



Executive Summary

In 2006 the Greenlining Institute released a report entitled “Investing in A Diverse Democracy: Foundation Giving to Minority-Led Nonprofits.” The report argues that communities of color are under-represented at “the tables of decision making” on major policy discussions. It attributes this lack of minority leadership and participation at least partly to a lack of foundation support for minority-led organizations.

The Greenlining report seeks to “measure the role foundations are playing in empowering minority communities to contribute to the nation’s cutting edge public policy dialogue,” with the ultimate outcome that minority communities “are provided the same opportunities and resources to learn, grow, and make mistakes that our predominantly-white counterpart organizations have received from foundations.” (p. 3)

To be clear, Greenlining did not attempt to measure the breadth of foundation giving to organizations like the United Way - the nation’s leading community empowerment-directed charity - nor the impact of foundation giving on *communities* of color. They sought only to measure the degree of funding given to strictly-defined minority-led organizations.

The Greenlining Institute report addresses issues of great social significance, but also of great complexity. Unfortunately, the research contains several analytical problems, involving sampling strategies, data collection, operational definitions, and data analysis. These difficulties need to be resolved before such research can aspire to social scientific validity.

Among the major problems are the absence of a random sample of foundations and the low response rate among those that were sampled; the inability to obtain sufficiently valid and reliable information on foundation giving from other sources; a questionable definition of “minority led” that makes it very difficult for nonprofit organizations to qualify; and a calculation that lowers the percentage of funding to these organizations by including foundations whose missions direct their giving elsewhere than to minority-related public policy areas. As it is, the foundation community seems “set up to fail” by the comparisons used in the report.

The sampling and response rate problems alone invalidate any conclusions that go beyond a very small and unrepresentative group of foundations in terms of both their number and the amount of assets they control. But a number of difficult issues internal to the analysis would need to be resolved if the research is to produce results that provide valid and reliable answers to the research questions. These involve greater clarity in defining key variables and determining what comparisons are best suited to data. Unless these research challenges are met and mastered, the questions Greenlining raises will lack definitive answers.



INTRODUCTION

In 2006 the Greenlining Institute released a report entitled “Investing in A Diverse Democracy: Foundation Giving to Minority-Led Nonprofits.” The report argues that communities of color are under-represented at “the tables of decision making” on major policy discussions. It attributes this lack of minority leadership and participation at least partly to a lack of foundation support for minority-led organizations.

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This report has become a part of the ongoing public debate over diversity in philanthropy, and its findings have proven controversial. In the following analysis, STATS examines the research techniques that Greenlining used. Our goal is to determine whether the report’s conclusions are justified by the research that was carried out. Our method is to examine how the findings are related to the assumptions and procedures on which the research was based..

In order to do this, we will examine three distinct aspects of the research:

1. Research design -- how is the problem the study addresses defined?
2. Research methods – what scientific methods are used to study the problem?
3. Data analysis -- how is the evidence produced by these methods interpreted?

In each instance we discuss the underlying assumptions and procedures and then identify any problems that need to be addressed in order for the research to support the conclusions that the report draws from it.

RESEARCH DESIGN

The Greenlining researchers were concerned with minority empowerment and participation rather than the resources or services provided to minority communities. Therefore their research design focused on the extent of foundation giving to minority-led nonprofit groups, rather than how the giving benefits minority communities:



“The study does not attempt to assess the impact of foundation grants on minority communities broadly. Instead the focus is on empowerment and access to philanthropic resources for nonprofits that serve and represent communities of color. Our focus is on governance and decision-making power.” (p.24)

Specifically, the researchers sought to determine the number and value of grants from foundations to minority-led organizations, in a manner that permits an overview of a broad spectrum of foundations. By defining the nature and extent of the problem, the study was intended to provide a basis for deciding what policies would produce the best solution. (These were included in the “Recommendations” section of the executive summary on page six.)

To illustrate the limitations of this research design, it did not consider the role in charitable donations that is played by organizations such as the United Way. The design considers the United Way only as a recipient of foundation funds, not as a contributor of funds to other organizations. So the governance and community impact of these organizations remain outside the boundaries of the study.

Problems: The design’s focus on minority empowerment leads to difficulties in defining “minority-led.” In addition, the report has difficulties in dealing with foundations whose missions do not include certain public policy areas, as well as organizations like the United Way, which both receive and disburse foundation funds. These difficulties are elaborated below.

RESEARCH METHODS (OPERATIONALIZING THE DESIGN)

The next step was to select the research methods that would provide the empirical evidence Greenlining needed to determine the nature and scope of the problem they described:

“The purpose of this study is to quantify the number of grants and dollars awarded by a specific group of foundations to minority-led nonprofit organizations.” (p. 9)

This involved a number of decisions that would shape the results of the study:

- What foundations should be included in the study (sampling techniques);
- How should minority-led nonprofits be defined (operational definitions);
- How should foundation giving be measured (data collection and measurement)

Sampling Techniques.

The researchers selected the following sample of foundations:

- the twenty-four largest independent foundations by asset size nationally
- the ten largest independent foundations by asset size in California;



- the five largest community foundations by asset size in California.

These foundations were chosen because “they control a significant portion of foundation assets nationally and in California and serve as leaders in the field.” For example, the 24 largest independent foundations gave \$5.7 billion in grants in 2004, representing 20 percent of all foundation giving.

Unfortunately, because the sample was not randomly selected, the results do not apply to the many smaller foundations that were not included in the study. This excludes independent foundations that accounted for 80 percent of all giving in 2004, according to Greenlining’s figures. (As noted below, the significance of this problem is further magnified by a low response rate and high variability in giving among independent and community foundations.)

For example, the researchers can’t generalize about how asset value is related to giving, because most foundations must direct their funds to either smaller or fewer projects than the largest foundations. But these smaller foundations are not included in the sample. Similarly, the study cannot determine whether the kinds of grants that minority-led nonprofits seek are more likely to be funded by smaller foundations or those with local interests.

Problems: The lack of a random sample makes it impossible to apply the results to the many foundations that account for the bulk of charitable giving.

Data Collection/Response Rate

The researchers requested grant data from 35 foundations. Only eight of these supplied usable information, a response rate of 23 percent. Further, four of the eight responses came from California community foundations which ranked from 29th to 35th in assets. Since the sampling was based on asset size, these responses were of limited value. There were only three usable responses from the 24 independent foundations with the most assets nationally, a response rate of only 12 percent among this group.

The response rates for the survey were clearly unacceptable. Therefore, the researchers tried to obtain information on the foundations that did not respond by using a database maintained by the Foundation Center. As they note in the report, however, there were “discrepancies” between the information retrieved from the database and the giving reported by foundations themselves. Unfortunately, the report supplies no information about either the nature or extent of these “discrepancies.”

Nor did the researchers attempt to gain a sense of their magnitude by comparing the Foundation Center database with the actual data from foundations that did provide this information. They state that they utilized the Foundation Center database because, “it was the most comprehensive and easily accessible [information source]. However, the exact methods defining the population of this database with grant information are unknown.” (p.26)



Similar problems limited the collection of data on minority-led nonprofits. The researchers reviewed relevant materials on the organizations' websites and supplemented this information by contacting their staffs. When insufficient information could be obtained, the organization was removed from the data set. Therefore, the percentages of grants and dollars listed in the report actually reflect "adjusted totals" after deleting grant totals which could not be allocated to either minority-led or other nonprofits. The researchers concluded,

"information on the number of minority-led nonprofits within the sector as whole is unknown. Therefore, the percentages reported may actually reflect the proportion of minority-led organizations as compared to white-led organizations. Additional research on the universe of minority-led nonprofits is warranted." (p.25)

As these quotations show, the researchers recognized the problems with their data. But recognition is not a solution. Very few institutions provided the information that was needed, and the information that was available from external sources was not reliable enough to make up for the poor response rate. As a result, we simply do not know to what extent the data reflect the actual giving patterns that they purport to measure.

Problems: A low response rate produced too little information to draw any conclusions about the foundations that were sampled. Information from other sources proved too ambiguous and incomplete to fill in the gaps.

Definitions

Greenlining's aim was to "assess the resources offered to non-profits that are led and governed by people of color." The report defined a "minority-led" nonprofit as,

"one whose staff is 50 percent or more minority; whose board is 50 percent or more is minority; and whose mission statement and charitable programs aim to predominately serve and empower minority communities." [p24]

This is a very stringent definition, since an organization must meet four distinct standards in order to be included. No other combination of the four criteria (staff, board, mission statement, and programs) is sufficient. Nor do we know whether such a definition makes sense in the real world. For example, we don't know the number and characteristics of nonprofits that are minority-led at the staff *or* the board level, as well as those whose missions or programs are intended to "serve and empower minority communities," but whose minority leadership falls below the fifty percent threshold.

The "mission" and "programs" criteria introduce special problems. The researchers specifically excluded "the impact of foundation grants on minority communities" (p.24) from their criteria for judging foundation giving. But this standard returns through the back door when vaguely defined mission and program criteria are added to minority composition components in judging recipients. At what point do missions or programs to combat poverty, lower illegal drug use,



reduce crime and violence, or equalize educational opportunities and resources become minority focused? Clear cut-points need to be established in advance in order to reliably categorize nonprofits.

This approach to identifying minority-led organizations also creates difficulties in generalizing from the findings, which are similar to those introduced by the sampling procedures. The study did not establish the overall number of such nonprofits in the United States, which is necessary in order to determine whether they are under-represented in foundation giving. Instead, the researchers determined whether a nonprofit is minority-led by working back from the grants given by the foundations in the sample. This did not allow them to determine how the number of minority-led nonprofits relates to the proportion of giving in fields that serve and empower minority communities.

In an earlier Greenlining report, the researchers noted this problem: “Data on the number and percentage of minority-led organizations is unknown. It may be that total giving to minority-led organizations is proportional to the overall number of these organizations.” (Fairness in Philanthropy, Part I, Nov. 2005, p.8)

The definition of “minority-led” is at once highly stringent and very vague – stringent in restricting the types of organizations that might qualify but vague in explaining how those restrictions are determined and applied.

DATA ANALYSIS

The data analysis is quite straightforward, if we set aside the uncertainties about what these data actually measure. It consists of matching up available information on grants from the various foundations with nonprofit organizations, which are classified according to whether they are minority-led. For example the researchers found that 14.7 percent of total giving was invested in minority-led organizations by national independent foundations in 2004, compared with 26 percent of “discretionary dollars” given by California community foundations.

Some confusion results from the researchers’ decision to separate the findings for each of what they call the “three samples” of community and independent foundations, which were originally treated as three parts of a single sample. In any event, the absence of randomly based sampling prevents the findings from being generalized to any larger group(s).

More importantly, the funding priorities of a foundation largely determine the kinds of nonprofits that are eligible for its grants. In order to make a meaningful comparison between giving to minority-led and other nonprofits, there needs to be a common measure of what is available to both. So the obvious question to ask is what proportion of the \$4.8 billion in domestic grant-making analyzed in the sample was realistically available “to minority led-organizations and



specifically earmarked for public policy” to begin with. Unfortunately the report neither asks nor answers this question.

For example, what if a foundation’s mission leads it to fund research on marine biology and conservation rather than public policy? Is it reasonable to include these grants in the survey and criticize the foundation for its failure to give to minority-led non-profits? What if there are no minority-led nonprofits in the field of marine biology? Even if such a foundation did give to a minority-led nonprofit focused on conserving marine ecosystems, the grant would not be credited with “empowering minorities,” since the recipient group would by definition lack a minority-focused mission.

This is not a hypothetical example. The report singled out the San Francisco-based Gordon and Betty Moore Foundation for giving no grants to minority-led organizations. The problem is that the Moore Foundation’s giving is almost entirely focused on areas that cannot be considered minority-focused by Greenlining’s definition. Its grant making is directed toward conservation in the Andes and the Amazon, marine and wild salmon conservation, marine microbiology, land protection, nursing, and the California Institute of Technology.

In light of its mission, it is not clear how the Moore Foundation could fund minority-led nonprofits focusing on public policy. Nonetheless, all its grants are included among those classified as failing to do so. This automatically increases the overall “failure rate” of foundations. Thus, the case of the Moore Foundation illustrates how Greenlining’s sampling and definitions create an inflated expectation of minority-related giving and hence an artificially high rate of failure. It would have made far more sense to look only at each foundation’s giving to public society programming, so that the total funding realistically available to minority-led nonprofits could be compared to the actual amounts given.

This problem is further illustrated by the report’s “Executive Summary” on page five, which places particular concern on the “wide disparity in giving” among foundations. This overview notes that “individual foundations vary widely” in their investments in minority-led organizations,” and it cites the Moore Foundation for having the worst record.

It also emphasizes that the results would look far worse if the largest grant -- from the Gates Foundation to the United Negro College Fund -- were excluded. (In fact the Executive Summary gives considerably less prominence to the study’s actual finding that 14.7 percent of foundation dollars go to minorities than to the lower percentage (3.7) that *would have* resulted if the Gates Foundation grant were excluded from the study.

However, we cannot assume that a single grant artificially inflates the reported funding of minority-led nonprofits. For example, other foundations may have been influenced in their own giving by the knowledge that such a large foundation had entered the field. This point also carries a more important implication: If such a small change could result in large changes in



the overall totals, this only emphasizes the problems of relying on data from a non-random sample of foundations, few of which responded to the survey.

Problems: The study includes foundations whose missions make it difficult or impossible for them to give to minority-led organizations as defined by the study. This artificially lowers the percentage of funding that goes to such organizations. The researchers lack the evidence to make more appropriate comparisons based on the amount of money realistically available to minority-led organizations.

CONCLUSION

The Greenlining Institute report addresses issues of great social significance, but also of great complexity. Unfortunately, this report is hampered by several analytical problems involving sampling strategies, data collection, operational definitions, and data analysis. All these difficulties need to be resolved before such research can aspire to social scientific validity.

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The sampling and response rate problems alone invalidate any conclusions that go beyond a small and unrepresentative group of foundations in terms of both their number and the amount of assets they control. But several difficult issues internal to the analysis also need to be resolved in order to produce valid and reliable results that could answer the research questions. These involve greater clarity in defining key variables and determining what comparisons are best suited to data. Unless these research challenges are met and mastered, the questions Greenlining raises will lack definitive answers.

The Statistical Assessment Service (STATS) is a nonprofit organization whose mission is to improve the public communication of scientific findings and statistical evidence. STATS is an affiliate of the George Mason University in Fairfax, VA.