

How Are Nonprofits Experiencing the Funder- Reported Shift Toward Trust- Based Philanthropy?



EXECUTIVE SUMMARY

In July and August 2022, the Trust-Based Philanthropy Project conducted three focus groups among nonprofit executive directors to understand how and whether they were experiencing shifts in power dynamics in their funder relationships. The participants—which represented a mix of community-based organizations, service providers, and advocacy groups from around the United States—shared insights into their experiences with funders since 2020, when many funders began to reexamine their practices in response to the global pandemic and the racial reckoning. The discussion revealed five key trends:

1. **Nonprofit leaders describe their partnership with trust-based funders as “liberating.”**
2. **Unrestricted and multiyear grants still make up only a small percentage of nonprofits’ funding.**
3. **Nonprofits have experienced positive shifts in funders’ practices since 2020, but they hold concerns that this trend toward trust-based philanthropy may just be the “wave of the moment.”**
4. **Philanthropy’s increased interest in supporting BIPOC-led and community-based organizations is bringing about new needs and challenges for many of those nonprofits.**
5. **Despite the growth of interest in trust-based practices among funders, there is still significant room for improvement.**

The following report outlines more details about these focus group findings, including the methodology, participant mix, summary of insights, and the Trust-Based Philanthropy Project’s recommendations for the field.

METHODOLOGY

Purpose

The Trust-Based Philanthropy Project decided to host a series of nonprofit focus groups after reviewing findings from our [2022 Community Survey](#), which indicated a funder-reported shift toward the adoption of trust-based philanthropy practices. Recognizing the biases and limitations of self-reported data, we sought to explore two key questions in the focus groups with nonprofit leaders: 1) are nonprofits experiencing the shifts and benefits of the funder-reported trend toward more trust-based practices? and 2) are there specific actions/behaviors that could shift from the current status quo?

Participant Recruitment

We asked our core network of trust-based philanthropy practitioners and advocates to recommend one to two grantees who could serve as potential focus group participants. We intentionally sought out a mix of representation—based on geographic location, size of nonprofit, and issue focus—with a priority on organizations that have relationships with both “traditional” and trust-based funders. We also prioritized organizations that had been in relationship with the recommending funder for at least three years, since we wanted to make sure our group included participants that were familiar with trust-based funding. Additionally, given trust-based philanthropy’s focus on alleviating systemic power imbalances in the sector and the disproportionate harms that have been imposed upon Black, indigenous, and people of color (BIPOC)-led organizations, we worked to make sure at least half of our participants were BIPOC. Based on these specifications, we received 17 total recommendations and ultimately confirmed participation from 12 nonprofit leaders.

Focus Groups

Two national focus groups were conducted via Zoom on July 11 and July 13, 2022, and one regional focus group was conducted via Zoom on August 29, 2022. The national focus groups had a total of six participants each, including nonprofit executive directors from California, Massachusetts, Maine, New York, North Carolina, Virginia, Washington, Washington D.C., and West Virginia. The regional focus group included six executive directors from a mid-sized city in the Midwest. The participating organizations spanned a range of sizes and issue areas, from small community-based organizations and medium-sized advocacy groups to large service-providing organizations. All participants received an honorarium of \$250 for their time.

FINDINGS

1. Nonprofit leaders describe their relationship with trust-based funders as “liberating.”

Participants shared the sentiments that trust-based practices such as multiyear unrestricted funding and streamlined paperwork enabled their organizations to be flexible and nimble. Because a trust-based model allows organizations to respond to emergent needs of the communities they serve, leaders expressed feeling less anxious about how to support and equip their specific programs. They also emphasized the benefits of having more time to do their work, especially when they don’t have to stress about writing onerous proposals and reports.

One participant, an executive director of a local chapter of a statewide advocacy organization, described trust-based philanthropy as a retention strategy for the nonprofit sector:

“We have been able to use our trust-based-philanthropy grant on emergency sub-granting to other local centers facing delays in funding or issues. We were able to make sure nobody goes without a paycheck. If you come to this work, you want to stay in this work, and we want to keep you in this work—especially if funding volatility affects folks' ability to pay their rent. It’s a retention strategy for nonprofit sector workers.”

According to [multiple reports](#) the nonprofit sector is not exempt from what is known as the “great resignation,” where many employees are seeking other opportunities due to dissatisfaction with benefits, pay, and/or overall organizational culture.

2. Unrestricted and multiyear grants still only make up a small percentage of nonprofits’ funding.

An executive director of a local grassroots advocacy and research nonprofit in a major United States metropolitan area reflected on the challenges of project-restricted grants, noting how difficult it makes it to plan ahead: “Oftentimes grants are given to a specific work area. If that [foundation’s focus] area ceases to exist, then the funding dries up.”

Although unrestricted and multiyear funding in any capacity is appreciated, several participants expressed that very few of their multiyear grants exceed two-year terms, and that it would be a tremendous boost to have grants that were for longer.

According to the Center for Effective Philanthropy report, [New Attitudes, Old Practices: The Provision of Multiyear General Operating Support](#), most foundation leaders who do offer multiyear unrestricted support provide it to no more than a quarter of their grantees. Nonprofit leaders interviewed in that report linked the lack of multiyear grants to a lack of trust from grantmakers. These findings are consistent with what funders reported in the Trust-Based Philanthropy Project's [2022 Community Survey](#), in which only 29% of respondents indicated that their grantmaking organization provides more than 50% of its grants as unrestricted.

3. Nonprofits have experienced positive shifts in funders' practices since 2020, but they hold concerns that this trend toward trust-based philanthropy may just be the "wave of the moment."

As a result of 2020's racial reckoning and COVID-19 pandemic, focus group participants confirmed that they experienced shifts toward more flexible funding and increased attempts to build relationships from their existing funders. (The Trust-Based Philanthropy Project has previously reflected on [crisis being a catapult for shifts toward trust-based philanthropy](#).) However, as things go "back to normal," participants shared that they are witnessing foundations slipping back into more traditional ways of funding, despite the overwhelming evidence of trust-based giving's transformative power. One participant summarized this sentiment:

"Our experience was, through the height of the pandemic, we experienced a lot of flexibility. However, coming out of the pandemic, funders are continuing to feel very connected to their strategies in ways that move against some of these tenets."

Others nodded in agreement when one participant articulated their frustration with this reversion:

"I definitely saw funders eliminating their restrictions, converting to gen ops, reducing reporting requirements—that was really nice and helpful. Subsequently, some of those same funders are going back to their old way of doing business; [it's] disheartening. In a crisis moment they responded and behaved in a way [and] they seem to think the immediate crisis has passed."

4. Philanthropy's increased interest in supporting BIPOC-led and community-based organizations is bringing about new needs and challenges for many of those organizations.

Our focus groups revealed that the growing interest among funders to fund BIPOC-led and grassroots organizations has led to an unfortunate side effect: many funders are defaulting to asking existing grantees—especially the BIPOC-led and community-based organizations—for recommendations on other organizations to fund. Participants expressed that funders don't realize that these requests put them in an awkward position for a myriad of reasons, from not wanting to be responsible for a funder/grantee relationship that ultimately doesn't work, to feeling pressured to know everyone doing similar work in their area.

Similarly, some BIPOC-led and community-based organizations are experiencing a disproportionate demand on their time to provide input on foundations' grantmaking strategies and practices. This may be a manifestation of the pendulum swinging too far on the practice of soliciting and acting on feedback, especially when funders make these requests with no offer of compensation. As one executive director reflected:

"I've experienced, over the last two years, more extractive efforts happening to CBOs, [with more funders] wanting us to weigh in on every mission statement, re-envisioning etc. There are a lot of asks, and most of the time I'm not sure this will make a difference. We're often not compensated for it, and we feel the expectation that we must do it."

Additionally, philanthropy's growing interest in supporting BIPOC-led organizations comes with other considerations that extend beyond funding. In the regional focus group, which included mostly BIPOC leaders, participants shared that they have other needs related to staffing, infrastructure, and HR that could be addressed through non-monetary support and guidance. As one executive director stated:

"[Funders] talk a lot about 'capacity,' but also staff benefits are important. A lot of nonprofits are running, and their staff don't have insurance, and they don't know how to set it up for their staff, especially grassroots organizations. Resources for setting up benefits could be really helpful and great assistance for many organizations."

Another participant chimed in to say:

"I think grantmakers can leverage their relationships better to make those [types of] resources available. Funders are looking to help communities and provide basic needs, but the

organizations that are providing those services (and standing in the gap between the community and the funder) are often devoid of basic needs. So many times, we are serving but are unable to serve ourselves.”

These experiences speak to the trust-based practice of offering [support beyond the check](#), a responsive and adaptive approach to bolster leadership, capacity, and overall organizational health. When funders are attuned to the needs of the nonprofits they fund, they are equipped to provide the proper resources, make connections in their network, and alleviate some of the stress that leaders may be under.

5. Despite the growth of interest in trust-based practices among funders, there is still significant room for improvement.

Focus group participants across all three discussions noted that they have noticed an increase in funders claiming the label “trust-based” without embracing the deeper cultural and structural aspects of this approach. According to one participant:

“Everyone is calling themselves ‘trust-based’ [and/or] ‘equitable’... It is making me more distrustful if it’s being used without any concrete evidence that they are being trust-based. [Some] foundations are giving one-off unrestricted grants and calling themselves trust-based.”

Participants reported that many foundations’ practices are still very much rooted in traditional frameworks and assumptions around trustworthiness, impact measurement, and due diligence. This points to the reality that, while many funders may be talking the talk, they are not necessarily walking the walk.

On a related note, a couple focus group participants shared concerns about the “clubby” nature of philanthropy, noting that the benefits of trust-based philanthropy are most likely to be felt by those who have an “in” with those funders. This is especially so for foundations that do not accept unsolicited proposals, many of which don’t clarify how organizations can then make their work known to a prospective funder.

These insights indicate a few opportunities where foundations can improve as they embrace more trust-based practices. First and foremost, this approach requires a willingness and commitment to ongoing self-reflection, learning, and improvement about how grantmaking practices can be more equitable and power-conscious. This is core to the [values](#) of a trust-based approach, which are intended to inform all

[four dimensions of a grantmaking organization's work](#): culture, structures, and leadership—in addition to grantmaking practices.

Our findings also point to a more specific opportunity for philanthropy to be more transparent about grantmaking and decision-making criteria while also figuring out ways to remain accessible to organizations that think they may be a fit for funding. Understandably, not all foundations are able to implement open application processes—nor is it necessarily more equitable to do so—however there is still a gap between funders' intent to be more transparent and accessible, and nonprofits' ability to establish new relationships with funders.

CONCLUSION & RECOMMENDATIONS

The focus groups illuminated nonprofits' enthusiasm about the growing interest and adoption of trust-based philanthropic practices, especially as it helps alleviate some of the burdens and stresses that keep them from focusing on the day-to-day work. However, nonprofit leaders still expressed skepticism about the field's long-term commitment to embodying a trust-based framework due to the history of inequity in philanthropy and nonprofits' own direct experiences with funders. Participants also underscored their concerns that funders may unintentionally perpetuate new burdens as they grapple with how to be more trust-based in their relationship with grantees.

At the Trust-Based Philanthropy Project, we recognize that the shift toward trust-based philanthropy will not happen overnight. It is a journey that will be met with challenges and will look different for each organization as they find what works best for them and their grantee partners. We offer the following recommendations for funders to consider, given this feedback from nonprofit leaders:

- **Take the time to [reflect](#) on how values of trust, equity, humility, and collaboration are showing up across all four dimensions of your organization's work:** culture, structures, and leadership, as well as grantmaking practices. Make this an ongoing internal practice as you consider ways to improve your work and deepen your commitment to trust-based philanthropy.
- **Take a trust-based approach for the long haul, not just as a crisis-response strategy.** Many of the problems we face are ongoing and are likely to culminate in new, unimagined crises; nonprofits need the support and flexibility to respond to a dynamic and unpredictable landscape.
- **Tune into the power you hold when interacting with grantees and acknowledge that dynamic.** Provide compensation when asking grantees to provide input or feedback and be

mindful of doing so in a way that doesn't put grantees on the spot or make them feel obligated to provide it. More importantly, consider only soliciting feedback when you are prepared to share how that feedback will be used.

- **Seek out strategies to identify and reach new prospective grantees without overburdening existing grantees.** This can include diversifying your staff and board, reaching out to your funder peers, and making a more intentional effort to read new publications, follow new social media profiles, and attend community events.
- **When cultivating relationships with grantees, listen for ways you can support them beyond the check so that they can thrive in the long-term.**

The Trust-Based Philanthropy Project is a peer-to-peer learning and advocacy initiative to advance the adoption of trust-based and equity-focused values across the philanthropic sector. For more articles, tools, and resources, visit www.trustbasedphilanthropy.org/resources.