



## DONOR FUNDING TO NETWORKS: NETWORK CASE STUDY I

This case study is one of nine case studies capturing the experience and insights from a diverse set of networks about how they mobilize and manage funds. It is part of an in-depth research project undertaken by Collective Mind to help both donors and networks to improve funding to and fundraising for networks.

All case studies were developed by the respondents using a provided template and have been anonymized to allow us to share them publicly. Other research products – including nine case studies of donors and a "how to" guide for network funding and fundraising – are also available at [www.collectivemindglobal.org](http://www.collectivemindglobal.org).

Each network case study provides insights on:

- [The network's funding needs and sources](#)
- [How the network's funding needs are met](#)
- [The network's relationships with their donors](#)
- [The challenges and reflections of the network](#)

### NETWORK I PROFILE

- **Network (secretariat) location:** Fiscal sponsor based in Colorado, U.S.
- **Geographic scope (of activities, members):** Colorado, U.S.
- **Network functions undertaken by the network:** Information sharing, filtering, amplification, and diffusion; knowledge generation, exchange, and management; problem-solving and innovation; service delivery coordination; advocacy and policy influence; learning and capacity building; community building; thought leadership and field-building; investing
- **Number of members:** Across 3 networks, convene 120 organizations and more than 540 individuals as members
- **Number of staff:** 17 staff, 13 of which directly support local networks



## NETWORK FUNDING NEEDS AND SOURCES

### WHAT'S YOUR YEARLY (OR OTHER REGULAR) BUDGET?

Our budget is approximately 2.4 million USD.

### WHAT DOES YOUR NETWORK NEED FUNDING FOR?

- Backbone support: facilitation, governance, overall infrastructure management, project management, fiscal sponsorship/agent support
- Communications/marketing/messaging support to facilitate changing the narrative on these complex issues
- Advocacy support
- Mini-grants to support organizations implementing new/existing work
- Systems mapping
- Evaluation – from beginning to end
- Data management, analysis, and reporting
- Fundraising to help leverage additional funding for an initiative
- Support for professional learning communities/communities of practice
- Community needs assessments and/or feasibility studies
- Change management support/training
- Coaching for managers and co-chairs of workgroups/steering committees
- Training to build capacity across the networks, including facilitation training, strategic planning, action planning, etc.

### WHAT TYPES OF DONORS DO YOU RECEIVE FUNDS FROM?

We primarily receive funding from private foundations and local, state, and federal government agencies. We manage more than 20 grants to support our networks, which presents a unique challenge in that we spend a lot of time just managing funders' varying requirements. While fulfilling the backbone role in these complex initiatives, we are seeing that the fiscal sponsorship role is preventing us from providing true backbone support. In other words, funder compliance trumps true community needs in many instances.

### DO YOU HAVE CORE FUNDING OR ONLY FUNDING EARMARKED FOR SPECIFIC ACTIVITIES/PROGRAMS? HOW FLEXIBLE ARE THE FUNDS THAT YOU HAVE FROM DONORS?

It depends on the funder. Government funding is much more restrictive and typically funds specific activities/programs. Federal funding is also more focused on compliance and rarely takes unique local challenges into consideration since they often measure success across the states. However, state government funding is much more accessible to the type of work we are doing – most government funders encourage collective impact as the primary strategy for implementing community-based work and are more likely to fund backbone entities and/or networks using collective impact as their collaboration strategy. The



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challenge we face now is recognizing that collective impact implementation needs to be flexible and does not always meet the needs of local communities, so we need more flexibility in how we “collaborate” to achieve long-term systems change.

Some private foundations understand true collaboration and see the importance of funding network infrastructure. However, we have yet to meet a private foundation committed to long-term systems change (fund more than three years) and many fail to understand how difficult it is to demonstrate impact in these initiatives. We spend a lot of time reporting on outputs that rarely demonstrate change or clearly identify what is really happening that could lead to systems change if they stay around long enough. Most funders rarely fund evaluation and if they did, it is even more difficult to find an evaluation partner that truly understands the complexities related to systems change work to demonstrate something meaningful.

We also struggle with authentically engaging community members in our networks. Funders rarely earmark funding to pay community members for their time/expertise, which limits progress across all networks. Funders aren’t engaging the community, but they encourage their grantees to create a process to do this meaningfully and they don’t fund it.

Only one funder has said, “This grant is for your specific work, but we have no restrictions on what you spend it on. We trust your leadership and we are here as a true partner to learn what works best. As far as we are concerned, it is a general operating grant to support the work in any way you need it to.”

Finally, funding something that isn’t evidence-based seriously prevents us from testing new ideas. We end up in a cycle of doing things that we know won’t work, or we lack the opportunity to say, “We requested \$50,000 to support this one thing a year ago, but we learned something over the last six months and we believe that \$50,000 should be used on this other thing instead because we believe it will have a greater impact.” We are beholden to restrictions such as, “You can’t move more than \$5,000 between line items and you need to submit three pages of justification if you need to do that...” or funders have told our partners that requesting a change makes it appear as though the grantee doesn’t know what they are doing. We also know of partners who had to return grant dollars if they asked for flexibility and were not granted flexibility in how those dollars were used. Typically, that grantee cannot request funding from that funder again.

Funders are inherently conservative when it comes to risk. Our community would be so much better off if we could take a step back and develop a well thought-out plan on what we need to do to solve a big problem and then tell funders what we need to get it done. Instead, uninformed funders tell us what we need and how to do it and most of these funders have never worked in the field.

## **HOW LONG-TERM ARE THE FUNDS THAT YOU HAVE FROM DONORS?**

The vast majority of our grants are funded in one-year grant cycles. We have one two-year (and had previously received a one-year grant from them, so a total of three years),



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however, once we receive three years of consecutive funding from them, we have to take at least two years off so that we “diversify our funding and not become reliant on their funding.” I haven’t met an individual donor particularly excited about funding collaboration and/or systems change work, so networks have a very difficult time “diversifying funding.” Ideally, organizations engaged in systems change work are funding a big portion of this type of work because we are able to demonstrate that the work is positively affecting their bottom line in some way, but this true shared resources model has been incredibly difficult to implement since we are still in a competing mindset (mostly for funding).

### **DO YOU HAVE OTHER MEANS TO GENERATE FUNDING FOR YOUR NETWORK BEYOND DONOR FUNDING?**

We are in the incredibly unique position to have investment income that helps us to fund a portion of our work through dividends and interest. So, we financially support a part of the network through staff support and help mobilize or leverage funding from other network partners and funders.



## MEETING NETWORK FUNDING NEEDS

### HOW DO YOU FUNDRAISE/MOBILIZE RESOURCES?

As mentioned previously, we receive funding from grants and tap into our investment income to support a portion of our operations. Our CEO, directors, and project managers regularly meet with funders to discuss our networks' initiatives and highlight the need for funding to support: (a) infrastructure, (b) capacity-building activities, (c) innovative projects, (d) systems mapping exercises, (e) communications/messaging campaigns, (f) evaluation, and (g) activities identified by the network to work toward systems change. We also connect funders to local partners regularly for funding based on network priorities. Some funders seek us out because our reputation is built on trust and neutrality in the community. We regularly seek out grant funding opportunities that align with our priorities. As a fiscal sponsor, we redistribute most of the funding that comes into our organization to support community-based work. Grant writing is an all-hands-on-deck strategy. Our CEO, director of programs, program managers, and finance team all contribute to the process, which makes the effort all the more time-consuming. And because we often mobilize this funding on behalf of an entire network, we have to coordinate our efforts with multiple partners.

Local funders from this region are relatively unsophisticated when it comes to collaboration and network activity. They want short-term successes, or they feel most comfortable funding direct services. It is hard to tap into state-based funders because they typically fund in the urban areas or in much-needed rural parts of the state. The region where we focus is typically skipped over despite it being on its way to be the largest county in the state in the next 15 years.

Additionally, funders tell grantees that 'collaboration' is a requirement, but they don't understand how complex this request is for organizations. "Collaboration" versus "coordination" or "talk to each other more" are used interchangeably. What would be incredibly helpful is if funders collaborated – identified other funders with a similar funding strategy/priority, developed a pool of funds, worked with the community to develop a common strategy, and fund it together. Writing grants for \$10,000 or less is not helpful. Not supporting overhead or funding infrastructure prevents good work from happening. But they want outcomes.

### ARE YOU ABLE TO MOBILIZE ADEQUATE FUNDS BOTH OVERALL AND FOR THE SPECIFIC TYPES OF NEEDS YOU HAVE? WHAT PERCENTAGE OF YOUR FUNDING NEEDS DID YOU COVER IN 2021?

We are able to mobilize adequate funds to help us meet traditional needs related to supporting the networks (i.e., grant management, project management). However, we really need to take greater risks, build local capacity, expand our evaluation footprint, expand our advocacy and communication efforts, conduct systems mapping exercises,



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and, most importantly, authentically engage communities through grassroots efforts. These activities are critical to making an impact, but we cannot find funders willing to invest in these types of activities because the return on investment is difficult to demonstrate.

Additionally, the people who are doing this work are employees and a part of a larger team. We spend a lot of resources recruiting and retaining talent and managing a people-oriented business. Most funders do not want to consider this type of overhead, but without a high-functioning team, we wouldn't be able to offer the high-quality services that we offer. Our organization spent approximately 65% on overhead required to do this type of work and received 35% to pay for a portion of staff salaries.

### **WHAT ARE THE PROCESSES LIKE TO SECURE FUNDS FROM DONORS? WHAT ARE THE CHALLENGES OF THE APPLICATION, SELECTION, AND/OR NEGOTIATION PROCESSES?**

As expected, it depends on the funder. We have the opportunity to develop and maintain relationships with local foundations and they are more willing to try new things with us as partners in the work because they trust us. There are two funders who show up genuinely as learning partners, recognizing the power dynamics inherent in grantor/grantee relationships. Their applications are less rigorous, but the foundation staff still have a board of trustees to report to that are often disconnected from the community and are often set in traditional funding values.

Government agencies as funders are becoming more and more cumbersome for us to manage. The applications take at least 40 hours to complete, we have to align local work to statewide or national priorities, grant reviewers have no connection to local dynamics, we have to align data collection to their priorities, they don't support capacity building or evaluation. Our project managers - designed to be strategic and creative - often end up as grant managers. Staff retention decreases and every time we replace someone, the network suffers. These funders do not recognize the capacity that organizations need to effectively manage these grants and the time limits limit progress (e.g., one year, restricted). We often feel like we are spinning our wheels. Additionally, with reimbursement grants (government), we often have to float the funding until they reimburse us. This year alone, we had to float nearly \$120,000 until the funders reimbursed months' old invoices. I don't know how smaller nonprofits could manage this effort.

Despite all the national attention given to this topic, I have not experienced a major shift in philanthropic funding in the last decade (more general operating, shorter applications, build relationships with community, take risks, fund infrastructure). It remains top-down and there are so many strings attached, that doing the real work becomes nearly impossible.



## REQUIREMENTS AND RELATIONSHIPS WITH DONORS

### WHY DO YOU BELIEVE YOUR DONORS FUND YOUR NETWORK?

They believe in the power of collaboration and recognize that change cannot happen without it. Many funders also recognize the need for backbone support, but they rely too heavily on the backbone, putting backbone entities in the position of being accountable for all the changes needed. They fund us because they trust us – they know we will steward the funding well, they know that we have strong relationships with our partners, they appreciate our relative neutrality, but they also put too much pressure on us to act as the only voice of the network, which lets community partners off the hook. This mentality and relationship structure perpetuates inequity. Small, grassroots organizations simply do not get funded. Voices from marginalized communities are not heard.

I believe they want results. But the way this happens is often transactional and less transformational.

### WHAT REQUIREMENTS OR CONDITIONS DO YOUR DONORS PUT IN PLACE IN RETURN FOR THEIR FUNDING?

It depends on the funder. We are increasingly avoiding funders that put too many requirements or conditions in return for their funding, but only because we are in a financial situation to be able to do that. We do not seek out funders whose applications and processes are overly cumbersome. If we cannot find a true partner in our work, we are moving toward not writing the application. However, federal funders are an exception because our community would be at a serious loss if someone wasn't applying for and managing the funding to support our beneficiaries in the way we do. And our board still uses "increased grant revenue" as a sign of success. Bringing revenue in to support the work is important, but it is becoming too cumbersome.

Requirements typically include monthly meetings on progress, quarterly reports, final reports, and participating in their "data collection" system, which may include reaching out to multiple partners to request data that has no impact on our success.

### HOW DO YOU MANAGE YOUR FUNDS AND DONOR REQUIREMENTS?

As a fiscal sponsor, we manage all of that work internally. We write the grants, manage the reports, submit reimbursement forms, etc. If we weren't doing that, it likely wouldn't get done because our partners just do not have the capacity to do it. If we do it, it is all aligned under one roof.



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## HOW DO YOU TRACK ACTIVITIES, OUTPUTS, AND OUTCOMES FROM YOUR FUNDING? ARE YOU ABLE TO DEMONSTRATE OUTCOMES AND/OR IMPACTS FROM YOUR DONOR FUNDING?

For year-long grants, we aren't reporting on outcomes. We report on outputs. There is no way to demonstrate the type of change we are seeking in one or two years.

Most funders request a logic model or a strategic plan, objectives, metrics. Most networks have this in place and we report on what is already developed.

The real impact is demonstrated when:

- We truly listen to people impacted by the systems we are trying to change
- Our funders tell us that they are going to give us funding again
- Our partners continue to come back because there is value in the work we do
- When we know our partners trust each other more
- When we have access to quality data that we can use to better understand the problem and tell a human story
- We took a risk and it revealed things we never knew before.

We don't usually have the opportunity to tell these stories in a final report.

## WHAT DO YOU STRUGGLE WITH IN MANAGING YOUR DONOR FUNDING?

All of the above: requirements, managing multiple grants at the same time, the time it takes to write a proposal, communicating to funders what the real work looks like, time restrictions, funding restrictions, not funding the risk, funding 'outside the box,' etc.

## DO DONORS PLAY OTHER ROLES IN THE NETWORK BESIDES FUNDING?

We have one funder who is a true partner. They create learning webinars and opportunities for partners to connect. They use their voice for positive change. They have a seat at the table as a partner, not just as a funder. They offer transparency so that we know what they are funding, where they may have failed, what they are doing to be better. They are also a thought partner. I can rely on this funder to provide advice or tackle a problem.





## NETWORK REFLECTIONS

### WHAT ARE YOUR KEY CHALLENGES IN MOBILIZING ADEQUATE RESOURCES? WHAT WOULD MAKE IT EASIER TO FIND AND MOBILIZE DONOR FUNDING?

This list is by no means exhaustive, but a few things are top of mind:

#### **Key challenges:**

- Building the capacity to find and apply for grant opportunities
- Managing multiple grants
- Funding nontraditional work (communications, advocacy, systems mapping)
- Recruiting and retaining a team to be able to do this work well and building their capacity
- Getting funders to collaborate
- Getting funders to be a partner
- Getting funders to support this community – local funders just won't support the work we do

#### **Why:**

- Power dynamics
- There is no incentive for funders to change
- Staff/board are not connected to community or not on the frontlines (and never have been)
- Mental models around nonprofits, people living in poverty, oppression
- Politics – local and national narratives

#### **What:**

- Fewer restrictions and reporting requirements
- Funders spend down more of their corpus to free up more dollars to make a real impact
- Funders invest in infrastructure and capacity building work that leads to systems change
- Funders invest in strategic learning in order to demonstrate impact
- Funders invest in general operating grants and move away from only project-specific grants
- Funders come to the table invested in transformational vs. transactional relationships
- Funders work to address root causes, which most often lie in systems of oppression

### WHAT DO YOU THINK IS MORE DIFFICULT ABOUT FUNDRAISING A NETWORK COMPARED TO AN ORGANIZATION?

When fundraising for an organization, the purpose and processes are often easier to explain, the outcomes are clearer, the timeframe for the request is often shorter, and the locus of control is centered with one entity. The relationship is between one entity and one funder, so it is “easier” to manage.



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When fundraising for a network, there is no defined locus of control. The process is nuanced, as are the relationships and trust building required to do the work well. The work involves challenging long-held power dynamics and beliefs that hold conditions in place. Networks are often addressing large-scale social change efforts and there is no single or simple solution. Networks experiment with risk and innovation in ways that are often uncomfortable for traditional funders. The entity identified to do the fundraising often accepts a lot of responsibility, but has little authority to make the systems changes, so that entity holds a lot of the financial liability. In order to be effective, networks need long-term, sustainable funding, not one or two year grants focused on simple interventions that do not lead to change. We are only scratching the surface on this question, as it is incredibly complex.

### **WHAT DISCONNECTS DO YOU SEE OR EXPERIENCE BETWEEN WHAT DONORS CAN/WILL FUND AND WHAT YOUR NETWORK NEEDS?**

- A true understanding of how collective impact works and how systems change happens
- A lack of connection between donors and the people in the community with lived/living experience
- How cumbersome it is to write and manage these grants
- The lack of understanding of what a backbone could/should do

### **HOW ARE YOUR DONORS' REQUIREMENTS OR CONDITIONS EITHER HELPFUL OR PROBLEMATIC?**

See all of the above.

### **HOW WOULD YOU CHANGE THE WAYS IN WHICH YOU RECEIVE DONOR FUNDING? (E.G. AMOUNTS, SELECTION, DONOR ROLE, FUND MANAGEMENT, ETC.)**

- Less reporting and more flexibility on how the funds are used
- Three to five year grants
- Support more overhead
- Higher amounts over a longer period of time
- Donors participate as partners – join us on the learning journey

### **WHAT INFLUENCE DO THE DONORS HAVE WITHIN THE NETWORK?**

Power dynamics are definitely at play. Some have an incredibly positive influence on our work, particularly if they use their voice for good. I wish they would connect with elected officials more, advocate more, collaborate with other funders more, take more risks, provide more flexibility. Trust the people on the ground doing the work.



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## HOW ARE YOUR DONORS MOST HELPFUL AND SUPPORTIVE OF THE NETWORK?

Listen, learn, convene. Ask questions. Advocate. Be transparent. Evaluate their own work. Be clear on their funding strategy. Fund for the long-term and be flexible. Stop asking us to write so much – invite us to board meetings to talk about the work.

**COLLECTIVE+MIND**

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