challenges they face.

### 3.3 KEY INSIGHTS

*'We used to nickel and dime [key positions within the organization] ... Now we are hiring people at the top of our grid, people with the right skill set and experience. This has made us able to live our strategic plan.'*

**TABLE 2: OUTCOMES FOR LSHF-FUNDED ORGANIZATIONS**

Increased capacity to deliver on the strategic plan, including quality improvement and outcome measurement	Board development	Hired Manager of Talent and Engagement	Hired an Engagement and Communications Supervisor
Hired a Director of Fund Development	Hired a part-time Programs Lead	Hired a Quality Development Officer	Increased investment in fundraising
Hired a Director of Philanthropy	Hired a Fund Development Coordinator and purchased software and training in Donor Perfect	Wage adjustments, policy development, and health and safety upgrades	Staff members increased ability to attend external conferences and training sessions for their professional development
Updated evaluation tools	Diversity and inclusion training across the organization (including board of directors)	Improved financial stability (loan repaid & no cuts to services)	Used \$60,000 to reduce the net asset deficit position in the operating fund

In 2020, LSHF approved Cohort 2 of the GOS pilot, focusing on collaboration. The total annual investment in the GOS pilot is now \$1.9 million across six organizations/networks, with individual grants ranging from \$150,000 to \$500,000 per year.

Cohort 1 has been extended to five years; cohort 2 was brought on with a three-year commitment. A total of more than \$10.7 million has been granted. More than 80 per cent of that was unrestricted, between the pilot and the proactive, COVID-response, “breathing room” grants made in June 2020.

## Unrestricted Funding Study Report, August 2017

*'The Blagrave/SCF grant means we aren't trying to squeeze time into a small team already to do general fundraising – that takes time away from the real work. This grant gives us the luxury of flexible funding and letting the CEO focus on delivering what is central to our mission'*

### 4.1 CONTEXT

Sussex Community Foundation (SCF) runs a program with the Blagrave Trust that provides unrestricted grants of £25,000 (\$44,000 CDN) to four organizations each year for three years. These organizations all work with children and young people, and focus on one or more of the following: vulnerability, disability, and special educational needs addressed outside formal education. The Blagrave Trust states that it is 'looking to see how this grant would enable local organizations to make a significant step-change in their ability to make a difference to the lives of disadvantaged children.'

### 4.2 PROCESS

SCF receives 30 applications for unrestricted funding. The SCF grants team evaluates these applications before submitting them to a grants panel of SCF trustees and members from the Blagrave Trust. The panel reviews all applications and shortlists select organizations for an assessment visit by an SCF panel member. Grants are then awarded at a second panel meeting to four organizations: Mankind, Extratime, PACSO, and Adventure Unlimited.

Once grants are awarded, an SCF's program manager meets with each grant recipient to agree on their goals and a monitoring framework for the first year. The program manager calls each recipient after six months for a verbal report and shares this information with SCF and the Blagrave Trust. Each grant recipient also outlines their plans for the upcoming years with the SCF team. This process has allowed SCF to remain in close contact with the grant recipients and tailor monitoring frameworks for each group and project.

## 4.3 KEY INSIGHTS

All four organizations used funds to review their organizational structure, work with their team on administrative systems, bringing a sense of one team and of ownership over the process. Additionally, two out of the four organizations used their grant to hire new staff to help with administration or lead particular work areas. Organizations developed new income strategies and explored non-charitable trading, social enterprise models, and partnerships. Overall, grantees felt in a sounder financial position with less pressure to search for new funds constantly.

The Grant allowed CEOs to quit chasing funds, set up team time to delve into processes, and create evaluation metrics that gave them a deeper evidence base for their programming and the confidence to step forward at planning tables.

**TABLE 3: OUTCOMES FOR SCF-FUNDED ORGANIZATIONS**

Stronger network engagement	Improved financial stability	Greater means to secure further funding	Strengthened organizational structure
Increased opportunity to hire young talent	Increased sense of confidence	Increased ability to explore new ideas & plan for the future	



## Insights on Core Funding, March 2019

*'Core funding ... enables us to think longer term and be responsive to opportunities for increasing our impact in a rapidly changing context'*

### 5.1 CONTEXT

The Esmée Fairbairn Foundation (EFF) offers unrestricted, core, and project grants, in addition to social investments. The foundation aims to let organizations choose the type of grant or investment they need for their work. The foundation has gradually increased core funding over the past decade. Today, 64 per cent of its active grants (\$163 million) provide core or unrestricted support. Core funding provides money to organizations for their central running costs, including salaries, rent and overhead, fundraising costs, and digital innovations.

EFF bases its insights on core funding through its grants to 320 organizations amounting to £36 million (approximately \$62 million). Moreover, the foundation has committed to funding 39 organizations out of the 320 for at least 10 consecutive years. Most of the core funding has gone towards organizations fighting for social change and the environment.

EFF's report is based on 628 learning conversations held by EFF's grants managers with each organisation they fund at the end of the grant. Their conversations cover what worked well and what didn't, and the work it supported.

### 5.2 KEY INSIGHTS

#### **GREATER FINANCIAL AUTONOMY**

Since 2005, EFF has provided unrestricted core funding of £588,000 (\$1 million) to ShareAction, which helps corporate investors become responsible investors focusing on climate change, improving workplace practices, and health. ShareAction reports that core funding allows them to remain independent of corporate donations or the investment industry that would compromise its mission, plus it is now able to think long-term and be responsive to opportunities to increase impact in a rapidly changing context:

*'Core funding allows for growth and exploring different directions. It means we can invest in the infrastructure needed to run an effective, efficient organization and have greater autonomy over where our work is going.'*

#### **UNLOCKED FURTHER FUNDING**

EFF reports that when specifically speaking to outcomes from the core funding, 14 per cent of organizations which received an unrestricted grant, and 9 per cent of those

## UNLOCKED FURTHER FUNDING

(CONTINUED)

with a core costs grant, gave unsolicited feedback that their respective grants had unlocked further funding (based on end-of-grant learning conversations with 628 organizations). This compares favourably to 2 per cent of project-funded organizations that reported the same.

## STRONGER FOCUS ON ISSUES AT HAND

Organizations reported being able to concentrate more on policy change, with a greater focus on emerging issues, and better able to communicate about necessary change.

## INVESTING IN STAFF AND TALENT DEVELOPMENT

Many also said they improved staff hiring and increased investment in staff and talent development. They also reported hiring for more positions and that core funding enabled them to focus on back-office development, train staff, and build appropriate systems for their new size.

## CAPACITY BUILDING

Internal work processes and systems were also strengthened, building internal capacity to help organizations focus on developing and improving support for users, and reduce time spent on low-value added activities. Organizations also said they were able to begin exploring new ideas and plan for the future, and had more time and confidence to try new things and learn from challenges and mistakes.

## TABLE 4: OUTCOMES FOR EFF-FUNDED ORGANIZATIONS

Are directly related to the overall mission of the organization or, alternatively, might relate to just one aspect of the organization's work
Are more likely to change over the course of a grant
Are likely to be more ambitious, longer-term, and harder to measure
Harder to isolate the effect/outcomes of the grant due to a holistic emphasis

## Developmental Evaluation, January 2020

*'Reliable, flexible, and long-term support has enabled leaders to pivot their strategies in response to volatile and variable external environments'*

### 6.1 CONTEXT

In 2015, the Ford Foundation launched its BUILD initiative as a six-year, \$1-billion commitment to building institutions and networks. BUILD provides multi-year commitments, general operating support, and dedicated funding for institutional strengthening to 300 grantee partners. The largest organization has an annual budget of over \$200 million, while the smallest has less than \$200,000. BUILD grantees are based in 27 countries. Once invited to join the program, BUILD grantees receive five years of funding, including both general support and core support dedicated to institutional strengthening. Institutional strengthening in this sense means increasing the capacity of organizations to perform their functions with a focus on improving governance.

Overall BUILD is an experiment in grant-making, characterized by a fundamental change in power relations between the Ford Foundation and its grantees. BUILD is based on three guiding principles:

<b>1</b> Grantees should decide where and how to invest as they know best	<b>2</b> Grantees need time to invest strategically, taking into account that there are no quick fixes	<b>3</b> Grantees need to invest in making their institutions strong so that they can work effectively and responsibly
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Core BUILD pillars include: flexible funding, a multi-year funding commitment and dedicated support for institutional strengthening.

## 6.2 PROCESS

Organizations participating in BUILD receive a multi-year funding commitment. The majority of that commitment comes in the form of general operating support, with the remainder allocated as core support towards institutional strengthening. Grantees develop their own plans for the type of institutional strengthening they wish to pursue with these funds. Since every organization determines its own institutional strengthening needs - and every organization is unique - no two BUILD grants are identical.

## 6.3 KEY INSIGHTS

### GENERAL

- BUILD's funding commitment of six years has allowed many organizations to invest in human resource development, management, and training systems, introducing administrative restructuring and changing organizational culture.

### INCREASED STAFFING AND TALENT DEVELOPMENT

- Expand staff, pay better salaries, and enhance job security, increasing human resources capacity and having a new talent pipeline as an essential strategy to promote organizational sustainability
- Health and retirement benefits, greater job security, and stability, among other staff care investments
- Understaffed grantee organizations were able to hire and retain staff allowing senior leadership and executive directors to work on their organization's mission, rather than be occupied by day-to-day operations

### INTERNAL SYSTEMS & PROCESSES

- Improved financial management, project cycle management, reporting, and budgeting structures

### FINANCIAL RESILIENCE

- 64% of grantees reported that they built new funding or partnerships
- 46% have negotiated improvements in funding size due to being a BUILD grantee
- Organizations led by people of colour found it especially important to use BUILD's support to leverage funding from donors resistant to giving a large and long-term grant.

## **ORGANIZATIONAL CULTURE**

- Able to tackle long-standing or emerging cultural problems related to rigid hierarchies or to the challenge of managing stress derived from their working environments
- Increased team building, regular staff retreats, closing offices during long holidays to avoid staff burnout
- Launched initiatives focusing on organizational diversity, equity, and inclusion as a crucial dimension of institutional strengthening

## **NETWORK ENGAGEMENT**

- Enhanced strategic clarity of grantees' network engagement efforts via analysis of where the impact is needed and where coalitions can be formed

## **MISSION IMPACT**

- Financial resources to put in place infrastructure to hire more people and redistribute workloads so that leadership could be more active in various collaborations and be more present at decision-making tables

## **SOCIAL JUSTICE IMPACT**

- Expanded geographic reach, increase staffing, diversify into new areas of work, and reinforce partnerships, thus becoming better positioned in the social justice ecosystem.

# LIST OF REVIEWED DOCUMENTS

Esmée Fairbairn Foundation. *Insights on core funding*. London: 2019. Available at [www.esmeefairbairn.org.uk/latest-news/esmee-insights-on-core-funding](http://www.esmeefairbairn.org.uk/latest-news/esmee-insights-on-core-funding)

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