Philadelphia's Nonprofit Human Service Organizations:

How African American-Led Organizations Differ from White-Led Organizations

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Acknowledgements

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Introduction
In 2013, the Philadelphia African American Leadership Forum (PAALF), with funding from the United Way of Greater Philadelphia and Southern New Jersey, commissioned a study of African American-led nonprofits in Philadelphia. PAALF was interested in understanding whether the experiences and needs of African American-led nonprofits in Philadelphia differed in important ways from white-led nonprofits.

In 2014-2015, Branch Associates, Inc., a Philadelphia-based research and evaluation firm, conducted a survey of leaders of human service-oriented nonprofit organizations in Philadelphia. The survey research was supplemented with qualitative research with African American Executive Directors and local funders. The findings from this research are presented in this report.

The research was guided by the following research questions, formulated with the PAALF:

➢ *What are the organizational characteristics of African American-led organizations such as size, budget, age, sector, funding sources, services provided, populations served, etc.?*
➢ *What are the characteristics of the Boards of Directors and their members, such as number of members, demographic characteristics of members, tenure and experience of members, etc.?*
➢ *What are the characteristics of the Executive Directors and senior staff, such as race, gender, age, tenure, and experience?*
➢ *How do the organizations use data and technology?*
➢ *Are the organizations involved in policy work or advocacy? Do they have the capacity to work in these areas?*
➢ *Do the organizations and their staff participate in trainings and technical assistance?*
➢ *Have the organizations participated in strategic planning, including succession planning and financial sustainability?*
➢ *Are the organizations involved in partnerships or collaborations with other organizations?*
➢ *How do African American-led nonprofit organizations compare to other (non-African American-led) organizations on the above measures?*
➢ *What are local funders' perspectives on African American-led nonprofit organizations in Philadelphia and how they are positioned in the nonprofit sector?*

Nonprofit Landscape
In 2012, approximately 1.44 million nonprofits (501c3 public charities[1]) in the U.S. were registered with the IRS.[2] In Philadelphia, 7,781 nonprofits were registered with the IRS in 2015.[3] A study in 2010 found that one in eight full-time employees in Philadelphia and its surrounding four suburban Pennsylvania counties worked at a nonprofit organization.[4]

The 2007-2010 recession hit many nonprofits hard. Eighty-four percent of nonprofit leaders reported a negative organizational impact and one in five described the negative impact as significant.[5] The 2007-2010 recession disproportionately affected nonprofit leaders of color. Over one quarter (28%) of people-of-color-led organizations were severely impacted by the recession compared to 18 percent of white-led nonprofits. This may be due, in part, because people of color were more likely to run heavily government-funded organizations.[6]

Over the last ten years or so, there has been an increase in the conversations about and initiatives focused on diversity and its value at nonprofit and philanthropic organizations. Data on diversity in nonprofit and philanthropic leadership and grant making are lacking, though necessary, in order to more deeply and broadly address the issue of diversity. Some local studies show a lack of racial/ethnic diversity among nonprofit leaders and board members. In addition, research by the D5 Coalition, which focused on diversity in philanthropic organizations, suggests that diverse communities continue to be underfunded.[7]

The close to 8,000 nonprofits in Philadelphia provide a variety of services and programs to the city's residents. Many of these nonprofits, particularly human-service-oriented nonprofits, which are the focus of this study, are addressing significant social problems in the city, such as poverty and low education.

Study Findings
The findings in this report are based on a survey of 145 Executive Directors or CEOs ("EDs") of human service-oriented nonprofits in Philadelphia, two focus groups with African American EDs, and four interviews with local funders. Of the survey respondents, 74 are African American (51%), 63 are White (43%), and 8 are another race/ethnicity (6%). We compared survey findings between African American and White EDs to uncover similarities and differences in their

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[1] Public charities composed over two-thirds of all registered nonprofit organizations and accounted for over three-quarters of the revenue and expenses of the nonprofit sector in the U.S. in 2012. (McKeever, Brice S. and Sarah L. Pettijohn. 2014. *The Nonprofit Sector in Brief 2014*. Washington DC: Urban Institute.)

[2] Religious congregations and organizations with less than $5,000 in annual revenue are not required to register with the IRS, although many do.

[3] National Center for Charitable Statistics. http://nccs.urban.org/

[4] http://www.philly.com/philly/blogs/phillyinc/Phila_nonprofits_employ_242000_people_study_says.html

[5] Cornelius, Marla, Rick Moyers, and Jeanne Bell, *Daring to Lead 2011: A National Study of Executive Director Leadership* (San Francisco, CA: CompassPoint Nonprofit Services and Meyer Foundation, 2011).

[6] Cornelius, Marla, Rick Moyers, and Jeanne Bell, *Daring to Lead 2011: A National Study of Executive Director Leadership* (San Francisco, CA: CompassPoint Nonprofit Services and Meyer Foundation, 2011).

[7] D5 Coalition, 2011. *State of the Work: Mapping the Landscape and D5's Path Forward on Diversity, Equity, and Inclusion in Philanthropy.*

experiences and organizations.[8] Qualitative data enhanced our understanding of nonprofits, their challenges, and the funding environment in Philadelphia.

The study uncovered both similarities and differences between organizations led by African Americans and those led by white Executive Directors. Overall, there were some similarities -- in the background and experiences of EDs, in what EDs do in their daily work, in several organizational characteristics such as age and budget, and in the gender composition and expertise of board members and senior staff.

However, a number of interesting differences emerged. Organizations led by African Americans are smaller, as defined by the number of staff and volunteers. African American-led organizations have fewer cash reserves and are more dependent on government grants than white-led organizations. The latter likely explains the greater likelihood of African American-led organizations to track data and program outcomes, as accountability measures for public funds has increased over time. These findings regarding cash reserves and government funding may make African American-led organizations more vulnerable to recessions and changes in government, and thus more financially precarious than white-led organizations. Focus group participants (African American EDs) acknowledged the need for diverse funding streams and creative funding strategies.

The findings from this study also show a degree of segregation and isolation between African American-led and white-led organizations.

- African American-led organizations are more likely to have African American board members and senior staff, and white-led organizations are more likely to have white board members and senior staff. In fact, at 27 percent of African American-led organizations, all board members are African American. At 59 percent of African American-led organizations, all senior staff are African American; at 48 percent of white-led organizations, all senior staff are white.
- While study participants express the value of leaders and staff reflecting the population they serve, the downside to this homogeneity, particularly among board members, is the lack of diverse professional and social networks, which can negatively impact access to funding.
- The paucity of African American senior staff at white-led organizations also has implications for the future of African Americans in the nonprofit sector. The pipeline for African American leaders appears to be weaker at white-led organizations.

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[8] Due to the small sample size, we could not compare survey findings of EDs of other races/ethnicities. It would be very interesting to examine nonprofits led by Latinos or Asians, but would require a different sampling strategy and more completed surveys by Latino and Asian EDs.

For results presented in this report, when differences between African American and white EDs are not statistically significant, we report results for all respondents in the text. However, figures show results for AA-led and white-led organizations.

African American-led and white-led organizations in this study are serving different populations.

- African American-led organizations are more likely to serve teens, African Americans, and low-income residents than white-led organizations.
- African American-led organizations are also more likely to be serving and located in low-income Philadelphia neighborhoods.
- These findings suggest that African American-led organizations are serving some of the neediest populations in Philadelphia. Being located in the places where services are most needed makes the organizations more accessible to clients and allows them to become trusted members of the community. These findings highlight the value of African American-led organizations to the Philadelphia community.

All study participants reported significant challenges with fundraising, particularly with only the recent end of the recession. However, African American EDs reported even greater challenges. While there is a perception of racial differences in funding, this study cannot confirm whether African American-led organizations are not funded as often or as generously as white-led organizations. Funders explained that a large percentage of grants benefit African Americans because nonprofits serve large black populations in Philadelphia. The survey data also showed that nonprofits primarily serve black clients. What is not clear is the whether African American-led organizations receive less funding than white-led organizations, although many believe this is the case.

Overall, this unique and first-of-its-kind study should provide valuable information to the Philadelphia African American Leadership Forum and other city and nonprofit leaders and funders to use to improve the strength of nonprofits in Philadelphia and the services they provide throughout the city, particularly to the neediest populations.

Introduction

In 2013, the Philadelphia African American Leadership Forum (PAALF), with funding from the United Way of Greater Philadelphia and Southern New Jersey, commissioned a study of African American-led nonprofits in Philadelphia. PAALF was interested in understanding whether the experiences and needs of African American-led nonprofits in Philadelphia differed in important ways from white-led nonprofits. Specifically, the group sought to document both the needs and challenges of African American-led organizations in areas such as capacity, resources, and technology, as well as the value of the organizations to the local community in their sensitivity and understanding of needs, and in the services provided and populations served.
In 2014-2015, Branch Associates, Inc., a Philadelphia-based research and evaluation firm,

The PAALF hopes that this research will:
- Specifically inform how we can build greater capacity among African American nonprofit leadership and organizations to better serve the African American community.
- Identify opportunities for greater alignment and collaboration among African American-led nonprofit organizations.
- Reframe the conversation that African American nonprofit leadership has with the philanthropic and public sectors.
- Advance a data driven culture among nonprofit leadership.

conducted a survey of leaders of human service-oriented nonprofit organizations in Philadelphia. The survey research was supplemented with qualitative research with African American Executive Directors and local funders. The findings from this research are presented in this report.[9]

The research was guided by the following research questions, formulated with the PAALF:

> *What are the organizational characteristics of African American-led organizations such as size, budget, age, sector, funding sources, services provided, populations served, etc.?*
> *What are the characteristics of the Boards of Directors and their members, such as number of members, demographic characteristics of members, tenure and experience of members, etc.?*
> *What are the characteristics of the Executive Directors and senior staff, such as race, gender, age, tenure, and experience?*
> *How do the organizations use data and technology?*
> *Are the organizations involved in policy work or advocacy? Do they have the capacity to work in these areas?*
> *Do the organizations and their staff participate in trainings and technical assistance?*

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[9] Interspersed with research findings are comments by PAALF.

> ➤ *Have the organizations participated in strategic planning, including succession planning and financial sustainability?*
> ➤ *Are the organizations involved in partnerships or collaborations with other organizations?*
> ➤ *How do African American-led nonprofit organizations compare to other (non-African American-led) organizations on the above measures?*
> ➤ *What are local funders' perspectives on African American-led nonprofit organizations in Philadelphia and how they are positioned in the nonprofit sector?*

The report begins with background information on the nonprofit sector, including diversity within the sector, and the landscape and needs in Philadelphia. This is followed by the research methodology and a presentation of survey findings. Key findings from qualitative interviews and focus groups are interspersed with the survey results. The report concludes with a summary of the key findings for PAALF to use going forward.

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*Established in June 2011, the **Philadelphia Area African American Leadership Forum** (PAALF) is a network of African American leaders committed to improving the quality of life and life chances for the African American community by strengthening the nonprofit sector through five key strategies:*

- *Promote collective action, strategic collaboration, and shared services among agencies serving the African American community;*
- *Promote data collection and analysis and using data to inform decision-making;*
- *Expose African American leadership to social innovation, promising practices, and research, as well as to regional and national thought leaders in public policy and service;*
- *Deepen the relationship with the broader philanthropic community and public and private sectors in an effort to become less transactional and more transformative; and*
- *Cultivate and align leadership from our community and foster communication and information-sharing across sectors.*

What do we mean by "African American-led" organizations?

In this study, we define an organization as African American-led if the current Executive Director (or CEO or President) self-identifies as African American/Black on the survey.

As was noted in focus groups with African American Executive Directors, a nonprofit organization may be <u>currently</u> headed by an African American Executive Director, but the race/ethnicity of the head of the organization often changes over time with turnover in the position. Most African American-led organizations (as we define it) thus differ from traditionally black organizations such as the Urban League and the NAACP, where an African American Executive Director is presumed.

> *Other studies use different definitions. As noted in the "Benchmarking Diversity" report[10], some nonprofit organizations defined themselves as "minority-led" if at least half of their board members or staffs were people of color. The race/ethnicity of an organization's clients could also be used as a way to categorize organizations.[11]*

Landscape of Nonprofit Organizations

Nonprofit organizations are defined as organizations that serve the public interest (i.e., cannot distribute corporate income to shareholders) and are tax exempt under section 501 of the IRS code. They are made up of:

- 501c3 public charities, which include most nonprofits involved in the arts, education, health care, human services, and community services, as well as many others.
- 501c3 private foundations, which primarily include organizations that make grants to other nonprofits, like The Pew Charitable Trusts and the Ford Foundation.
- Other exempt organizations registered with the IRS, including trade unions, business leagues, social and recreational clubs, and veterans associations classified under varying sections of the IRS code.[12]

In 2012, approximately 1.44 million nonprofits (501c3 public charities[13]) were registered with the IRS[14], an increase of 8.6 percent from 2002. The nonprofit sector contributed an estimated $887.3 billion to the U.S. economy in 2012, composing 5.4 percent of the country's gross domestic product (GDP).[15] In Philadelphia, 7,781 nonprofits were registered with the IRS in 2015.[16] A study in 2010 counted 15,149 nonprofits in the Philadelphia five-county region; of these, 7,285 filed tax returns (the rest were exempt).[17]

Nonprofits accounted for 11.4 million jobs in the U.S. in 2012, representing 10.3 percent of all private sector employment (up from 9.2 percent in 2007). In Pennsylvania, nonprofits accounted for 14.9 percent of private sector employment in 2007. Nonprofit jobs are heavily concentrated in healthcare and the social assistance sector, which together accounted for 68 percent of nonprofit employment in 2012. Employment in the nonprofit sector increased each

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[10] The Foundation Center, *Benchmarking Diversity: A First Look at New York City Foundations and Nonprofits*, 2009.
[11] At least half of the clients were African American at 85 percent of the organizations in our study that were led by African American Executive Directors.
[12] http://nccs.urban.org/database/Concepts.cfm
[13] Public charities composed over two-thirds of all registered nonprofit organizations and accounted for over three-quarters of the revenue and expenses of the nonprofit sector in the U.S. in 2012. (McKeever, Brice S. and Sarah L. Pettijohn. 2014. *The Nonprofit Sector in Brief 2014*. Washington DC: Urban Institute.)
[14] Religious congregations and organizations with less than $5,000 in annual revenue are not required to register with the IRS, although many do.
[15] McKeever, Brice S. and Sarah L. Pettijohn. 2014. *The Nonprofit Sector in Brief 2014*. Washington DC: Urban Institute.
[16] National Center for Charitable Statistics. http://nccs.urban.org/
[17] http://www.philly.com/philly/blogs/phillyinc/Phila_nonprofits_employ_242000_people_study_says.html

year, from 2007 to 2012.[18] A study in 2010 found that one in eight full-time employees in Philadelphia and its surrounding four suburban Pennsylvania counties worked at a nonprofit organization.[19]

Effect of Recession on Nonprofits

The *Daring to Lead* survey of 2011, a national study of nonprofit executive leadership, found that the majority of nonprofits were negatively impacted by the 2007-2010 recession. Eighty-four percent of nonprofit leaders reported a negative organizational impact and one in five described the negative impact as significant.[20]

The effects of the recession on nonprofits were twofold: an increase in organizational closures and an increase in demand for services. More nonprofits closed during the recession (2008-2012) than the period prior to the recession (2004-2008). Smaller organizations (with annual revenues of $50,000 - $99,999) were the most vulnerable to closure. Smaller organizations also experienced the greatest loss in revenue. Human service organizations, however, had the smallest increase in closure rates among nonprofits (organizations in the international subsector experienced the greatest increase in closures).[21]

The 2015 *State of the Nonprofit Sector Survey* found an increase in the demand for services from nonprofits during and following the recession. Only 48 percent of organizations reported that they were able to meet the demand in 2014 (41% of human service nonprofits). Nonprofits also reported that their top challenge was pursuing long-term financial sustainability.[22] This challenge is compounded by the continuing trend of state and local governments shifting the burden of service provision to nonprofits, where nonprofits are expected to fill service gaps.[23]

The 2007-2010 recession disproportionately affected nonprofit leaders of color. Over one quarter (28%) of people-of-color-led organizations were severely impacted by the recession compared to 18 percent of white-led nonprofits. This may be due, in part, because people of color were more likely to run heavily government-funded organizations.[24]

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[18] Bureau of Labor Statistics. 2014. *TED: The Economics Daily*.
http://www.bls.gov/opub/ted/2014/ted_20141021.htm
[19] http://www.philly.com/philly/blogs/phillyinc/Phila_nonprofits_employ_242000_people_study_says.html
[20] Cornelius, Marla, Rick Moyers, and Jeanne Bell, *Daring to Lead 2011: A National Study of Executive Director Leadership* (San Francisco, CA: CompassPoint Nonprofit Services and Meyer Foundation, 2011).
[21] Dietz, Nathan, McKeever, Brice, Brown, Melissa, Koulish, Jeremy, and Tom Pollack. 2014. *The Impact of the Great Recession on the Number of charities by Subsector and Revenue Range.* Washington DC: Urban Institute.
[22] Nonprofit Finance Fund. *2015 State of the Nonprofit Sector Survey: National Summary Results*.
http://nonprofitfinancefund.org/files/docs/2015/2015survey_natl_summary.pdf
[23] National Council of Nonprofits. 2015. *Nonprofit Trends to Watch in 2015*.
[24] Cornelius, Marla, Rick Moyers, and Jeanne Bell, *Daring to Lead 2011: A National Study of Executive Director Leadership* (San Francisco, CA: CompassPoint Nonprofit Services and Meyer Foundation, 2011).

PAALF: In fact, the economic downturn was the impetus behind the creation of the PAALF. If the recession was causing white-led nonprofit organizations to cough, the diagnosis for African American-led nonprofits was an impending flu epidemic. To prevent such an occurrence, African American nonprofit leadership in Philadelphia convened to explore strategies to strengthen and sustain its sector.

Diversity and Nonprofit Organizations

Over the last ten years or so, there has been an increase in the conversations about and initiatives focused on diversity and its value at nonprofit and philanthropic organizations. The benefits of greater diversity in the nonprofit world include helping to "expand the pool of donors willing to support charities, improve the quality of strategic thinking at organizations, and make [nonprofits] more responsive to the needs of clients and better able to attract the most talented workers."[25]

Several examples of initiatives with goals of increasing diversity at nonprofit and philanthropic organizations are:

- D5 Coalition: a five-year effort begun in 2010 to increase philanthropy's diversity, equity, and inclusiveness.
- Diversity in Philanthropy Project: a three-year campaign begun in 2007 to bolster foundation diversity, inclusive practice, and attention to social equity.
- The Inclusiveness Project, a program of the Denver Foundation: began in 2001 as the Expanding Nonprofit Inclusiveness Initiative; the initiative became a program of the Foundation in 2007. The mission is to engage with Metro Denver nonprofits, including funders, to become more inclusive of people of color.
- New York Diversity in Philanthropy Project: Philanthropy New York partnered with the Foundation Center to examine issues of diversity in the grant making and governance of New York City foundations and nonprofits.

Data on diversity in nonprofit and philanthropic leadership and grant making are lacking, though necessary, in order to more deeply and broadly address the issue of diversity. One reason for the lack of data is the IRS Form 990, submitted by nonprofits annually, does not ask organizations to specify population groups served by grants. A few recent studies have examined diversity in leadership and grant making at a local level. One study – *Benchmarking*

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[25] Lehman, Ann. 2014. "Need for Diversity at Nonprofits is More Vital After Garner and Brown Cases." *The Chronicle of Philanthropy.*

Diversity – looked at diversity in both nonprofits and foundations in New York City.[26] Some of its' key findings regarding diversity at nonprofit organizations are:[27]

- Ethnic and racial diversity at nonprofits is greater at the managerial and support levels (52% and 62% people of color, respectively) and lower at the CEO and board levels (30% and 33% people of color, respectively).
- Specifically, 15 percent of nonprofit CEOs are Black, 8 percent are Hispanic, and 6 percent are Asian at New York City nonprofits in the study. Among nonprofit board members, 16 percent are Black, 7 percent are Hispanic, and 7 percent are Asian.
- Smaller nonprofit organizations had a larger percentage of CEOs and board members who were people of color.
- Minority-led organizations were more likely to: target all or most of their programming to specific populations such as communities of color, the economically disadvantaged, and immigrants; have policies or guidelines regarding the diversity of populations served; and express greater capacity building needs (especially in fundraising, technical support, human resources, and staff training).
- There was little difference between the levels of foundation support received by minority-led and non-minority-led organizations with annual budgets of less than $1 million.[28]
- Most board members (56%) are people of color at minority-led organizations.
- Minority-led organizations tend to be smaller than non-minority-led organizations.

Research by the D5 Coalition, which focused on diversity in philanthropic organizations, suggests that diverse communities continue to be underfunded.[29] They found that available data suggest that programs benefitting ethnic and racial minorities, on average, receive 10 percent of grant dollars. However, other studies found significant undercounting of grant money benefitting communities of color. A study of grant-making in California reported that 39 percent of grants from large California foundations in 2005 benefitted populations of color and has been increasing over time.[30] [31]

Furthermore, D5's research found that the demographics of foundation leadership do not reflect the nation's overall diversity, nor that of its' workforce. People of color comprise 34 percent of program officers at foundations, but only between 8-14 percent of CEO and board

[26] The Foundation Center and Philanthropy New York, 2009. *Benchmarking Diversity: A First Look at New York City Foundations and Nonprofits.*

[27] The survey of nonprofits was conducted online in early 2009; 540 surveys were submitted (estimated response rate of 10%).

[28] The sample size for large organizations was too small to look at comparisons.

[29] D5 Coalition, 2011. *State of the Work: Mapping the Landscape and D5's Path Forward on Diversity, Equity, and Inclusion in Philanthropy.*

[30] The Foundation Center. 2008. *Embracing Diversity: Foundation Giving Benefitting California's Communities of Color.*

[31] Populations of color include all racial and ethnic minorities – Hispanic/Latino, African American/Black, Asian, American Indian/Alaska Native, Native Hawaiian/Pacific Islander, and those of mixed backgrounds.

leadership.[32] In addition, less than one third of foundations have policies and practices related to diversity.[33]

The Landscape in Philadelphia

The close to 8,000 nonprofits in Philadelphia provide a variety of services and programs to the city's residents. Many of these nonprofits, particularly human-service-oriented nonprofits, which are the focus of this study, are addressing social problems in the city, such as poverty and low education. Tables 1-3 present demographic and socioeconomic data on Philadelphia residents to demonstrate the need for services that many nonprofits provide. Over 1.56 million people live in Philadelphia.[34] More than four in ten residents (42%) are African American, while 37 percent are White (non-Hispanic) and 13 percent are Hispanic (Table 1). The median household annual income is about $37,000, well below the state and national medians (Table 2). Over a quarter (26.5%) of Philadelphia residents are living in poverty; over a third of children (36.3%) in Philadelphia live in poverty (Table 2). Philadelphians of color are more likely to live in poverty: 41 percent of Hispanics, 31 percent of Blacks, and 30 percent of Asians live in poverty compared to 16 percent of whites (Table 3).

These data provide just a snapshot of the poor circumstances that many Philadelphians, particularly those of color, face. Poverty is associated with poor health, low education, and living in neighborhoods with more violence. The nonprofit sector is an important provider of services to improve the life chances of the poor.

> *PAALF: The nonprofit sector, and African American-led organizations in particular, are doing the heavy lifting of providing services to improve the life chances of the poor.*

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[32] Ibid. Data on CEOs is based on a sample of 688 private, community, corporate and public foundations from the *Grantmakers Salary and Benefits Survey*, Council on Foundations, 2010. Data on board members is based on a sample of 518 independent, family, community, and public foundations from the *COF Management Survey*, Council on Foundations, 2010.

[33] Survey of 1,280 independent and operating grant making foundations nationally. Foundation Center, 2008. Combined with data from *COF Management Survey*, Council on Foundations, 2010.

[34] U.S. Census. 2014 Population Estimate.

Table 1. Demographic Characteristics of Philadelphia Residents

Demographic Characteristic	Percent
Race/Ethnicity	
White (non-Hispanic) alone	36.6
Hispanic alone	12.7
Black or African American alone	42.0
Asian alone	6.5
Some other race alone	0.3
Two or more races	1.8
American Indian or Alaska Native alone	0.2
Gender	
Male	47.2
Female	53.8
Age	
Under 18	22.4
65 and older	12.2

Source: U.S. Bureau of the Census, 2009-2013 American Community Survey

Table 2. Socioeconomic Status of Philadelphia Residents

Socioeconomic Indicator	Philadelphia	Pennsylvania	United States
Median Household Income	$37,192	$52,548	$53,046
% High School Graduates	81.2%	88.7%	86%
% College Graduates	23.9%	27.5%	28.8%
% Living in Poverty	26.5%	13.3%	15.4%
% of Children in Poverty	36.3%	18.8%	21.6%

Source: U.S. Bureau of the Census, 2009-2013 American Community Survey

Table 3. Poverty by Race/Ethnicity of Philadelphia Residents

Race/Ethnicity	Percent below poverty
Hispanic/Latino (of any race)	41.1
Black or African American alone	30.8
Asian alone	29.5
White (non-Hispanic) alone	15.7

Source: U.S. Bureau of the Census, 2009-2013 American Community Survey

Research Methodology

This study used a mixed-methods approach to examine differences between African American-led ("AA-led") and white-led nonprofits in Philadelphia. We collected data through a survey of a sample of nonprofit leaders and through qualitative research with nonprofit Executive Directors and local funders.

Survey

The sample of nonprofit organizations surveyed for this study was drawn through two methods: a stratified random sample of human serviced-related 501c3 organizations selected from a comprehensive list of all nonprofits in Philadelphia, and through broad outreach made by PAALF members with organizations in their networks. In total, 166 surveys were completed for a response rate of approximately 49 percent.[35]

The survey was intended to be completed by the Executive Director or CEO/President of the sampled nonprofit organization.[36] The survey was administered online via SurveyMonkey from November 2014 – March 2015.[37] The survey consisted of 60 questions on a variety of topics including: organizational background (size, age, etc.), background of the Executive Director and senior staff (demographic characteristics, experience), background of board members, services provided by organization, clients served, technology and data, funding, organizational capacity, and challenges. Respondents were provided an incentive ($10 gift card) after completing the survey.

Qualitative Data Collection

In order to supplement the survey data with more in-depth information, we conducted two focus groups with African American Executive Directors and four one-on-one interviews with funders. We facilitated two focus groups with 13 African American Executive Directors (who had completed the survey) in March 2015. Executive Directors were selected to represent a range of experience, type of organization, and gender. We conducted interviews in April and May 2015 with four local philanthropic executives (all women; two women of color) from organizations with a local/regional grant-making focus and/or knowledge. Questions in both the focus groups and interviews focused on the role and value of AA-led organizations in Philadelphia, organizational capacity, funding, technology, and technical assistance.

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[35] More details on the sampling methodology are provided in the Appendix.

[36] If a respondent reported a position other than the Executive Director or CEO/President at the organization, they were disqualified from the survey.

[37] Nineteen surveys, however, were completed on a paper version.

Study Limitations

As with all research, this study has a few limitations that should be kept in mind when reviewing findings. While we aimed for a representative sample of human-service-oriented nonprofit organizations in Philadelphia (see *Survey Methodology* in Appendix for more details), due to an initial low response rate on the survey, we supplemented the stratified random sampling strategy with organizations reached through PAALF's nonprofit networks. We do not believe these additional organizations differed significantly from the original sample; for example, the organizations are classified as similar types (in the services they provide). However, the results of the survey may not be generalizable to all human service nonprofits in Philadelphia due to our sampling strategy.

In addition, the qualitative data collection was limited. Due to funding limitations, we only conducted focus groups with African American Executive Directors. In addition, we conducted interviews with four funders. Despite these limitations, we believe that the survey and qualitative data collection findings are consistent and reliable and provide important information for the Philadelphia nonprofit community.

PAALF: We specifically sought out African American Executive Directors for participation in the focus groups to ensure that we adequately capture their voice.

Research Findings

145 Executive Directors or CEOs/Presidents (referred to as "EDs" for the remainder of the report) of Philadelphia nonprofit organizations completed the survey.[38] Of these respondents, 74 are African American (51%), 63 are White (43%), and 8 are another race/ethnicity (6%) (Figure 1). We compared survey findings between African American and White EDs to uncover similarities and differences in their experiences and organizations.[39] The following sections report survey findings, noting any of these differences, as well as related themes from the focus groups and interviews.

Figure 1. Race of Survey Respondent/ED

- Other 6%
- White 43%
- African American 51%
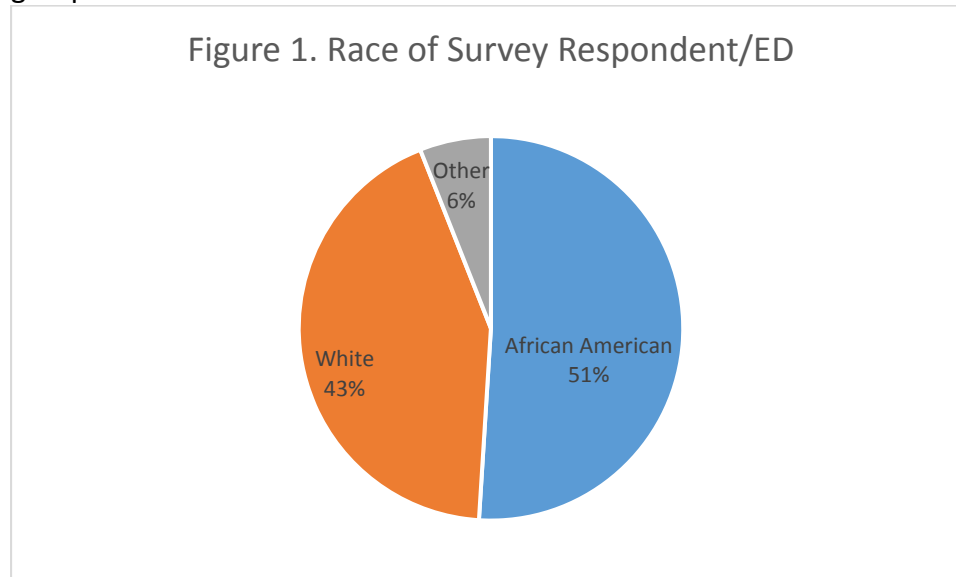
About the EDs

The EDs in the study are, overall, an experienced group of leaders. Over two-thirds (70%) are 45 years old or older; only 10 percent are under 35 years old (Figure 2). Almost two-thirds are female (64%) (Figure 3) and almost two-thirds (64%) have a Master's degree or other advanced degree.
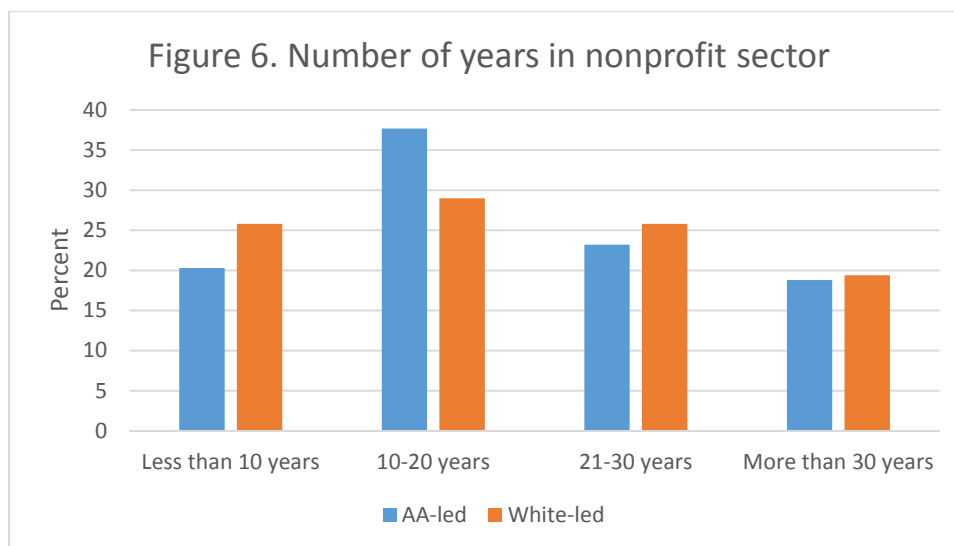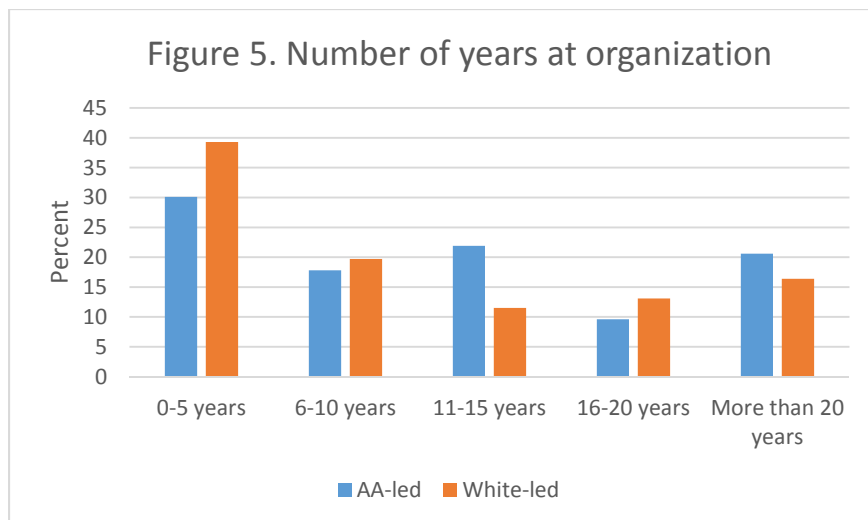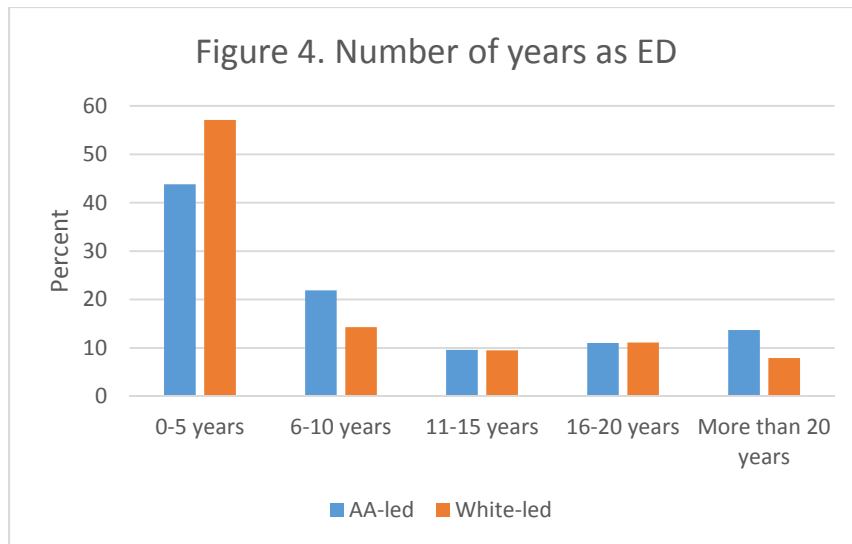
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[38] Twenty-one completed surveys that were not from 501c3 organizations were removed prior to analysis. The final sample size was 145.

[39] Due to the small sample size, we could not compare survey findings of EDs of other races/ethnicities. It would be very interesting to examine nonprofits led by Latinos or Asians, but would require a different sampling strategy and more completed surveys by Latino and Asian EDs.

For results presented in this report, when differences between African American and white EDs are not statistically significant, we report results for all respondents in the text. However, figures show results for AA-led and white-led organizations.

Figure 2. Age of Respondent/ED

Figure 3. Gender of Respondent/ED
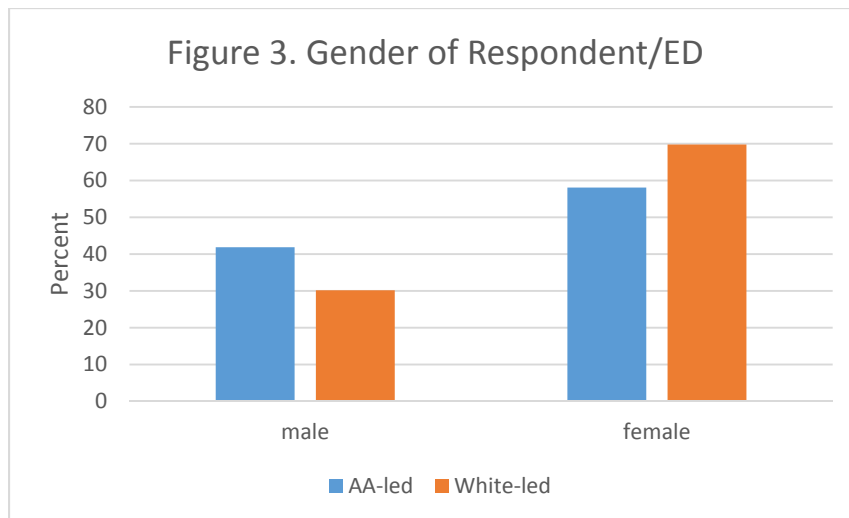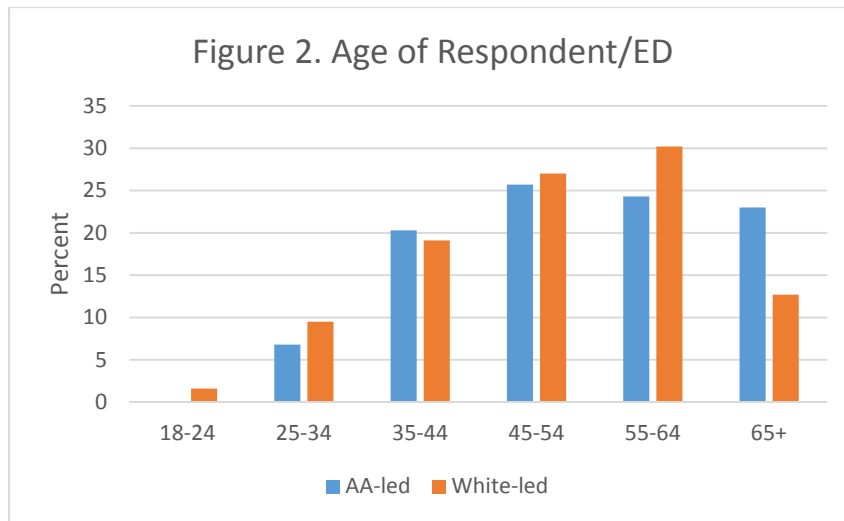
On average, respondents have been EDs of their organizations for about nine years; though, half have been serving as ED for only five years or less (Figure 4). The EDs have been working at their respective organizations for 12 years (Figure 5), on average, and have been working in the nonprofit sector for 20 years, on average (Figure 6).

Figure 4. Number of years as ED

Figure 5. Number of years at organization

Figure 6. Number of years in nonprofit sector

The EDs in the study spend their time on similar tasks. On average, they spend almost a quarter of their time (21%) on fundraising or grant proposals (Figure 7). A similar amount of time is spent on administrative tasks (20%).

Figure 7. How ED spends time (mean %)
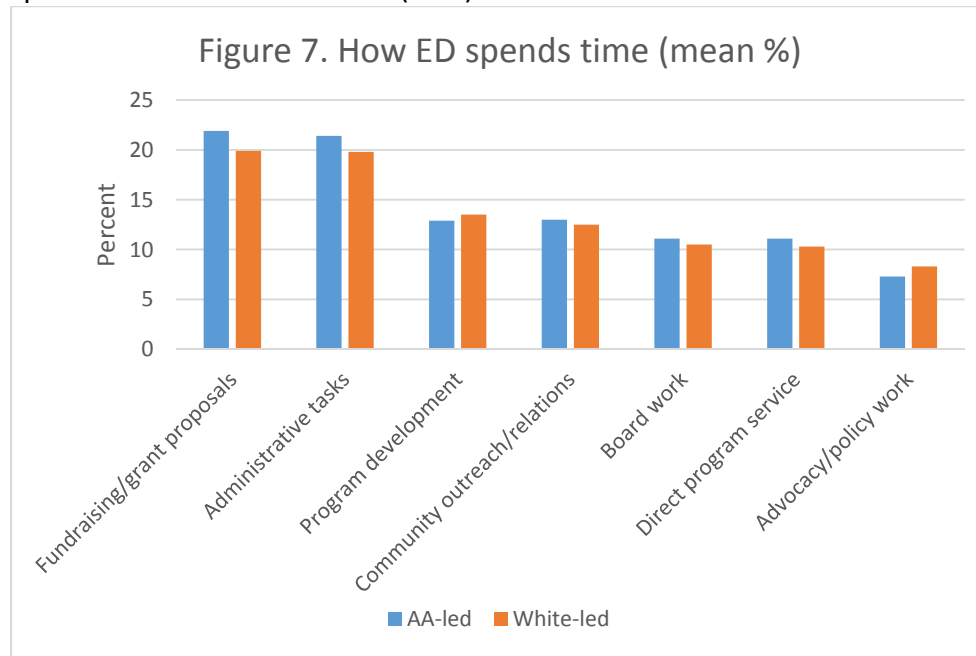
About the nonprofit organizations

The nonprofit organizations in this study vary on a number of characteristics, including size and organizational age. About six in ten organizations (61%) are considered small (11-49 employees) or micro (10 or fewer employees) (Figure 8). **AA-led organizations are more likely than white-led organizations to be small or micro** (68% of AA-led are small/micro versus 53% of white-led). Based on year of incorporation, the organizations have been in existence for, on average, 29 years (Figure 9).

Figure 8. Organizational Size


Figure 9. Organizational Age
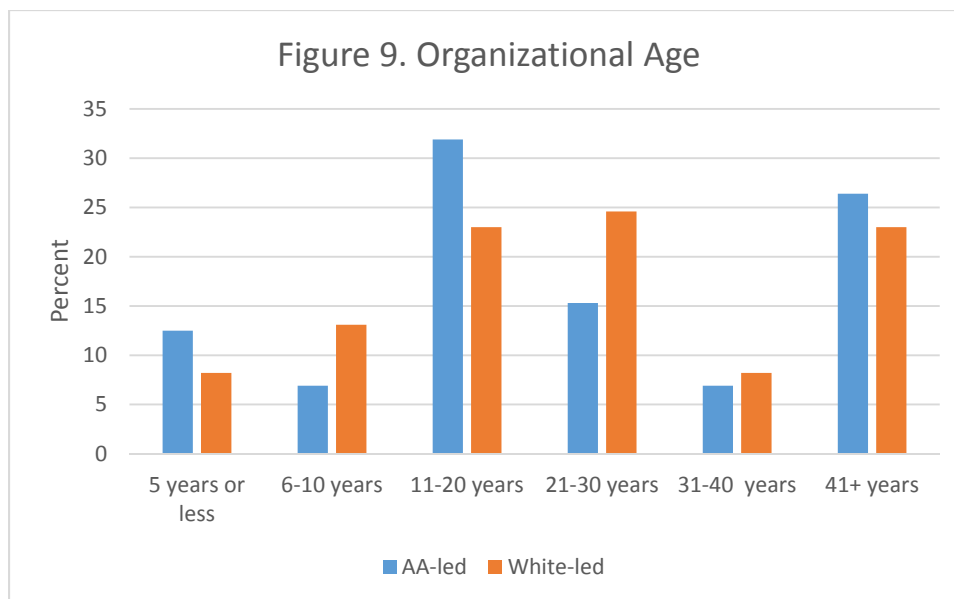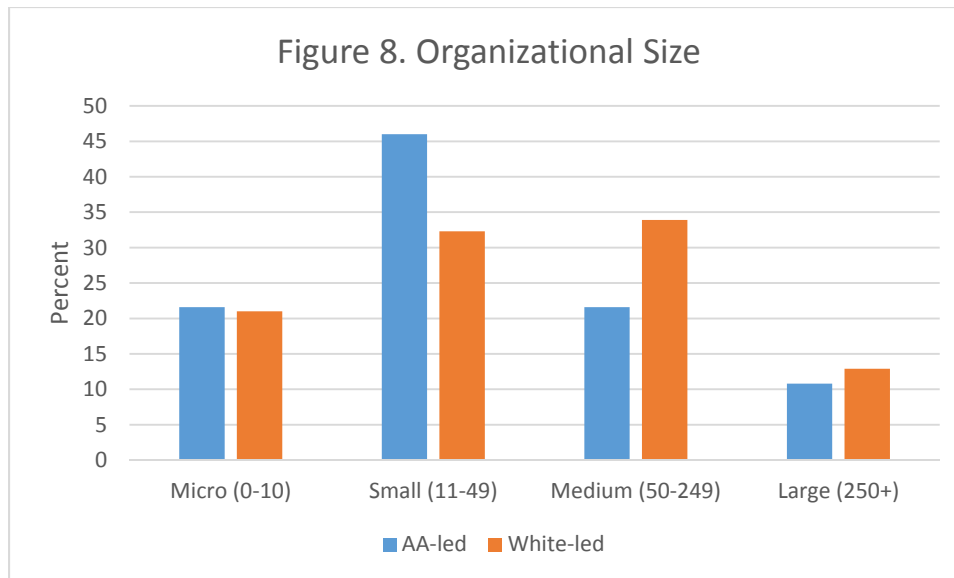
The National Taxonomy of Exempt Entities (NTEE) system is used by the IRS to classify nonprofit organizations and is a way to look at the types of organizations in this study.[40] The most common types of organizations were (Figure 10):[41]

- Human Services (22%)
- Community improvement and capacity building (17%)
- Education (12%)

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[40] NTEE codes came from the National Center for Charitable Statistics (NCCS) data. Not all organizations that participated in the survey were in the NCCS data set; NTEE codes were available for 128 of 145 (88%) organizations. The range of codes reflects the sampling strategy (see more details in the Appendix).

[41] Each organization only has one NTEE code.

Figure 10. Types of organizations in study (based on NTEE codes)
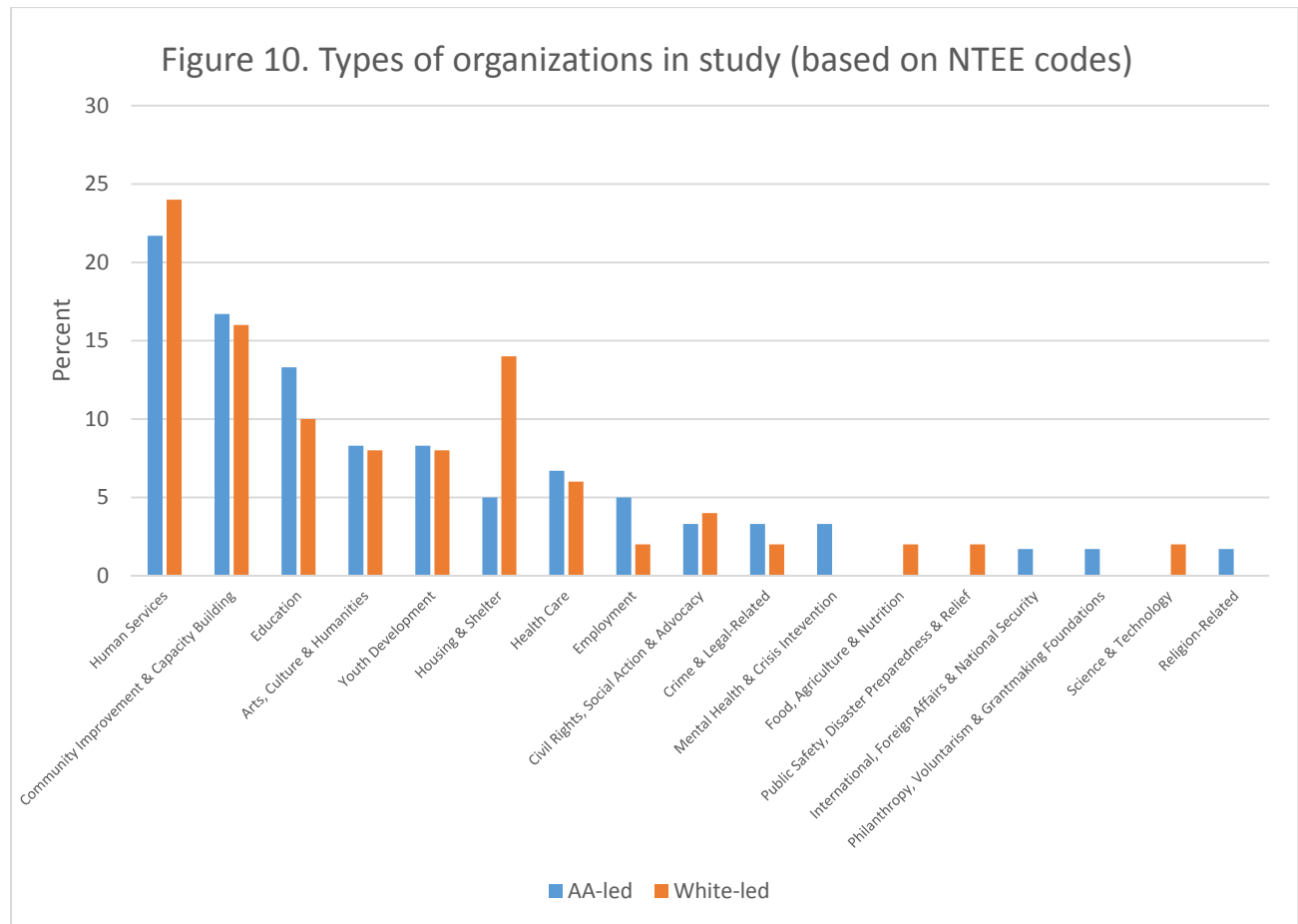
The organizations display a range of financial characteristics, such as revenue and annual budget (Figures 11 and 12). One difference between AA-led and white-led organizations is the availability of cash reserves. **AA-led organizations are less likely to have cash reserves on hand: 32 percent have four or more months of cash reserves compared to 57 percent of white-led organizations** (Figure 13).[42] Cash reserves, or "rainy day funds," are an important indicator of an organization's long-term financial health. Such savings can be used to take risks, underwrite growth, or invest in organizational capacity beyond the use of existing funding streams.[43] A lack of cash reserves may restrict a leader's capacity for innovation as the organizational priority is to simply keep the lights on and meet payroll.

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[42] Differences remained even after taking account of the size of the organization. Among small/micro organizations, 58% of white-led and 27% of AA-led had 4 or more months of cash reserves (chi-square, p<.05). Among medium/large organizations, 59% of white-led and 42% of AA-led had 4 or more months of cash reserves (chi-square, p<.10).

[43] CompassPoint Nonprofit Services, *Daring to Lead 2011: A National Study of Nonprofit Executive Leadership*, 2011.

PAALF: African American nonprofit leaders in Philadelphia are challenged to be resourceful to keep agencies alive while grant makers are rewarding innovation.
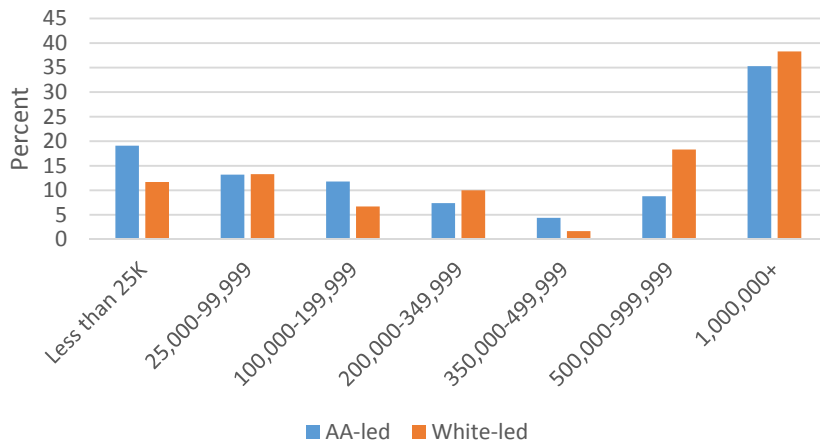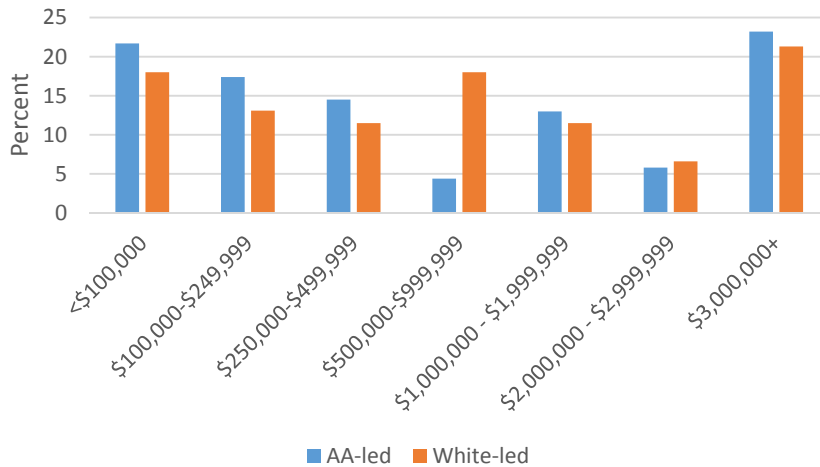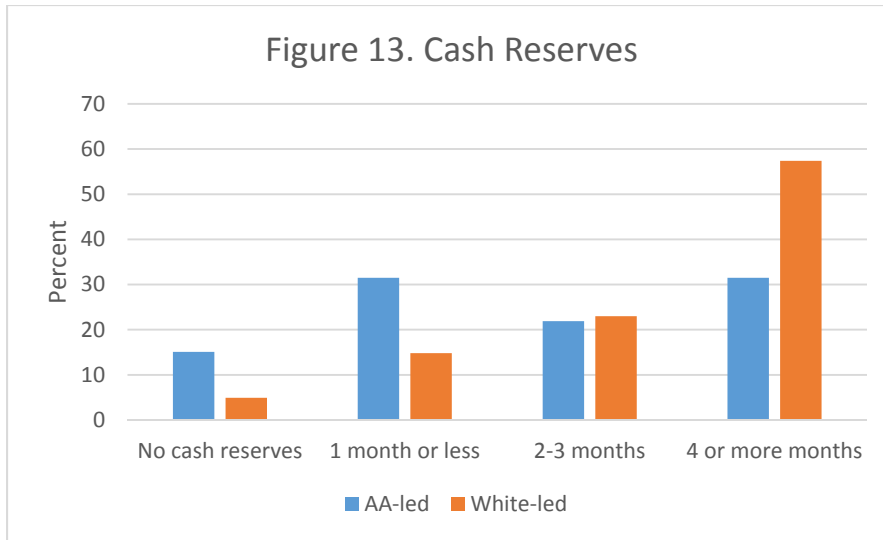
Figure 11. Organizational Revenue

Figure 12. Budget (current year)

Figure 13. Cash Reserves

The sources of an organization's funding also differ slightly between AA-led and white-led organizations. **While government grants are the largest source of funding for both, they are a larger percentage for AA-led organizations** (35% of funding from government grants, on average, versus 22% for white-led organizations). In fact, at over a third of AA-led organizations (35%) at least half of their current funding is from government grants; this is true at 21 percent at white-led organizations. White-led organizations reported more funding from national foundations than AA-led organizations, though it was a small amount (3.5%, on average at white-led organizations versus 1% at AA-led organizations) (Figure 14).

PAALF: Since African American-led organizations tend to be smaller in size and revenue, it is possible that staff may not be compensated as highly as their counterparts at white-led organizations. This is a concern considering that many African American Executive Directors may be heads of households. In addition, these same staff are likely wearing multiple hats within an organization due to lack of sufficient staffing. However, this is a characteristic of most nonprofit organizations.

Figure 14. Funding sources (mean %)
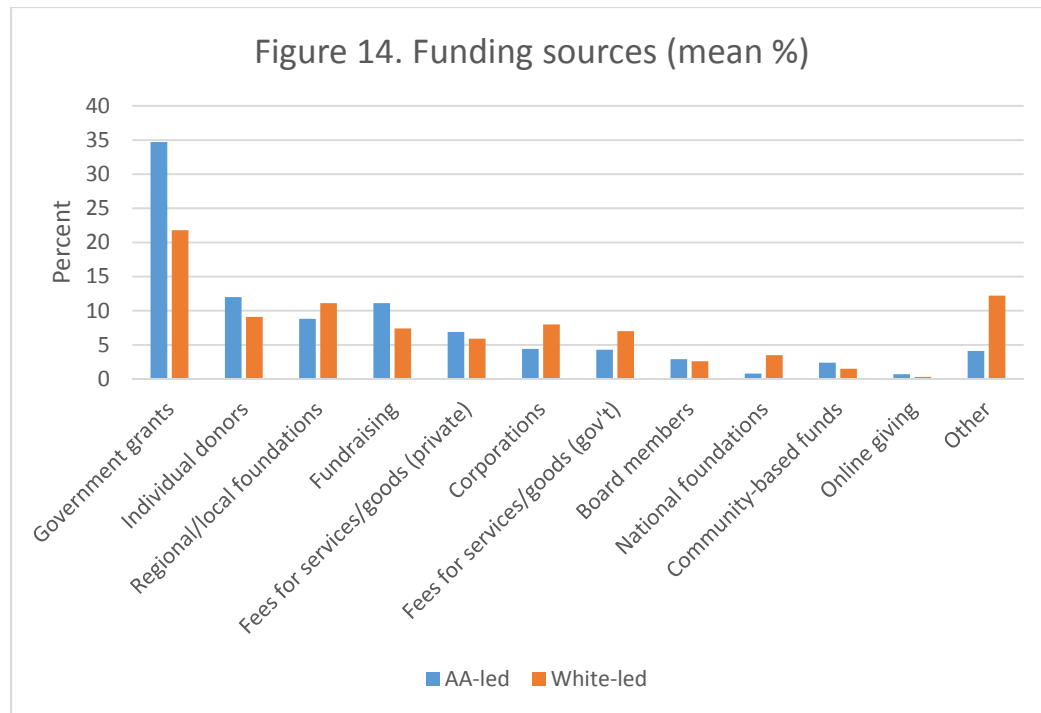
About the organizations' board of directors

An organization's board of directors is a key component of the leadership of the organization and its' members can greatly influence the direction and growth of an organization. Focus group participants (all African American EDs) reiterated this point – while the ED is important, the organizational decision-making begins and ends with the board. On average, the organizations in the study had 12 board members. AA-led organizations are more likely than white-led organizations to have bylaws defining the duration of board membership (82% vs. 67%, respectively). Current board members length of service did not vary between AA-led and white-led organizations. On average, board members can serve a maximum of seven years. At about two-thirds of organizations (65%), board members were expected in contribute financially to the organization (Figure 15).

Figure 15. Board members expected to contribute financially
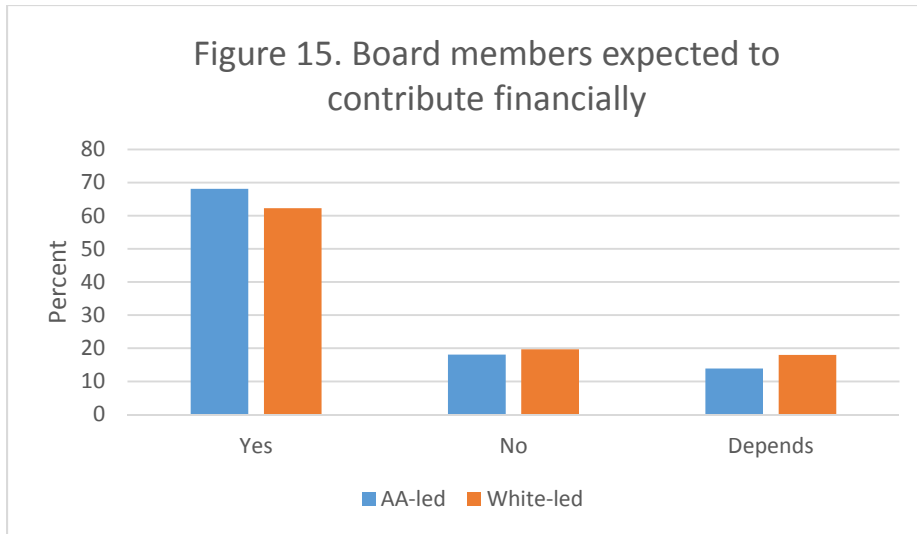
Board members brought a variety of skills to their positions. In particular, EDs reported that their board members have expertise in business and accounting/financial management (78% and 77% of organizations, respectively, have these skills represented on their boards) (Figure 16).
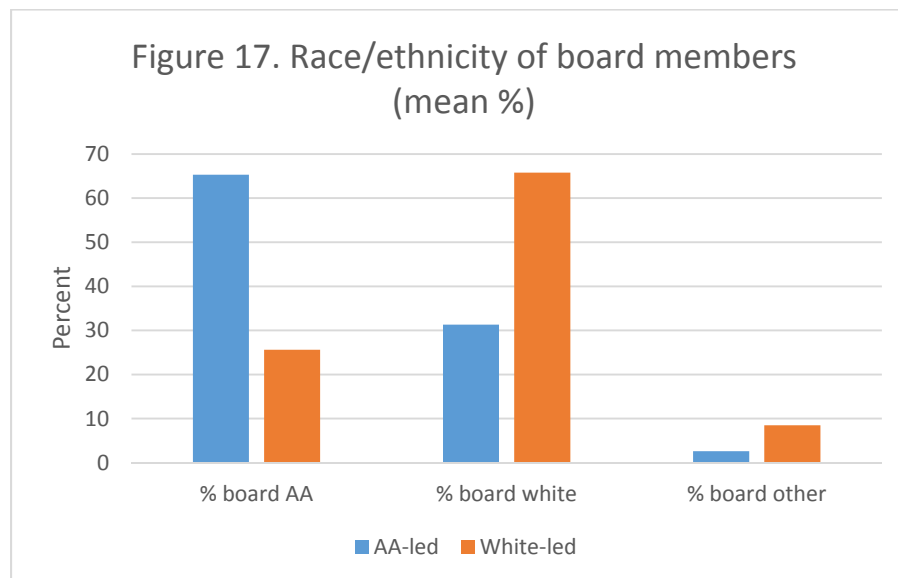

Figure 16. Expertise on Board
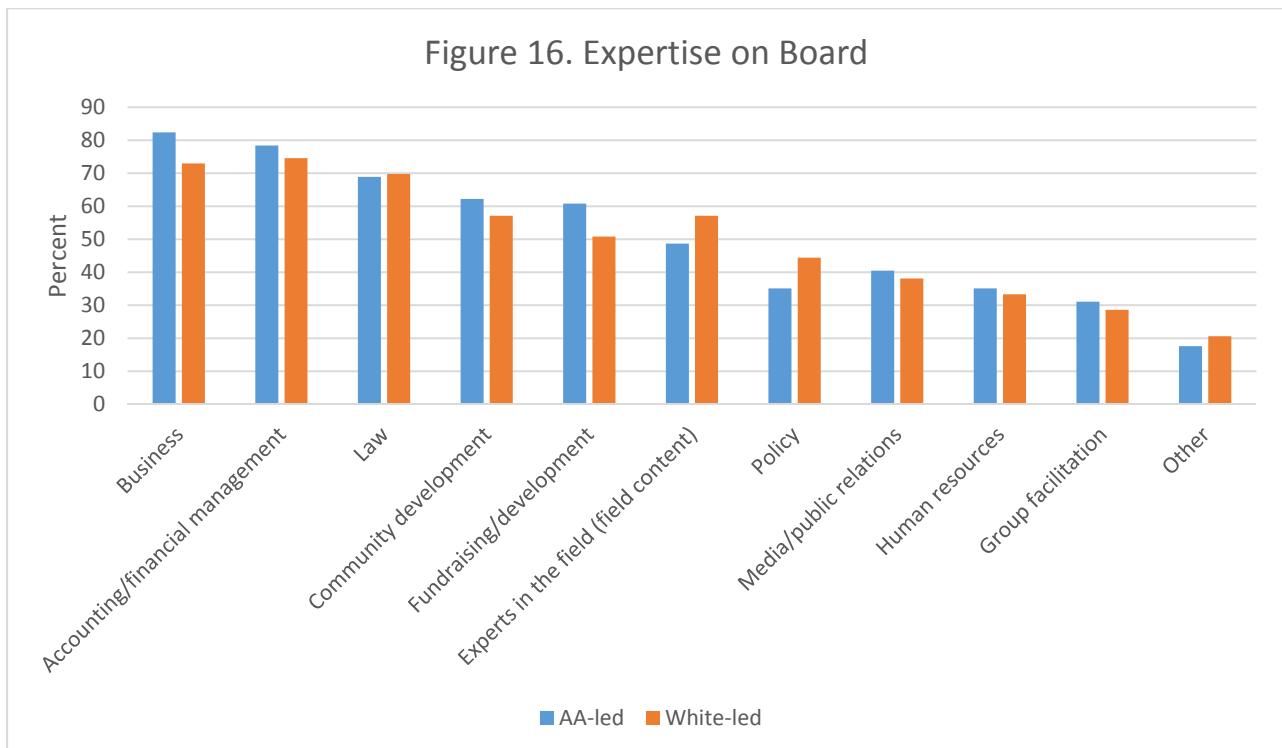
The demographic characteristics of board members provide another indication of who is leading the nonprofit organizations. **AA-led organizations are more likely to have African American board members and white-led organizations are more likely to have white board members** (Figure 17). Specifically, at AA-led organizations, 65 percent of board members, on

average, are African American, compared to 26 percent at white-led organizations. On the other hand, 31 percent of board members are white at AA-led organizations compared to 66 percent at white organizations. In brief, the race of the ED is reflected in the racial makeup on the board of directors. In addition, about half of board members (51%), on average, are women.

A diverse board (not just race/ethnicity, but class, gender, industry, profession, expertise, etc.) was discussed in the focus groups and interviews as particularly important for building diverse networks and, therefore, an increased ability to access to funding. While most organizations participating in the survey demonstrated diversity in race, gender, and skills, some were racially homogenous. At over a quarter of AA-led organizations (27%), all board members are African American. At 10 percent of white-led organizations, the board was all white.

PAALF: For African American-led nonprofits, a board without white representation may suggest limited access to funding or influence. To that end, African American-led nonprofits seek to recruit white board members to increase opportunities for access. Conversely, it is unlikely that white-led nonprofits are seeking African American board members to achieve greater access to funding. It is important to note that many grant funding applications ask nonprofit organizations to document the ethnicity of board membership. This has helped to increase board diversity among white-led nonprofits.

Figure 17. Race/ethnicity of board members (mean %)

About the organizations' staff

The characteristics of an organization's senior staff are another indicator of the makeup of an organization's leadership, as well as a potential pipeline for future nonprofit EDs and sector leaders. The EDs in this study identified a total of three senior staff, on average, at their organizations (the total number of senior staff at an organization ranged from 0 to 26). The demographic characteristics of senior staff followed a similar pattern as the characteristics of board members. **AA-led organizations are more likely to have senior staff who are African American; white-led organizations are more likely to have senior staff who are white** (Figure 18). Specifically, on average, 77 percent of senior staff are African American and 19 percent are white at AA-led organizations; 76 percent of senior staff are white and 16 percent are African American at white-led organizations. At almost 60 percent of AA-led organizations (59%), all senior staff are African Americans; similarly, at about half of white-led organizations (48%), all senior staff are white.

> *PAALF: If an organization's senior management is not diverse, it is unlikely that organizational leadership will be diverse.*

Figure 18. Race/ethnicity of senior staff (mean %)
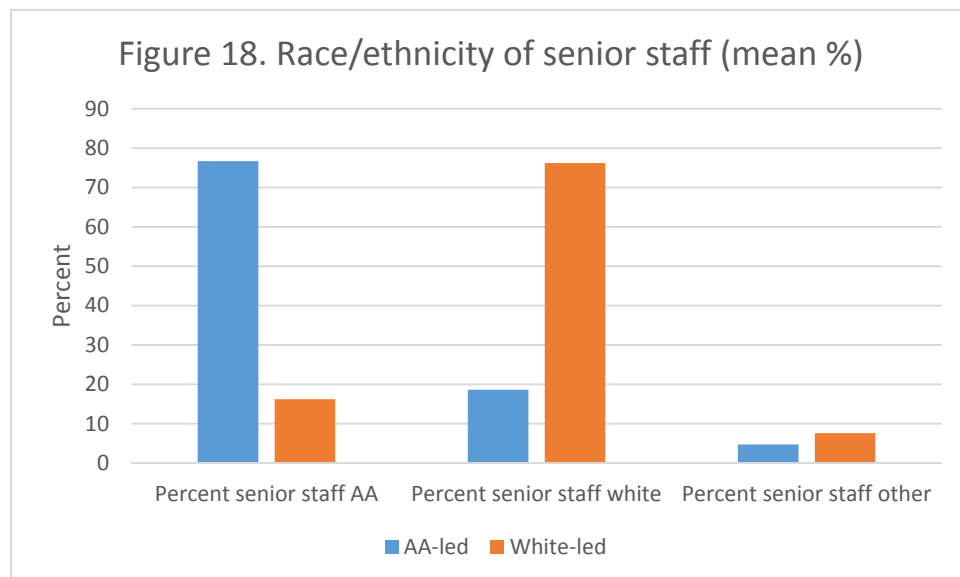
Other characteristics of senior staff were similar between AA-led and white-led organizations. Overall, almost two-thirds of senior staff (66%) are women; the vast majority (86%) have at least a Bachelor's degree; and 71 percent of senior staff have ten or more years of experience working at nonprofit organizations.

Staff and Diversity

The importance of having a diverse staff, as well as the value of specifically having African American staff serving African American clients, was raised in the survey and in the focus groups and interviews. Overall, nonprofit and philanthropic leaders report the value of having a diverse staff – diversity in race, ethnicity, class, gender, experience, etc. – at nonprofit organizations as a way to better serve their clients. When staff share characteristics with clients, they are better able to relate to them, understand their challenges, communicate in a culturally and linguistically sensitive manner, and interact with sympathy and empathy. A diverse staff can "*relate, connect, and build trust with our clients*" (African American ED/survey respondent).

Survey respondents also noted that staff diversity is beneficial to the organization in understanding the issues and developing programming, by including more ideas and perspectives.

> *PAALF: While nonprofit and philanthropic leaders stress the value of diversity in the nonprofit sector, the actual picture conflicts with that perspective.*

African American EDs reported that the race/ethnicity of their staff was a benefit to the organization both for providing better services to clients/participants, and for engaging with the local community. For example, one noted:

As an African American-led organization, our affinity with the population we serve is a tremendous advantage. (African American ED/survey respondent).

Focus group participants and funders also discussed the importance of seeing African Americans in leadership roles. Some felt this "role modeling" was particularly important for youth. Focus group and interview participants agreed in the value of AA-led organizations, as demonstrated by this funder's comments:

I want to say it doesn't matter, on one hand….what you need is a good leader, a good thinker, and a good director of any color. But the highest goal would be to have not just a good leader. [T]here is a higher value to having black-led organizations. (Funder/interviewee)

Diversifying staff (and leadership) was also identified as a challenge, particularly among white EDs. African American EDs, however, in the focus groups also noted challenges in recruiting/finding staff and believe the pipeline could be improved through increased awareness of nonprofit careers among college graduates. In response to a question about how race/ethnicity was a barrier to organizational growth, white EDs noted on the survey that the people they serve are diverse, but staff are not, as these remarks demonstrate:

Our constituency is more diverse than our leadership and I think our constituency would be better served by more diverse leadership (staff and board) who can shape appropriate program and be more aware of issues/challenges faced by that constituency. (White ED/survey respondent)

… We do not have enough Latinos or African Americans on staff to have the insight into the daily lived experience of students to adequately develop our program appropriately. Not having diversity is like not having 20/20 vision. (White ED/survey respondent)

While focus group participants and interviewees universally value diverse staff and leaders, they also noted that competence was more important. They wanted the best person for the job:

Who has the core competencies to carry out what we need to carry out whether they be a black male, or a white male, or a black female, or a white female? Who can get the job done right away? (African American ED/focus group participant)

Some also noted that cultural competence can and should be taught to all staff, regardless of their background, as a way to provide better services and programs. One funder noted:

It's critically important that people are educated, sensitized in all ways, trained – whatever word you want to use – that their awareness is 'up'…. (Funder/interviewee)

Programs and services provided by organizations

The programs and services provided by nonprofit organizations are the central piece in fulfilling their missions and helping to solve critical social problems in Philadelphia. The most common services that EDs in this study reported providing at their organizations were (Figure 19):[44] [45]

- Education for youth (49%)
- After-school activities (39%)
- Community development (37%)
- Youth development (37%)
- Advocacy (37%)

AA-led organizations were more likely than white-led organizations to provide: after-school activities, youth development, financial literacy, and business/entrepreneurship (Figure 19).

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[44] The programs and services reflect the sampling strategy which was to focus on human-service organizations rather than all types of nonprofit organizations. Respondents could select more than one service area.
[45] "Other" services provided included: housing-related (n=15), aging-related (n=5), and mentoring (n=4).

PAALF: African American-led nonprofits provide critical services and programs to vulnerable populations in African American communities.

Figure 19. Services provided
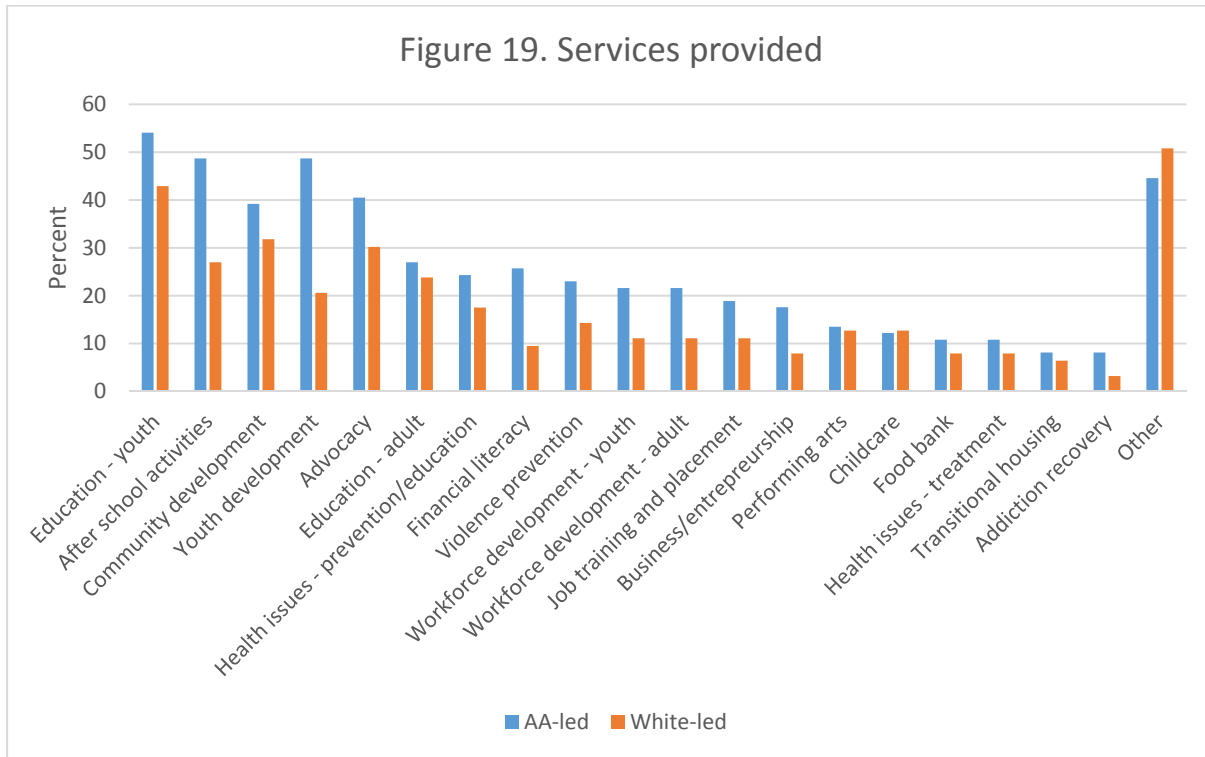
EDs reported the number of clients they serve each year, as well as the demographic characteristics of the populations the organization serves. The organizations in this study serve a large range of clients; a bimodal distribution emerged with about a third (37%) serving fewer than 500 clients per year and about a quarter (28%) serving 4,000 or more clients each year (Figure 20).

Figure 20. Number of clients/year

Survey results indicate that AA-led organizations and white-led organizations are serving different types of clients. **AA-led organizations are more likely to serve youth ages 13-18 than white-led organizations** (78% of AA-led vs. 60% of white-led serve this demographic) (Figure 21). Teens have traditionally been a challenging population for programming and services.[46]
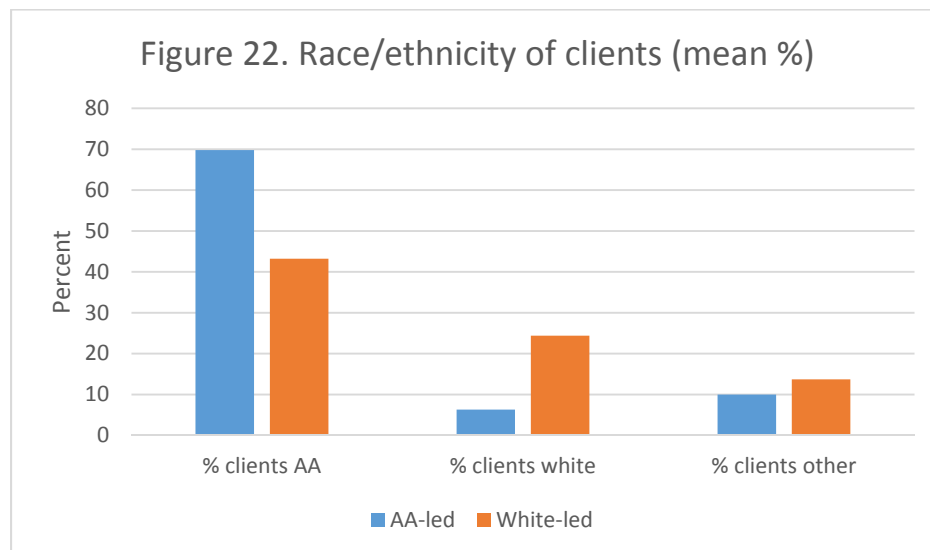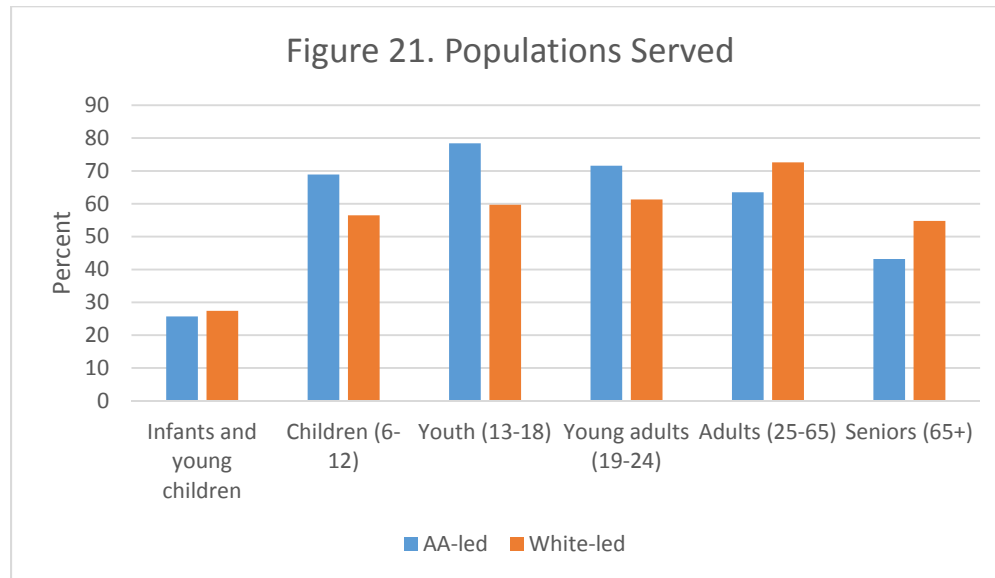

PAALF: The availability of funding for programs serving teens is uneven at best.
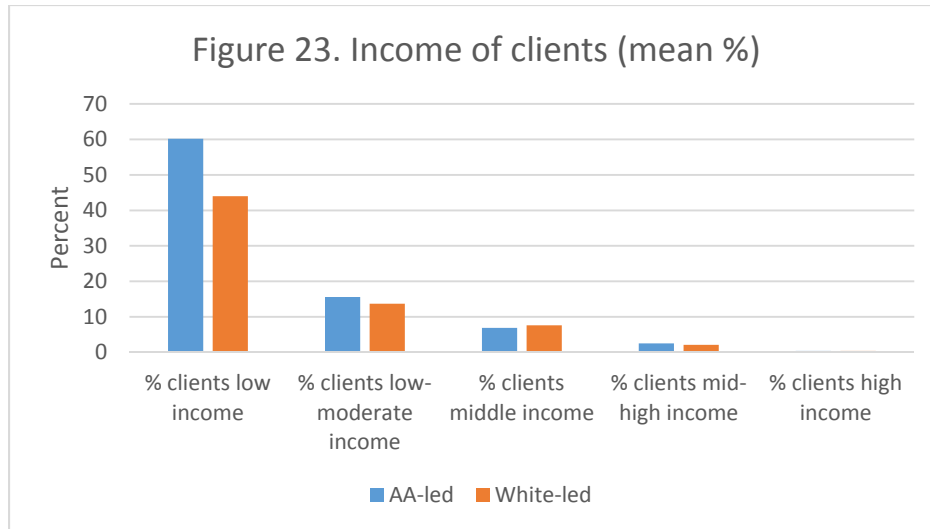

AA-led organizations are also more likely to serve African Americans than white-led organizations; likewise, white-led organizations are more likely to serve white clients than AA-led organizations (Figure 22). At AA-led organizations, 70 percent of clients are African American, on average; 6 percent are white and 10 percent are another race/ethnicity. At white-led organizations, 43 percent of clients are African American (on average), 24 percent are white, and 14 percent are another race/ethnicity. At both types of organizations, the largest percentage of clients, on average, are African American (though it is significantly higher at AA-led organizations).

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[46] Deschenes, S.N. et al. 2010. *Engaging Older Youth: Program and City-Level Strategies to Support Sustained Participation in Out-of-School Time*. Harvard Family Research project, Public/Private Ventures, and the Wallace Foundation. In addition, a study by Small, Pope, and Norton (2012) found an age penalty in racial discrimination: charitable behavior toward African American children decreases with the age of those children (Small, Deborah A., Pope, Devin G., and Michael I. Norton. 2012. "An Age Penalty in Racial Preferences." *Social Psychological and Personality Science* 3(6): 730-737.)

Finally, **AA-led organizations are also more likely to serve low-income clients than white-led organizations** (Figure 23). At AA-led organizations, 60 percent of clients are low-income (on average), while at white-led organizations 44 percent are low-income.

PAALF: As funding struggles increase, African American-led nonprofits are serving the most vulnerable populations with the least resources.

Figure 21. Populations Served

Figure 22. Race/ethnicity of clients (mean %)

Figure 23. Income of clients (mean %)

A bar chart showing the mean percent of clients in each income category, comparing AA-led (blue) and White-led (orange) organizations.

- % clients low income: AA-led ≈ 60, White-led ≈ 44
- % clients low-moderate income: AA-led ≈ 16, White-led ≈ 14
- % clients middle income: AA-led ≈ 7, White-led ≈ 8
- % clients mid-high income: AA-led ≈ 2.5, White-led ≈ 2
- % clients high income: AA-led ≈ 0, White-led ≈ 0

The survey also asked EDs about the physical location of their organizations and clients. While not statistically significant, AA-led organizations were more likely than white-led organizations to be both serving <u>and</u> located in low-income neighborhoods (60% of AA-led organizations versus 47% of white-led organizations; Figure 24). Overall, clients were most likely to reside in the following Philadelphia neighborhoods:

- Lower north Philadelphia (41%)
- West Philadelphia (39%)
- Southwest Philadelphia (27%)
- South Philadelphia (26%)

Clients of AA-led organizations were more likely to reside in West Philadelphia and Olney-Oak Lane than clients of white-led organizations. Clients of white-led organizations were more likely to reside in Center City than clients of AA-led organizations (Figure 25). These findings reflect the demographic characteristics of organizations' clients, as well as residential segregation.

Figure 24. Located and serving low-income neighborhoods

**Figure 25. Neighborhoods where most clients reside**
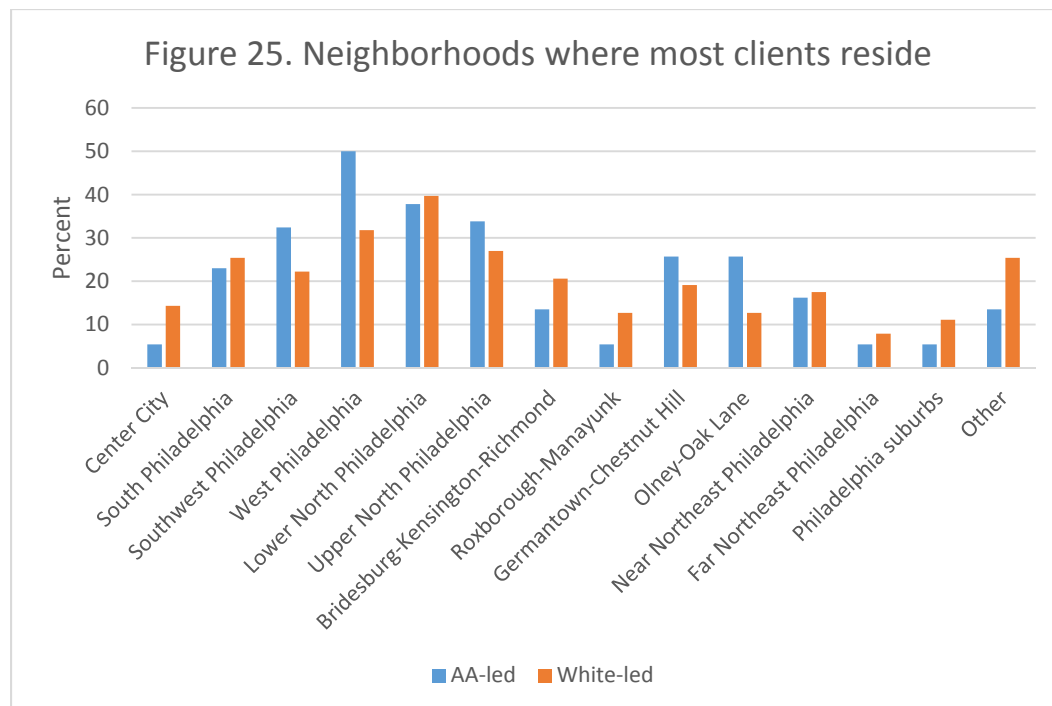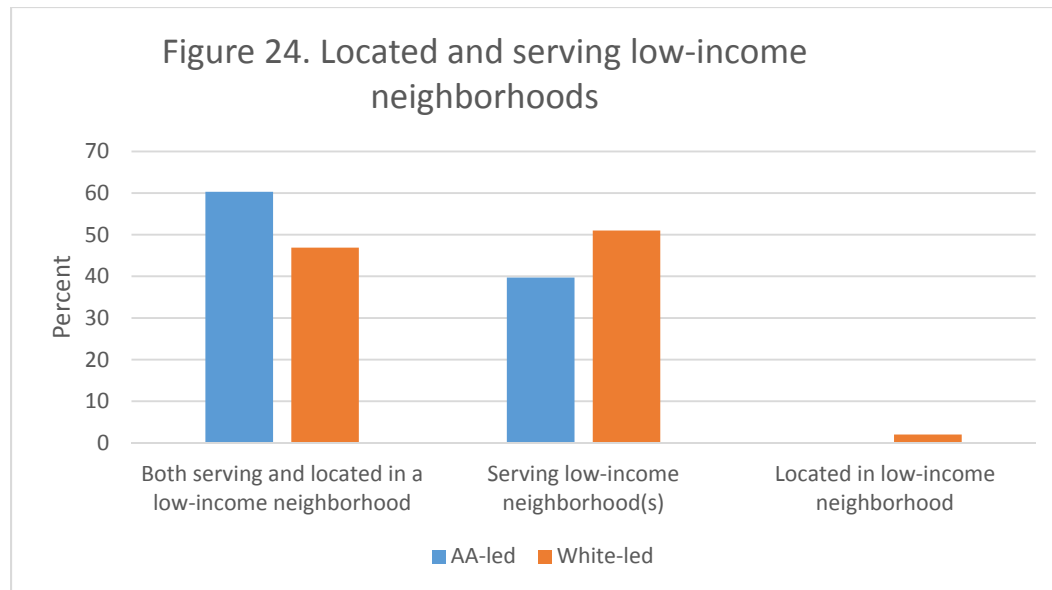
Indicators of organizational capacity

The survey examined several measures of an organization's capacity including technology, data collection, and technical assistance, which are all important for sustainability and growth. Almost all organizations (93%) report having a website; of these 60 percent have dedicated staff to manage the website.[47] In addition, 85 percent of organizations have a presence in social media, such as Facebook, Twitter, and LinkedIn.

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[47] 59% of AA-led and 60% of white-led organizations have dedicated staff to manage their website.

With increasing calls for accountability and measurable outcomes, more and more nonprofits are collecting data on their programs, services, and clients. Overall, about three-quarters of organizations in the study (76%) report tracking client-level data. **AA-led organizations are more likely to track data than white-led organizations** (86% versus 64%, respectively) (Figure 26). This may be due to the greater reliance of AA-led organizations on government funding, which often requires data tracking. Of organizations that track data, almost three-quarters (72%) have staff dedicated to entering, tracking, and managing data.[48] Microsoft Excel is the most commonly used software for data management (63%).

Figure 26. Track client-level data
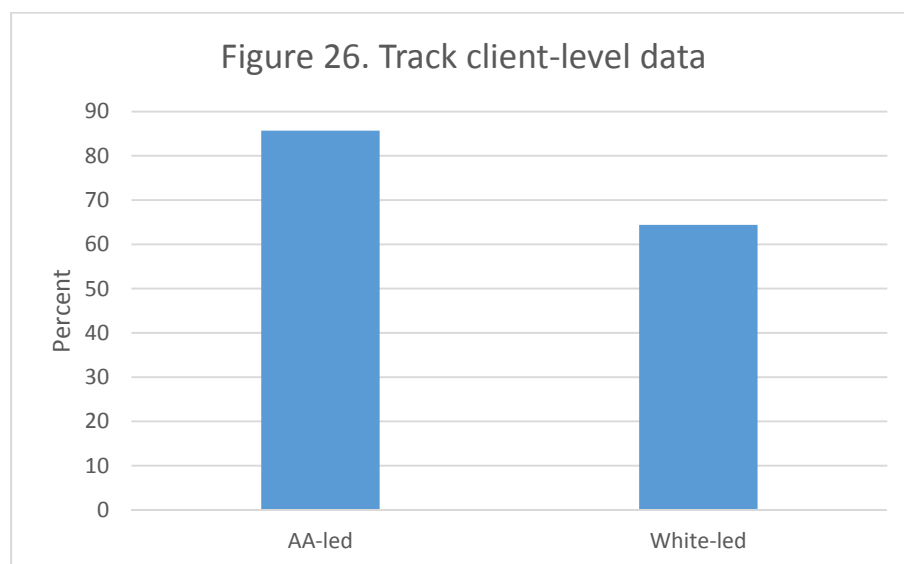
Among those that track data, organizations are most likely to track: number of clients served (95%); demographic characteristics (89%); and program outcomes (81%). **AA-led organizations are more likely than white-led organizations to track program outcomes** (88% versus 68%, respectively) (Figure 27). The reasons organizations collect data include (Figure 28):

- To monitor program progress or quality (95%)
- To fulfill grant requirements (87%)
- To highlight program accomplishments (86%)
- To plan for future programming (82%)

Focus group participants (all African American EDs) reiterated the importance of collecting and using data, and the need to demonstrate program outcomes in order to compete for funding. One ED noted how they used data at their organization:

We changed our teaching and structure of our programs several times based on [pre- and post-program] evaluations." (African American ED/focus group participant)

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[48] 76% of AA-led and 67% of white-led organizations have dedicated staff to manage data.

Another reported:

…especially being an African American – if you don't have certain information, it's hard to compete in what we have to do. We have to able to speak the language. (African American ED/focus group participant)

A funder concurred:

*The more that organizations are armed with appropriate findings and outcomes and research, the better off they'll be. (Funder/interviewee)*

Figure 27. Type of data tracked

Figure 28. Purpose of data collection
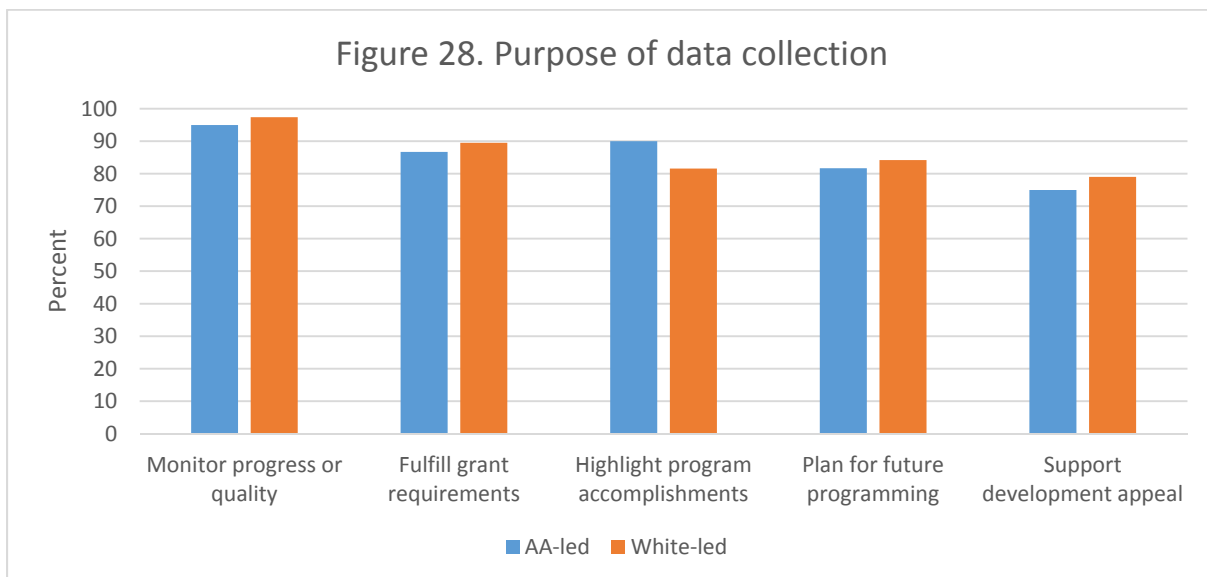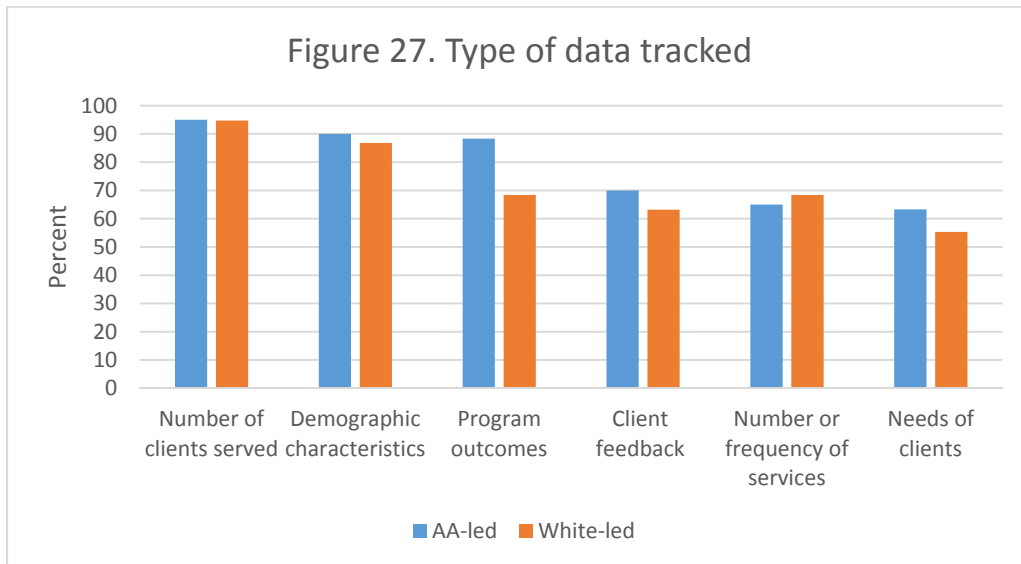
About 79 percent of organizations report receiving some technical assistance (TA) in the last five years. Organizations most often reported receiving technical assistance in:

- Strategic planning (48%)
- Website and social media development (48%)
- Fundraising/development (39%)

AA-led organizations were more likely to have received TA in board development than white-led organizations (36% versus 23%, respectively); **white-led organizations were more likely to have received TA in strategic planning than AA-led organizations** (57% versus 40%, respectively) (Figure 29). While not statistically significant, AA-led organizations were more likely than white-led organizations to not have received any TA in the last five years.[49] Twenty-six percent of AA-led organizations did not receive any TA versus 16 percent of white-led organizations.

Figure 29. Technical assistance in last 5 years
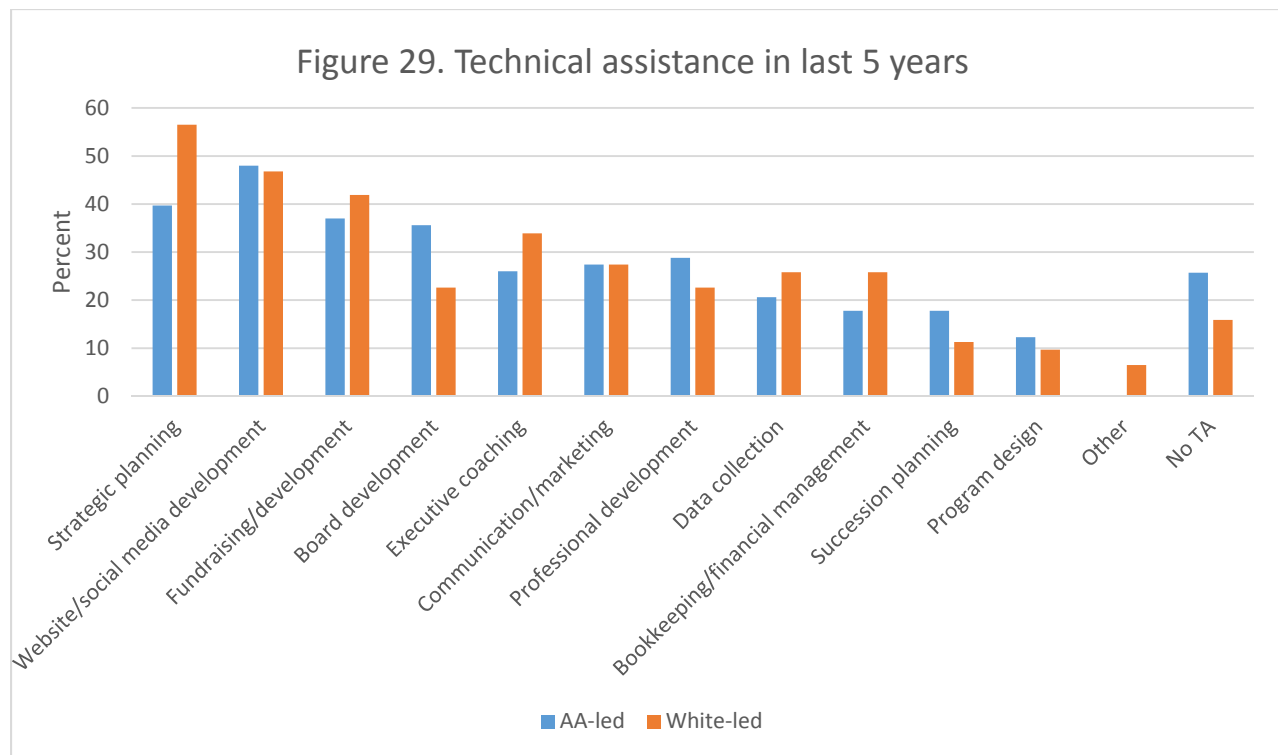
Almost three-quarters of organizations (72%) partner with other organizations to provide services often or all of the time.

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[49] In addition, smaller organizations (small/micro) were less likely to receive any TA in last five years compared to larger organizations (medium/large) (chi-square, p<.05).

Challenges

Challenges in fundraising, and how these challenges related to race, was addressed in the survey and was a prominent theme in the qualitative data collection. Not surprisingly, EDs (of all races/ethnicities) were most likely to identify fundraising as a significant challenge to their organization (84%). Furthermore, **AA-led organizations were more likely than white-led organizations to name fundraising as a significant challenge** (91% versus 78%, respectively) (Figure 30). Some survey respondents further explained why fundraising was so challenging. The most common reasons were the poor economy/recent recession; reduced government funding (which, as previously shown, AA-led organizations are more reliant on); and competition among nonprofits for limited funds. Some respondents also mentioned that funding was often only available for programs, but not for organizational expenses such as staff. EDs also noted that fundraising takes a significant amount of their time.

Board/governance issues was the second most common challenge for organizations (selected by 29% of EDs as a significant challenge). EDs noted that they needed their board members to be more engaged, and specifically, to be more involved in fundraising for the organization.

Figure 30. Significant challenges to organization
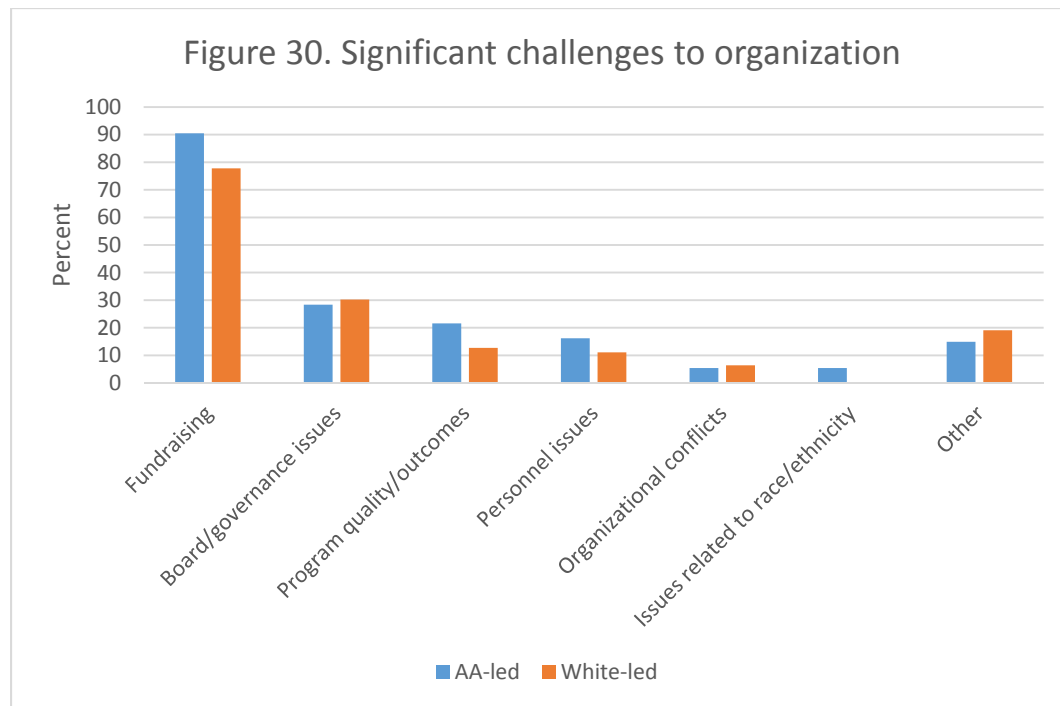
While very few survey respondents reported that issues related to race/ethnicity were a significant challenge (5% of African American EDs and 0% of white EDs), over a third agreed or strongly agreed with the statement: *Race/ethnicity is a barrier to my organization's growth.* Slightly more African American EDs agreed/strongly agreed than white EDs (40% versus 32%, respectively), but the difference was not statistically significant (Figure 31).

Figure 31. Agree/Disagree: Race/ethnicity is a barrier to my organization's growth.
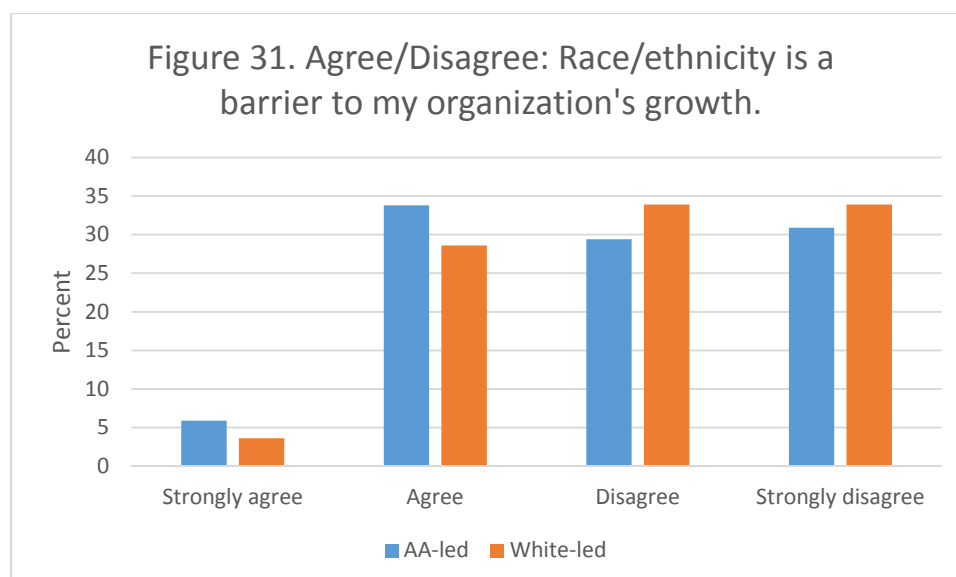
When asked how race/ethnicity was a barrier to organizational growth, the most common responses among African American EDs dealt with the interaction between race and fundraising or access to funding or capital. Focus group participants also discussed this issue extensively. Respondents believe that AA-led organizations receive less funding than other organizations. They report that funders/donors have negative perceptions and distrust of AA-led organizations and leaders, particularly about fiscal management and the ability to manage large investments, quality of services, and competence of and confidence in the organization's leadership.

Respondents report another challenge has been a shift in funding to larger organizations, disproportionately affecting AA-led organizations which tend to be smaller. Focus group participants speculated on the reason for this: with fewer federal employees to monitor grants, the government is issuing larger grants to fewer (and larger) organizations.

Funders also discussed organizational size and competition for funds, as the following quote illustrates:

> *Our [Philadelphia's] nonprofit market is really saturated with smaller organizations that are not able to achieve the outcomes because they don't have the resources. And while they might love what they do and it's a great idea, the reality of it is you need an infrastructure to serve [people] well and with authenticity. And, you have to be able to tell the story. Need does not tell a story of impact. All it does is articulate need….[R]esources are limited and I think the philanthropic community is much more limited than the nonprofits realize. We have a small philanthropic sector here [in Philadelphia].* (Funder/interviewee)

Other funders, however, noted that some philanthropic organizations have policies in place to even the playing field for small and mid-sized organizations.

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In addition to organizational size, some respondents noted that funders tend to fund organizations that they can identify with and relate to (and this may be related to a lack of African Americans at foundations and at other funding organizations), as demonstrated in this quote:

I clearly understand that people give to that which is in their interest and to people to whom they relate. Thus, class is as much a barrier as ethnicity because, if funders do not identify with or have empathy with you, they will not partner with or invest in you. Our challenge is to convince potential funding partners and others that the work we are doing is indeed in their best interests and to document and market the value and competence of our work. (African American ED/survey respondent)

Another ED noted that funders are not familiar with community-based organizations and "*will never venture out into those communities*" (African American ED/focus group participant). Funders acknowledged that post-recession, the philanthropic sector has an increased avoidance of risk in funding, and a decrease in dollars available for "untested" organizations.

The importance of networks, or social capital, and the role of an organization's board also emerged as critical factors in the intersection of race and fundraising. Some African American EDs described their lack of access to insider information, including knowledge of funding opportunities:

…as an African American, my resources and networks in the city aren't as expansive as my Anglo peers. (African American ED/survey respondent)

Diversity on the board also means the potential for more diverse networks and access to funders. As noted earlier, AA-led organizations tend to have boards that are predominantly African American (and in a quarter of cases, all African American). This can limit the number and reach of networks, including those with funders. Access to resources is compounded by racially segregated networks and vast and continuing differences in wealth between African Americans and whites. As one focus group participant commented on board diversification and sustainability:

…in order to sustain the organization, you need people with resources and [who] have connections to resources. (African American ED/focus group participant)

Similarly, a funder discussed the relationship between board diversity, networking, and fundraising:

> *…board members are supposed to give and get and then, of course, contribute their thought power, right? And, if you have to 'give' [but] don't have money of your own and, you cannot 'get' because your circle for networking is so limited, then you're left with only one other thing to contribute which is your insight and your wisdom – which is not to be diminished. But in order for a board to be really*

> *effective, that giving and getting is – you cannot exist without the resources to carry on.* (Funder/interviewee)

Conclusion

This study of nonprofit organizations in the human service sector in Philadelphia uncovered both similarities and differences between organizations led by African Americans and those led by white Executive Directors. Overall, there were some similarities -- in the background and experiences of EDs, in what EDs do in their daily work, in several organizational characteristics such as age and budget, and in the gender composition and expertise of board members and senior staff.

However, a number of interesting differences emerged. Organizations led by African Americans are smaller, as defined by the number of staff and volunteers. Other work has similarly found this.[50] AA-led organizations have fewer cash reserves and are more dependent on government grants than white-led organizations. The latter likely explains the greater likelihood of AA-led organizations to track data and program outcomes, as accountability measures for public funds have increased over time. These findings regarding cash reserves and government funding may make AA-led organizations more vulnerable to recessions and changes in government, and thus more financially precarious than white-led organizations. Focus group participants (African American EDs) acknowledged the need for diverse funding streams and creative funding strategies.

The findings from this study also show a degree of segregation and isolation between AA-led and white-led organizations.
- AA-led organizations are more likely to have African American board members and senior staff, and white-led organizations are more likely to have white board member and senior staff. In fact, at 27 percent of AA-led organizations, all board members are African American. At 59 percent of AA-led organizations, all senior staff are African American; at 48 percent of white-led organizations, all senior staff are white.
- While study participants express the value of leaders and staff reflecting the population they serve, the downside to this homogeneity, particularly among board members, is the lack of diverse professional and social networks, which can negatively impact access to funding.
- The paucity of African American senior staff at white-led organizations also has implications for the future of African Americans in the nonprofit sector. The pipeline for African American leaders appears to be weaker at white-led organizations.

AA-led and white-led organizations in this study are serving different populations.
- AA-led organizations are more likely to serve teens, African Americans, and low-income residents than white-led organizations.

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[50] The Foundation Center and Philanthropy New York, 2009. *Benchmarking Diversity: A First Look at New York City Foundations and Nonprofits.*

- AA-led organizations are also more likely to be serving and located in low-income Philadelphia neighborhoods.
- These findings suggest that AA-led organizations are serving some of the neediest populations in Philadelphia. Being located in the places where services are most needed makes the organizations more accessible to clients and allows them to become trusted members of the community. These findings highlight the value of AA-led organizations to the Philadelphia community.

All study participants reported significant challenges with fundraising, particularly with only the recent end of the recession. However, African American EDs reported even greater challenges. While there is a perception of racial differences in funding, this study cannot confirm whether AA-led organizations are not funded as often or as generously as white-led organizations. Funders explained that a large percentage of grants benefit African Americans because nonprofits serve large black populations in Philadelphia. The survey data also showed that nonprofits primarily serve black clients. What is not clear is the whether AA-led organizations receive less funding than white-led organizations, although many believe this is the case. Other studies have found mixed results in disparities in funding and data are lacking.

> *PAALF: A prevailing question among African Americans in the nonprofit sector remains: If black communities are beset by social inequalities and problems and a large percentage of grant dollars are directed to this group, why can't African American nonprofits be a vital part of the solution?*

Overall, this unique and first-of-its-kind study should provide valuable information to the Philadelphia African American Leadership Forum and other city and nonprofit leaders and funders to use to improve the strength of nonprofits in Philadelphia and the services they provide throughout the city, particularly to the neediest populations.

APPENDIX

Survey Methodology

The goal of the study was to survey a representative sample of human service-based nonprofit organizations in Philadelphia. We started with a list of 7,722 501c3 organizations in Philadelphia county from the National Center for Charitable Statistics, Business Master File (October 2013). The National Center for Charitable Statistics is the clearinghouse for data on the nonprofit sector in the U.S. The Business Master File (BMF) contains descriptive information for all active organizations that have registered for tax-exempt status with the IRS. We removed private foundations and organizations with zero income and assets in the prior 24 months. We narrowed the list further to only include organizations classified in the human services and related areas. Specifically, we included organizations classified according to the NTEE Classification System[51] as: youth development; human services; civil rights, social action and advocacy; community improvement and capacity building; and employment. We also include some subcategories of: arts, culture, and humanities; education; mental health and crisis intervention; crime and legal related; housing and shelter; and recreation and sports. The final list, or sampling frame, included 955 organizations.

AALF members identified which of those organizations were led by African American Executive Directors. All organizations identified as such were included in the sample. In selecting other organizations, we employed a stratified random sample using organizational assets as the stratifying variable, as this variable differed depending on whether the organization was African American-led or not. This resulted in our final sample of 250 organizations. An online survey was sent to the Executive Director of each organization in the sample in November 2014.[52]

Despite repeated follow-up efforts and offering respondents an incentive, response rates to the survey were low. In early 2015, AALF members reached out to EDs at additional organizations to complete the survey. By mid-March 2015, 166 surveys[53] were completed for a response rate of about 49 percent. This response rate is likely conservative. It includes in the denominator respondents who tried to complete the survey but were disqualified because they were not the ED or CEO (perhaps the ED or CEO never got the survey) and possibly organizations that no longer exist. Therefore, we expect the actual response rate was higher than 49 percent. Seventy-six surveys (46%) were from the original sample (that utilized stratified random sampling) and 90 surveys (54%) were from organizations added later (primarily through AALF member contacts). However, the additional organizations generally fit the criteria of the original sample in terms of types of organizations (such as NTEE code).

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[51] http://nccsdataweb.urban.org/kbfiles/324/NTEE_Two_Page_2005.pdf

[52] Significant time was spent looking up contact information for Executive Directors. Organizations without contact information or that appeared to no longer exist were removed from sample and replaced using the stratified random sampling process.

[53] Twenty-one completed surveys that were not from 501c3 organizations were removed prior to analysis. The final sample size was 145.