

What Grant Makers Can Do to Help Small, Local Nonprofits Thrive

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Julie Phelps grew up "really poor," as she calls it, in rural Minnesota. In high school, she worked at the local Burger King, the best-paying job she could find. She was so organized, and such a natural leader, that she was promoted to night manager while still a teenager.

Phelps had always loved theater and the arts, particularly dance, even though her family could not afford formal lessons. But when she went to Macalester College in St. Paul, with the support of significant financial aid and scholarships, she majored in psychology. "I didn't really know — and no one told me — that you could actually study the arts in college, that it could be a viable option," she says.

But Phelps's passion for the arts never left her. When she moved to San Francisco after graduating from Macalester, she worked in cafes and got involved in dance performances at local nonprofits. Today, at age 34, Phelps runs one of those organizations, CounterPulse, in San Francisco's Tenderloin neighborhood. CounterPulse provides "space and resources for

emerging artists and cultural innovators, serving as an incubator for the creation of socially relevant, community-based art and culture." Its \$1.2 million budget includes about \$230,000 in ticket sales and other earned revenue, with the rest coming in contributions, primarily foundation grants.

Getting to CounterPulse's door often involves navigating huddles of homeless, mentally ill, and drug-afflicted people — those desperately in need of services and help in the shadows of the gleaming towers of San Francisco's financial district. CounterPulse stands as a pillar community arts organization in a neighborhood that desperately needs pillars.

'Two Superpowers'

As its leader, Phelps is among a legion of unsung American heroes: nonprofit executives running small, community-based organizations. While doing research for my forthcoming book *Giving Done Right: Effective Philanthropy and Making Every Dollar Count*,¹ I interviewed some of these executive directors: of the health organization in Texas serving the desperately poor, of the youth organization in Massachusetts seeking to lure the most violent gang members out of gang life, of the legal-services organization in New York providing pro bono representation for undocumented minors.

I've continued to seek opportunities to profile nonprofit leaders, and that's how I connected with Phelps recently. What I saw in her is what I see in many nonprofit leaders I spend time with — tremendous management ability, coupled with vision and passion, operating in a context that makes running an equivalent-size business seem downright easy. To spend time with these leaders is to recognize the utter fallacy of the caricatures of nonprofits that they are undisciplined, that their leaders couldn't make it in business, or that the work is somehow easier than in for-profit organizations.

Wrong, wrong, and wrong again.

When I visited CounterPulse in February, staff members were planning their biweekly Block Fest, a set of arts activities for neighborhood residents, and looking ahead to the premiere of *Galatea*, a "queer-rock adaptation of Ovid's classical myth Pygmalion," in its new, sparse but versatile 100-plus-seat performance space. Phelps led the meeting, consulting spreadsheets in which she kept track of timelines but regularly turning to her half-dozen colleagues for updates or perspectives about the best next steps.

"I have two superpowers: grant writing and hiring and building a team," Phelps says, referring to the growing community of individuals, foundations, and agencies that support CounterPulse. But "recruitment and retention of talented people" is a huge problem, she acknowledges. CounterPulse employees receive no retirement benefits, and the organization can pay only half of their health-care premiums. Phelps must constantly

negotiate these and other limits to compensation packages for the bright people who work at CounterPulse through what she calls her "open, lateral management style" in which she transparently shares information with her staff. It's a lot of work, even if it's good work.

Harder Than It Needs to Be

Recent research from the Center for Effective Philanthropy, the organization I lead, examined how foundations can strengthen nonprofits. It revealed that staffing challenges are a common drag on nonprofits, one that foundations tend not to fully appreciate. This is a point that the organization Fund the People and its leader, Rusty Stahl, have powerfully articulated.

For Phelps, it can feel as if "we are always reinventing the wheel." She has sought to turn this into a positive, pointing with pride not just to the artists who got their start performing at CounterPulse and went on to great success elsewhere but also the staff who did the same — moving on to careers at Facebook, Zero1, and Viz Media, for instance.

But "something is wrong with this recipe," she acknowledges. That echoes what we have heard at the Center for Effective Philanthropy over years of surveying tens of thousands of grantees about their experiences with foundations and their views on how grant makers can better respond to the needs of nonprofits.

For Phelps, specific-project funding "limits overhead" and "doesn't take care of the center of the organization," while single-year grants keep her and her staff on a "hamster wheel." It's tough to hire and keep staff when funding is inconsistent and restricted. These challenges are universal, but most nonprofit leaders I talk to confess they don't tell the grant makers who support them just how hard — and bad — it can be.

"Foundations need to understand that they're always going to be giving capacity-building grants unless they help nonprofits retain talent," Phelps notes.

Leaving CounterPulse and walking through the Tenderloin, I wondered if there aren't some simple solutions for grant makers seeking to better support such organizations. The questions in my mind included what if foundations:

- Asked nonprofits about their employee salaries and benefits and took responsibility for helping their grantees reach threshold minimums tied to the cost of living? The rule could be, "If we fund you, we will commit to helping you pay a benchmarked level of total compensation that allows your organization to attract and retain employees."
- Gave general-support grants to organizations with budgets under \$3 million? What if they resolved that for every specific-project grant they gave an organization, they would provide the same amount for general support?

- Made multiyear support the default, with one-year grants requiring special justification to either the CEO or the board?

These are just a few ways to really strengthen our civil society. After all, Julie Phelps could walk away at any moment and likely double or triple her salary in the business world. She doesn't expect to be paid at CounterPulse what she'd make at Facebook — she reaps great psychological rewards from her work. She's justifiably proud of all CounterPulse achieves "and the tremendous network and family of visionaries who lift us up."

But leading these organizations shouldn't be this hard, and grant makers can take steps to help people like Phelps be even more successful. Because she and the many other leaders of small, community-based organizations doing vital work across this country — along with their dedicated and able staffs — deserve better.

Phil Buchanan is president of the Center for Effective Philanthropy, a regular columnist for the Chronicle, and author of "Giving Done Right: Effective Philanthropy and Making Every Dollar Count," to be published this month.