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## Relaxed Funding Approaches Provide Crucial Lifeline to Charities Grappling with the COVID-19 Pandemic

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*The charitable sector is responding rapidly to the expanding impact of the pandemic, in terms of outreach, operations, and advocacy. In the coming weeks, The Philanthropist will provide up-to-date coverage, as well as our usual reporting and commentary on other news of relevance to foundations, charities, and non-profits. [Read more of our COVID-19 coverage.](#)*

From the depths of a crisis, a new way of providing grants to charitable organizations may be emerging.

Four of the country's largest umbrella groups of funders have called for the ending – or at least the easing – of restrictions on grants, an acknowledgement that in this time of acute need, frontline organizations know best how to quickly and more efficiently provide help to those suffering during the COVID-19 pandemic.

Many see it as the best way to speed much-needed funding out the door during a crisis, but will it become an accepted way of funding when the charitable sector tallies the carnage with the pandemic finally in the rear-view mirror?

Also known as General Operating Support (GOS), this unrestricted type of multi-year funding allows organizations to spend on IT upgrades, personnel, infrastructure, loan repayments – whatever it takes to keep the lights on.

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It is a valuable vote of confidence in the expertise and skill of the recipient. In these days of uncertainty, it also provides a much-needed lifeline when those very organizations which provide crucial aid are fighting for their survival.

But some wonder whether this sudden momentum can be sustained, or if there will be a quick snapback to the pre-pandemic preference for targeted project funding.

“This has provided the philanthropic sector with the opportunity to think and to act differently,” said Kris Archie, the executive director of The Circle on Philanthropy and Aboriginal Peoples of Canada, which joined with Philanthropic Foundations Canada, Environment Funders Canada, and Community Foundations of Canada in calling for the sector to use this time of uncertainty to stretch “beyond our conventions and norms as organizations.”

Archie says many foundations will learn how easy it is to liberate their creativity and change the way they connect with grantees.

“I think there will be organizations that will stick with this . . . there were many already headed this way. But for organizations that may be jumping on the bandwagon because they feel it is the appropriate thing to do right now but are far more risk averse, I am afraid that the pendulum might swing back because they will feel we have gone too far with openness and transparency in their connection to grantees.”

They may move to smaller grants, more restrictions, and higher standards of accountability and evaluations, Archie said. A year from now, she said, board members – some of them new – might forget why they made the change in the first place.

Laura Manning, the executive director of the Lyle S. Hallman Foundation in Kitchener, was an early adopter, already analyzing the results of GOS funding her foundation had provided to three local charities before the coronavirus upended all the rules in the sector.

“Foundations are cautious,” Manning said. “They are frequently created by people who have built wealth and have very clear ideas of what they want to do so they set up foundations to do just that.”

With the outbreak of COVID-19, Hallman ended restrictions on all current grants, meaning that all funds earmarked for a specific program could now be used for whatever the recipient felt was needed most, from offering paid quarantine days, to paying the rent or dealing with changes in demand for services.

At the Donner Foundation, about one-third of grants are general support and the rest go to targeted projects, said Amy Buskirk, Donner’s senior program officer.

It provides general support for Covenant House in Vancouver and its work with homeless youth, an acknowledgement that the team there knows more than the Donner donors about delivering their services. Covenant House in Toronto receives both general and project funding from Donner.

But, Buskirk said, some projects do not fit well with unrestricted funding. For example, a study of marine life in a specific geographic area. There, precise parameters are needed for the best

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results.

Regardless, Donner, like Hallman, will be providing general support, extending timelines, and showing flexibility on reporting requirements to its grantees during the pandemic.

“There has been an arc of opinion about this over the past 25 years,” said Donner executive director Helen McLean. “There was a focus on specific results and the easiest way to get those specific results was project funding. There was a time a couple of decades ago when it was very difficult to get general support.”

But there was a swing back, she said, and sectoral meetings have recently been hearing the theory that organizations have been hamstrung by a donor obsession with project funding. Without core, or unrestricted, funding they were finding it increasingly difficult to keep the lights on and did not have cash flows to ride out the unexpected, which they are confronted with today.

She sees increased momentum for loosening restrictions and, this time, McLean is not convinced there will be a return to more restrictive funding after the pandemic has been beaten.

Although this crisis will eclipse the great recession of 2008, that challenging time is the only point of recent comparison to determine whether this move to unrestricted funding will continue or whether foundations will even more meticulously demand accounting for every penny given the financial setbacks wrought by COVID-19. Grant spending fell off in 2009 because endowment money had been lost and the need to hold tight for the next rainy day took hold.

This is the rainiest day the charitable sector has ever encountered, the monsoon of 2020.

The damage to the sector is severe as public fundraising events are cancelled, foundations deal with losses in the equity markets, and potential private donors are preoccupied with mortgage and rent payments as jobs are lost and savings depleted.

Imagine Canada has estimated that three months of mandated physical distance could cost charities \$9.5 billion and 117,000 jobs.

Some of these losses have drawn public attention – witness the loss of the Canadian Cancer Society’s annual April Daffodil Month. More than 300 events across the country were cancelled and the charity laid off one-third of its workforce.

This is a sector that accounts for 8.1% of GDP, according to Imagine Canada, and employs 2.4 million Canadians, 70% of whom are women.

It has called for [a \\$10 billion lifeline](#) but has received no assurance on this from Ottawa.

Some help is coming, however. The Liberal government included charities and non-profits among those eligible for subsidies covering 75% of wages.

If the philanthropic sector is to seize on a new way of thinking or acting from this tragedy, they could study Manning’s experience in the Kitchener-Waterloo area.

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“I think it will be very difficult to go back,” she said. “If you’ve made those kind of changes and the world doesn’t end, then how do we go back to business as usual and become more constrained about things?”

Manning believes many in the sector will come to realize how it has been hollowed out by a lack of core funding. Without the cash reserves or the ability to move money from one path to another to weather such a crisis, some are simply not going to be able to come out of this on the other end, she said.

Even though an operating cash reserve is simply sound business practice, Manning said, some donors will simply not give if an organization has money in the bank. The attitude “is ‘why do you need our money if you are sitting on this cash?’” she said. Too many in the sector operated from the belief, Manning said, that everything you had was supposed to go to the needy – cash in, cash out – even if you were delivering it from an old, rundown building with a substandard computer.

Manning saw a different way, a system of funding that lets organizations take a breath and flourish, allowing them to deal with daily realities rather than depending on targeted program grants when the real struggle might be the threat of staff burnout.

The Hallman Foundation is named for a local real estate developer who donated \$15 million of his personal wealth to charities in the Kitchener-Waterloo area. Lyle Hallman began a construction business with \$750 and grew it to a real estate and rental housing empire. He established the foundation in 2003, a mere three months before he was tragically killed in a car accident on his way to Sunday morning church service.

It primarily focuses on children and family, supporting parents and caregivers, and ultimately strives to ensure every child has a supportive and caring adult in his or her life. With Manning at the helm, it has also been pushing envelopes.

Hallman had already shown uncommon flexibility in program grants, allowing its funding to go to administrative costs or professional development or other components some funders would find either perilous or extraneous. But it was still project-oriented.

The next logical step may have been to GOS, but Manning had to sell it to her trustees. It wasn’t easy.

“I did not get a resoundingly positive reception,” she recalls.

Manning understood the reticence. There had been a similar hesitation wherever this system of philanthropy had been established, including the US, where GOS is now in much wider use.

There is a reluctance from the grant-maker to cede control, which is natural in a sector comprised of men and women committed to accountability when dealing with donor funds, she said.

With GOS, accountability remains, but the granting foundation’s measuring stick can become a bit more ephemeral. “You can’t drop a nice straight line and say, ‘my money did this,’” Manning says. “It requires a deeper degree of trust with the organizations you are dealing

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with.”

As part of her sales job, Manning cited the work of several large US foundations that use GOS, particularly the Ford Foundation. When Kathy Reich, of Ford's Building Institutions and Networks (BUILD) program, was in the region, Manning had her come to Kitchener to address the Hallman trustees.

Reich was able to point to a winning program which was ready to commit \$1 billion (US) to 300 organizations that were working at eliminating inequality.

Ford provides what it calls “predictable, flexible” support over five-year grants that allow organizations to quickly seize opportunities and deal with unexpected challenges. At all times, the organization is in the driver's seat, as Ford put it, while the foundation delivers not only support, but trust.

The overriding question Manning had to field from her trustees cut to the heart of the challenge of change. “The first question was ‘what if they spend it badly?’” she recalled. “I said ‘well, we won't fund them again,’ but then I challenged them.

“‘Define badly,’ I told them. ‘As long as they're not running off to Hawaii, how could it be spent badly if it is going back into the community?’”

No one is suggesting a 1.000 batting average when it comes to unrestricted funding – there are bad actors in charities and mistakes have been made. Some of these charities finally faced their reckoning after being shamed in the pages of the mainstream media.

But if granters are going to waive restrictions, they are going to do it with organizations with the best reputations which have already gained trust. In the case of Hallman, these are organizations run by women known to Manning in a smaller community. As Manning points out, she would run into the women in the supermarket and she knew what they were doing.

The first three recipients in the fall of 2018 were the Kinbridge Community Association, the Cambridge YWCA, and Carizon Family and Community Services.

Kinbridge received \$200,000 per year for three years (25% of its operating budget), the YWCA received \$250,000 per year (9% of its operating budget) and Carizon was granted \$500,000 per year for three years (5% of its operating budget).

The leaders of these three organizations – once they were convinced they weren't targets of some elaborate prank – were taken aback by their good fortune.

“The Hallman Foundation gave us money and said to us ‘you know best what to do with it.’ They trusted us. That rarely happens,” said Kim Decker, executive director of the Cambridge YWCA. “They were saying we mattered to the fabric of the community. It validated us. We were being told we were important.”

All three women tell similar stories, tales that would be familiar to most charities that provide community support anywhere in this country.

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Kinbridge has been serving the south end of Cambridge since 1986, operating on a threadbare budget and depending on fundraising, which sometimes consisted of baking some cookies and flipping burgers at a community event.

Joe-Ann McComb, Kinbridge's executive director, said when she was approached by Manning, her organization needed to pay off some loans and was grappling with the reality that no one was going to donate money for debt relief. Manning told her the grant was to go to anything McComb needed – including paying off loans.

"We had a bunch of dreams, but first we had to get the fundraising in place, so we could raise the money to pay off some loans," McComb recalled. She used \$70,000 of her GOS funding to repay a loan.

McComb's is a grassroots community organization, helping everyone from infants to seniors, dealing with those in poverty or those in need of help with housing, nutrition, or a myriad of other day-to-day requirements. She works with a \$1.3 million operating budget and a staff of 34, two-thirds of them part-time college and university students.

One-off donors don't want to shell out money to repave a parking lot or bump up staff salaries. Infrastructure and human resources are key, however. And the physical surroundings of the organization can make a huge difference to those who need their services.

McComb was able to use Hallman funds for staff training and an upgrade of the phone and computer systems. For some reason, every time it rained, the phone system died.

Meanwhile, Carizon helps those with mental health issues, provides counselling and programs, as well as early intervention in schools to identify those who may need help. It is headquartered in Kitchener but provides services in more than 70 locations in the region.

Its CEO, Tracy Elop, does this with a budget of \$10.5 million and a staff of 180. When she took over the top job at Carizon four years ago, Elop inherited an operating fund with an accumulated deficit of \$800,000 that, after restructuring, ballooned to \$1 million. She has been chipping away at this ever since, eliminating several positions and running an "extremely lean" operation.

"There was a great deal of angst in the first couple of years because we had to ensure we used every single dollar in the best way possible," she recalled. "We had to dig out from the problems from the past, while dealing with crumbling infrastructure, particularly on the technology side."

Now she can breathe a bit easier. "Something as simple as new carpets can make a difference," Elop said.

The evaluation of year one of Hallman's GOS has been done and deemed a success, with common findings among all three recipients. All reported finally being able to invest in staffing and talent development and all said GOS had given them much-needed breathing space.

All reported they were under tremendous pressure and approaching burnout as they were forced to take on roles for which they may have been ill-equipped. New, targeted hires

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alleviated the anxiety and all three described a shift from a closed and protective mindset to a more open and creative outlook.

They had the ability to hire the right people to address needs and acquire the right technology for the right systems.

But if unrestricted funding becomes the way to go during this pandemic, one thing is virtually certain. The return on that funding, whether it be in service delivery or direct spending on that service, will likely not be as good as if the money was granted during times when everything was not skewed by a situation no one has ever before endured.

And that may give granters pause when, and if, we get back to “normal.”

Anyone who has delivered grants in an unrestricted fashion but looks back in a year and figures they didn't get the proper bang for their buck is losing sight of what their philanthropic dollars are meant to do, Archie says.

“If you want to really do things differently, you should be asking what you learned from unrestricted funding and what did the organizations learn? When this happens again how can we structure this so we can get dollars out the door more quickly?” she said.

“I'm not sure all charities are going to weather this storm.” McLean said. “But giving unrestricted funding to charities that are under stress is probably much more helpful than a project grant when the life of an organization is at stake.”