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Viewpoint
Endow Black-Led Nonprofits
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VIEWPOINT

Endow Black-Led Nonprofits

Endowments are often lacking for social change nonprofits—even more so for Black-led organizations. By closing this gap, we could radically transform how we confront society's most pressing issues.

BY WILLIAM FOSTER & DARREN ISOM

In May 2021, Howard University, one of the United States' leading historically Black colleges and universities (HBCUs), rolled out a major fundraising effort for a new facility and endowment for its College of Fine Arts. The announcement made headlines, not least because the college will be named in honor of the late actor and Howard alumnus Chadwick Boseman. But read between the lines and you'll find a story that matters more to social change than an endowment with a famous name.

Philanthropists endow institutions—universities, hospitals, museums—all the time. Howard itself has an endowment that's more than double that of the next two most richly endowed HBCUs, Spelman College and Hampton University. However, a vast chasm separates the wealth of these highly regarded Black-led institutions and their non-Black counterparts. Howard's endowment of \$712 million is barely more than a rounding error compared with Harvard University's \$41 billion. Taken together, the wealth amassed by the 10 most richly endowed US universities is nearly 95 times larger than the total wealth of all 107 HBCU endowments combined, we found through our analysis of data from the National Association of College and University Business Officers and *U.S. News & World Report*.

When we consider the larger world of nonprofits that are confronting some of the country's most vexing social challenges, the disparities loom equally as large, if not more so. Endowments and other long-term capital commitments to assets such as buildings are a common way of making large gifts to institutional nonprofits in higher education (in which

70 percent of organizations are endowed), hospitals (33 percent endowed), and the arts (23 percent endowed). However, endowments are rarely deployed for funding social change. From 2000 to 2013, just 5 percent of philanthropic big bets—contributions of \$10 million or more to social change causes—took the form of an endowment. They are rarer still across legacy, Black-led social change organizations. As of 2018, the “endowments” of the NAACP, the Equal Justice Initiative, and Community Change, three of the most prominent Black-led nonprofits, amounted to zero.

Even when we include Black-led social change nonprofits that *are* endowed, there's an expansive gap between them and their non-Black counterparts. A Bridgespan Group analysis of the investment income of 56 social change nonprofits—organizations such as the

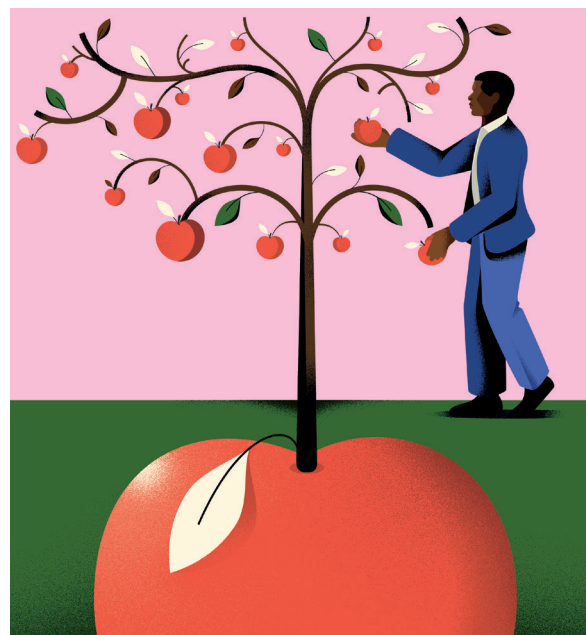
Southern Poverty Law Center, Planned Parenthood Federation of America, the Innocence Project, and the Children's Defense Fund—found that on average, the endowments of organizations led by people of color were nearly four times smaller than those of white-led organizations, and their average percentage of revenue was less than half.

Possessing a pool of money that generates a payout of 5 percent annually is the very definition of wealth. But too many social change organizations, particularly those that are Black-led and are helping to make a meaningful difference in so many thousands of lives, don't have this powerful resource—or if they do, they don't have nearly enough of it. Funders would be wise to rethink that calculus, especially at this moment of historic racial reckoning.

The Logic of Endowments

Endowments, it can be argued, are stodgy and long in the tooth. They've been around for centuries, and they have historically come from old money—that is, from white millionaires and billionaires—to the elite institutions they favor. Because endowments typically go to institutional nonprofits—organizations that are vital to society—they have little downside risk.

And yet, that old-school, boring endowment could be a transformative tool for these tumultuous times. An endowment is not just a gift of money; it's also a transfer of power. That makes endowments the ultimate form of trust-based philanthropy. Endowments also dramatically expand the amount of philanthropic support that a smaller social change nonprofit can successfully absorb in the future. So, for all of the knotty, complicated conundrums in philanthropy—the nature of today's social problems, the different views of stakeholders, competing



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social change narratives—endowments offer a sublimely simple solution: Give an organization money, which it uses over time to make a difference.

The logic for endowing Black-led social change nonprofits is made more compelling by the fact that such organizations tend to have a smaller asset base and that the people who lead them often come from the communities they serve. They are closest to those communities' challenges and know best how to address them, in ways that are "often overlooked or misunderstood when viewed through a dominant culture lens," as Angela Jackson, John Kania, and Tulaine Montgomery point out in an October 2, 2020, article for *Stanford Social Innovation Review*, "Effective Change Requires Proximate Leaders."

Nevertheless, when we and our colleagues at Bridgespan suggest endowing social change organizations, especially those helmed by leaders who are Black, Indigenous, and/or people of color (BIPOC), to wealth holders and leaders of philanthropic foundations, we often hear at least one of the following three objections:

First: "*Most nonprofits, especially those led by people of color, lack the capacity to absorb a large gift.*" Set aside, for the moment, the bias and other factors that fuel the vicious cycle whereby nonprofits led by people of color receive less money than those led by whites, so they are therefore less prepared to take on a big philanthropic bet. Sadly, the list of nonprofits led by people of color that can absorb, say, a \$100 million gift is all too short.

Even a small but high-performing nonprofit, with an annual budget of \$500,000, could well be overwhelmed by a \$5 million grant. But—and this is where an endowment becomes truly magical—if that same \$5 million comes in the form of an endowment, and it throws off \$250,000 per year in perpetuity, such a gift would be exactly what the organization needs to achieve the lasting impact it seeks.

In fact, when donors consider whether to endow a midsize or larger nonprofit, they should be more concerned about the floor than the ceiling. A \$2 million endowment, with its \$100,000 annual payout, is unlikely to significantly boost a Black-led nonprofit

that's confronting social challenges of great consequence. If lead donors can't endow at a level that covers at least 25 percent of the organization's annual revenue, they won't make much of a difference.

Donors seeking impact should instead look to endow at a level that sets the organization up for long-run success. For Black-led organizations with a record of proven progress, giving them too much isn't the problem. The real pitfall is giving too little.

Second: "*I can manage the money better than a nonprofit.*" That may be true, at least over the short run. It's quite likely that a donor really does have more financial savvy and certainly a deeper and more diverse network of experts to draw from. But at some point, that argument becomes a red herring. How many donors manage a significant investment on behalf of a nonprofit and pay out 5 percent, year in and year out, over decades? We can't think of an example. It's far more likely that the donor will move on in a few years, and the nonprofit will have to court a replacement funder again.

By contrast, endowing a social change nonprofit is one of philanthropy's purest expressions of power shifting. It transfers some of the vast wealth of the few to the hands of the many. By putting wealth back under the control of frontline nonprofits and the communities they serve, funders cede some of their power and privilege.

Third: "*Nonprofits should work themselves out of business.*" The claim that nonprofits should have an expiration date has been made for a long time. The argument certainly has an allure: If the organization is truly making progress toward its goal, its mission will soon be accomplished. Therefore, it doesn't need a gift that endures.

Of course, philanthropists and social change organizations have helped overcome some of the past century's thorniest challenges, such as virtually eradicating polio globally. That said, it took generations to create today's complex social problems, and unfortunately it will likely take generations of effort to undo them. We would love to believe that racism will cease to exist in the United States within the next 20 years, but it's more likely that we will need organizations fighting for racial justice for far

longer than that. The same point applies to so many other chronic social problems.

However, merely because so many of today's problems are especially unyielding doesn't mean that most nonprofits should be funded in perpetuity. Few funders would endow a year-old start-up, no matter what its promise. So what qualities should a funder look for?

An endowable nonprofit is one that is chipping away at an important and intractable problem, such as ending homelessness, ensuring equal economic opportunity for every citizen, or conserving land to protect biodiversity and bend back climate change's searing rise. The organization also has a proven record of progress that is longer than the tenure of its current leader—which signals that more likely than not, the organization will continue to advance its mission after the leader departs. Importantly, the organization is grounded in and trusted by the community it serves.

Ensuring Enduring Work

Across all of the turmoil and turbulence of the past five years, including our renewed reckoning with racial justice, the 2020 presidential election, the COVID-19 pandemic and its economic costs, and so on, we have seen how social change nonprofits play an outsize role in upholding the pillars of our democracy, even as its institutions have threatened to fracture. Supported by region- and nationwide networks of citizens, these organizations have fought to safeguard voting rights, disrupt inequality, dismantle racism, build an inclusive economy, achieve fair and just representation for every citizen, and so much more.

If our civil society is to continue to thrive, we should ensure that organizations that are working with communities of color, and in turn are led by people of color, have the financial wherewithal to endure. This challenge is especially urgent given that sweeping segments of society remain underresourced, even as the country becomes increasingly diverse. Endowments can fuel the ongoing efforts of social change organizations as they continue to help stabilize the country's institutions. It is time to unlock their full potential. ■