# Racial Disparities Persist in Funding for L.A. Nonprofits

Martha Ramirez | September 27, 2022




SEAN PAVONE/SHUTTERSTOCK

We recently took a look at the results from the Nonprofit Finance Fund's (NFF) 2022 State of the Nonprofit Sector Survey, which collects data and stories from more than 1,000 nonprofit leaders across the U.S.

As part of the survey, NFF also took a look specifically at nonprofits in Los Angeles, in partnership with the Committee for Greater LA — a cross-sector group of civic leaders who believe that the response to COVID-19 can advance systems

change and challenge institutional racism — and the Pat Brown Institute of Public Affairs at California State University, Los Angeles.

“We felt it was important to ask the nonprofit sector, to directly reach out to them in partnership with the Nonprofit Finance Fund to find out what the state of the nonprofit sector is, how it weathered the pandemic, and what their concerns are moving forward,” said Miguel A. Santana, chair of the Committee for Greater LA and president and CEO of the Weingart Foundation.

The Los Angeles-specific survey revealed many of the same racial disparities and outstanding needs as the overall survey, and are especially troubling, given the diversity of the local nonprofit community and the large role it plays in the region.

“The findings are concerning,” Santana added. “We felt it was important to share those with grantmakers, with government that funds nonprofits, and with the broader philanthropic community.”

**Funding disparities**

One of the survey’s key findings is that although funding for racial justice has increased since the onset of the pandemic, disparities in funding remain stark, with white-led nonprofits reaping a greater share of the benefits than those led by people of color.

According to the survey, the majority of L.A. nonprofit leaders (59%) are BIPOC. Despite this, BIPOC-led nonprofits as a whole tend to have smaller budgets than those of their white-led counterparts. A total of 56% of white-led nonprofits have

budgets of more than $2 million, whereas only 27% of BIPOC-led nonprofits have comparable budget sizes.

One of the possible reasons behind these funding disparities, according to both Santana and recent studies on the subject, may be that BIPOC-led nonprofits often lack the crucial relationships in philanthropy and in government that white-led nonprofits often do.

The second possible reason is that funders may be less trusting of BIPOC leaders and BIPOC-led organizations. “One of the things that we’re concerned about is that there may be a bias against nonprofits led by communities of color — maybe an unintended bias — to be less generous and less trusting of those organizations and those missions,” Santana said.

These funding disparities are not unique to the L.A. area. A 2020 report by Echoing Green and the Bridgespan Group found there was a $20 million funding gap between early-stage white-led organizations and Black-led organizations. And the overall NFF survey found similar disparities on a national scale, especially when it comes to unrestricted funding.

Additionally, a total of 40% of L.A. nonprofits agreed with the statement “Advancing racial equity is a major programmatic focus of our work’ perfectly describes us.” However, only 16% of white-led nonprofits agreed with the statement.

On a more positive note, the survey found that white-led nonprofits conducted DEI work at higher levels since 2020.

**Keeping up with demand**

Demand for the region's nonprofits increased during the pandemic, with 72% of L.A. nonprofits reporting an increase in demand as the sector saw itself forced to pivot from their individual areas of focus to serving their communities with basic needs like housing and food. About half of the region's nonprofits (46%) said they will be unable to meet the demand for services.

As such, Santana stressed the importance of funders providing general operating support to alleviate the increased financial burden of nonprofits, citing MacKenzie Scott as an example of a funder whose support has been largely unrestricted.

"We believe that we should trust the nonprofit sector in its leadership, and provide support without any strings and with very little reporting [requirements] so that they can then be nimble and meet the needs that are confronting them," Santana said. He added that it is also important to trust leaders when they point out that the systems currently in place are not working.

A key factor in increasing both funding and trust for BIPOC-led nonprofits lies in having people in leadership positions who come from the communities being served.

"Value needs to be placed on that experience. It needs to be taken as seriously as someone's educational background and their professional experience because it's so relevant to the delivery of effective services," Santana said.

This, according to Santana, is critical for nonprofits to be able to effectively respond to the specific issues in communities. It is also critical for their credibility and trust among those same communities.

“In a place like Southern California, where the majority of the population are people of color, who are the majority of those who are being served by nonprofits, it is particularly important that the voices and the perspectives and the experiences of those that are being most impacted be incorporated in every aspect of the management and the service delivery of a nonprofit,” Santana said.

While many nonprofits receive support from the government, these are often done on a reimbursement basis, which tends to be a slow, cumbersome process. In Santana’s words, “You have to spend money to get money.” This method, however, excludes nonprofits that lack significant reserves, which, as the survey notes, are many.

“One of the things that we urge is that government be much more innovative and supportive of the nonprofit sector by being much more nimble in how they support them, less burdensome with the requirements that they have, and even pay them in advance and allow them to use those resources,” Santana said.

He added that one way of doing so is by working with third-party intermediaries that could provide the necessary funding while the reimbursement is given out so that nonprofits don’t have to carry that burden.

**A call to funders**

For Santana, one of the biggest reasons for sharing the survey's results is to motivate funders to continue to support the region's nonprofits. Funding in philanthropy often tends to operate in boom-and-bust cycles, with short stints of increased funding during one period until the next big thing comes along. Although the number of cases has decreased and COVID restrictions have relaxed in Los Angeles over the past few months, the pandemic is still ongoing.

"This is a real call-out to all grantmakers, from government to philanthropy and corporate grantmakers," Santana said. "This is the time to provide even more support to the nonprofit sector and to do it in a way that's unrestricted, in a way that really trusts the nonprofit sector to survive what lies ahead."