

From Redlines to Black Ownership

Survey Results on Capital Readiness for Black Nonprofits





Financial struggles are a reality for many nonprofits, regardless of how long they have operated or how excellent their programs are in scope, implementation, or impact. Many depend on highly restricted grant support that often does not cover general operating expenses. This dilemma too often makes it necessary for nonprofit organizations to spend considerable time identifying potential funding sources and applying for support from various institutions.

Black-led and-serving nonprofits play an essential role in building healthy communities by providing critical services that might not otherwise be available. Leaders of these organizations also serve as the voice of the people and have lived experience and knowledge of how best to meet their communities' needs. However, to do this critical work, they need capital. While all nonprofits face financial challenges, access to capital continues to stunt Black-led and-serving nonprofits' ability to maintain cash flow, cover operating costs, and thrive in the long term. And, while the COVID-19 pandemic did not cause the inequities that make it more difficult for these organizations to access cash, it highlights and further exacerbates the conscious and unconscious biases in financial, governmental, and philanthropic institutions to more readily invest in them.

For 400 years and counting, discriminatory policies and laws have built an unequal system where America's Black communities have been and continue to be denied opportunities in education, housing, and more. The failed Reconstruction period and Jim Crow Laws ensured that Black Americans in the South would neither be able to accumulate nor pass on wealth. Through the Great Migration and after, Black Americans faced employment, housing, and educational discrimination. These disparities have created oppressive systems where Black Americans never had the same access to capital, nor credit as white Americans.

These barriers persist today and impact not only Black households, but Black housing developers, and Black-led and serving nonprofits. Financial institutions demonstrate lower levels of tolerance for risk toward Black people, which reduces access to conventional credit options. According to a 2019 study conducted by the [Consumer Financial Protection Bureau](#), Black families continue to be the most likely racial group to be denied a conventional or nonconventional mortgage for home purchase or refinance. They are also more

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likely to forgo applying for loans for fear of rejection, less likely to receive them when they do apply, and more likely to pay higher interest rates on loans compared to their non-minority counterparts. Additional information about this topic can be found at

A 2022 report from the [National Community Reinvestment Coalition](#) (NCRC) revealed that New York banks continue to treat potential white and non-white loan applicants differently. In the report, whites received preferential treatment, including being greeted more warmly, and not only being encouraged to apply for loans more often, but also receiving assistance to complete loan documents. These findings are particularly alarming because New York is the financial capital of this country and is widely considered to be progressive.

Black-led nonprofits often experience these same inequities in accessing capital, making it difficult to grow their operations. They are more likely to struggle when accessing startup and growth funding from the philanthropic and government communities. They have difficulty securing capital with affordable interest rates from financial institutions. As examples:

75% of Black-led organizations received foundation funding in 2021, compared with 86% of white-led organizations, according to a survey released by the [Nonprofit Finance Fund](#):

The budgets of white-led nonprofits are 24% larger than those of nonprofits led by people of color.

Black-led organizations are approved for less grant money from local, state, and federal governments and are trusted less to decide how to spend those funds versus white-led organizations.

The unrestricted net assets of Black-led organizations are 76% smaller than those of their white-led counterparts, and their average percentage of revenue is less than 50%.

This inequality in unrestricted assets is particularly concerning and alarming as funding often coincides with trust in organizations.



There are similarities in the legacy of segregation and policing policies represented in the urban neighborhoods often served by these organizations that impact access to capital and generating wealth. Through sanctioned acts of racial violence, the use of zoning laws, restrictive racial covenants, redlining, and violent police response in urban areas; Black Americans have been confined to neighborhoods that are overlooked, underserved, and over-policed. These dynamics contribute to the racialized wealth gap that we see today and has produced communities with vast differences in employment opportunities, poverty rates, school quality, access to health care, conventional banking, other financial institutions, and more.

Policing not only responds to segregated communities, but also constructs and maintains them. In white communities, the police “serve and protect”. But in predominantly Black communities, police too often lead with violence. It was this type of response that led to numerous police-led murders, including the murder of George Floyd on May 25, 2020.

In the wake of Mr. Floyd’s death, companies made financial pledges to the nonprofit Black Lives Matter, Black-led community organizations, and Black-owned businesses; police and criminal justice reforms were passed, and anti-racism efforts increased significantly throughout the US. Progress in these areas has been mixed.

- Several CEOs of banks primarily serving Black communities indicate that they have been able to serve customers better by lending to more Black-owned small businesses, and by improving technology. However, to close the racial wealth gap, sustained investments from Wall Street and big corporations and/or reparations are needed to reverse some of the damage of structural racism.
- Companies set diversity goals with the intent to “do better” to diversify staff and advocate in favor of inclusion and equity. Still, there is

skepticism that these efforts will lead to long-lasting change.

- While over 300 police reform bills were passed across the country, many of these were revamped or rolled back after police unions voiced complaints.

Recognizing the challenges that Black-led and Black-serving organizations face related to accessing capital and systemic racism - sustaining and diversifying funding, delivering services, and attracting talent, challenges that were exacerbated by the pandemic - the Denver Foundation responded to the events of May 25, 2020 by establishing the Black Resilience in Colorado Fund (BRIC) on Juneteenth, 2020.

BRIC provides resources to these organizations and provides -building programming to Colorado’s Black, Indigenous, and People of Color (BIPOC) nonprofit leaders. In its first year, BRIC raised over \$2M.

To date, BRIC has allocated **over \$3M to more than 230 groups** recovering from the escalated community need during the COVID-19 pandemic and continuing racial injustices.

An early investor in the BRIC Fund was Urban Land Conservancy (ULC). For 20 years, ULC has developed affordable housing and provided below-market-rate office space to nonprofits throughout the Denver Metro area. During the Fall of 2020, ULC partnered with BRIC to create the [BRIC Loan Fund](#). The Loan Fund offers low-interest loans up to \$50,000 for pre-development and/or capital expenditures for Black-led and Black-serving nonprofits.

With this value in mind, ULC approached BRIC to propose that the organizations collaborate and be more intentional in their work with BRIC-

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eligible organizations. Following a series of meetings and discussions, ULC and BRIC hired the consulting firm community by design (cbd) to develop and administer a survey to said organizations. The survey was designed to help BRIC and ULC better understand the facility and operational needs of the organizations. This may allow BRIC and ULC to work with the organizations to explore growth options, including acquiring property and/or sharing space or resources with other aligned nonprofits.

As an established consulting firm, cbd provides various services in real estate, strategic planning, and community development. Examples of successful projects with ULC and The Denver Foundation include the redevelopment of the Holly Square in NE Park Hill, the 48th and Race Columbia Ventures development, and ArtWay North. More recently, cbd worked with ULC to solicit input from nonprofit tenants and for-profit partners along the East Colfax Corridor and Westwood communities to gauge ULC's impact in these communities.

Through an iterative process with BRIC and ULC, cbd developed the questionnaire for the survey. The survey was distributed to over 170 organizations from April 23 - May 8, 2023. A total of 41 completed surveys were returned for a response rate of 24%. A copy of the questionnaire is included as Attachment B.

OBSERVATIONS

58%

It is not surprising that fundraising is a key issue for these nonprofits. This is an issue facing these nonprofits throughout the country and locally:

24 of the nonprofits surveyed (58 percent) indicate they are struggling to raise operating and capital dollars, despite the heightened awareness of need and concerns in their communities that intensified during the pandemic.

OBSERVATIONS

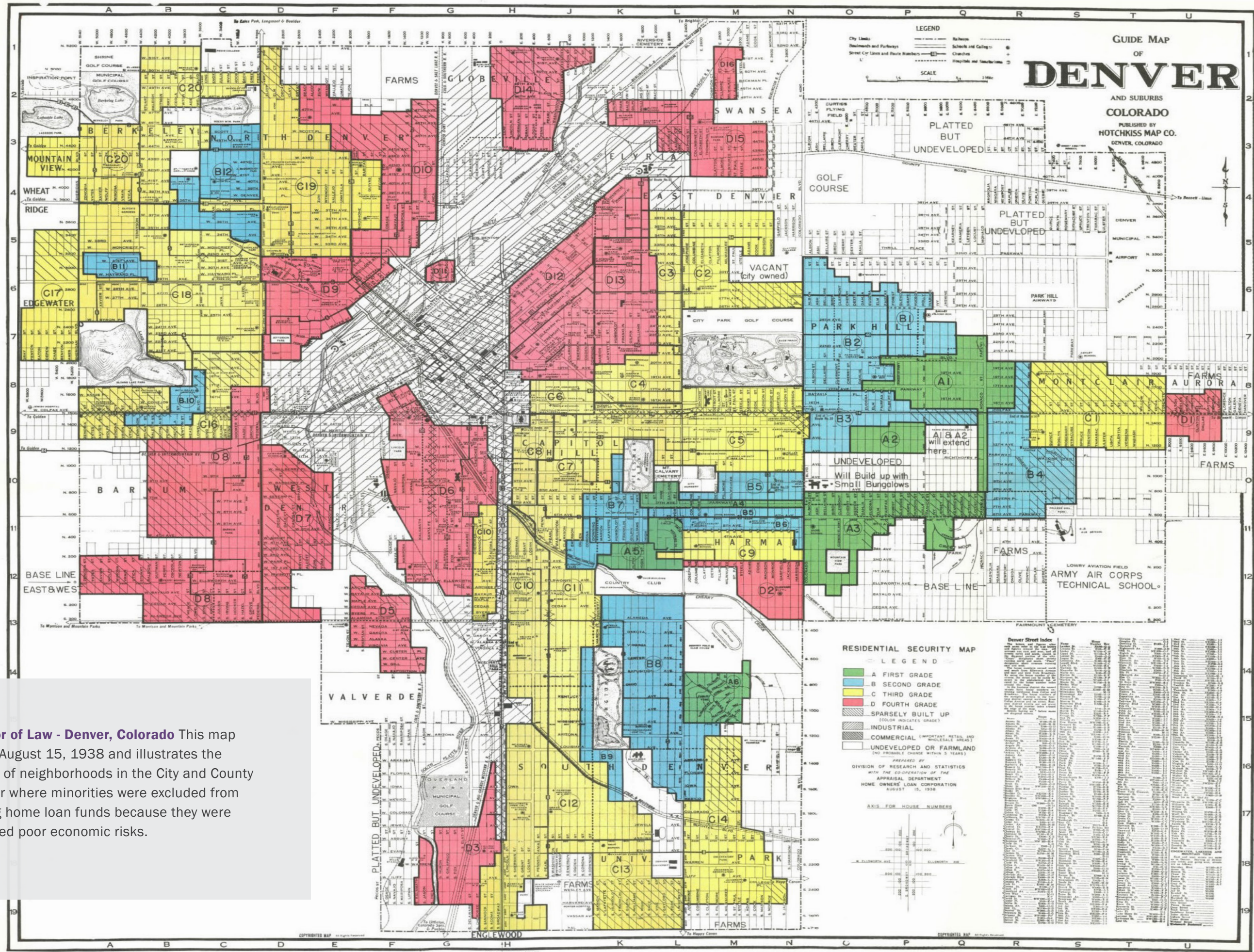
The communities served by BRIC-supported nonprofits have faced the disproportionate impact of COVID-19. At the same time, the death of George Floyd and other Black Americans at the hands of police officers highlights the inequities and systemic racism in our country. On the heels of the pandemic, the country experienced the worst inflation in this generation, leading to significant operating cost increases. That they have survived in this landscape is a testimony to their resilience despite a persistent lack of resources and financial support. It is also an indictment of philanthropic communities, financial systems, and governmental entities that so many Black-led nonprofits maintain subsistence budgets that barely allow their organizations to exist, let alone thrive.

Some of their challenges are likely connected to larger systemic and historical issues: organizations led by people of color are not awarded at the same rates and are not trusted to make decisions about how to spend those funds as groups with white leaders. And while foundations acknowledge the role that race and racism play in their funding decisions, the systemic nature of the problem persists.


BRIC has taken a significant step in establishing the loan fund, intentionally supporting targeted organizations, and raising awareness that equity and inclusion are crucial. Still, there is more work to be done because crisis funding is not a sustainable model for these crucial organizations' long-term success and health.



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The Color of Law - Denver, Colorado This map is dated August 15, 1938 and illustrates the redlining of neighborhoods in the City and County of Denver where minorities were excluded from receiving home loan funds because they were considered poor economic risks.



Many complexities are involved in the reality of BRIC nonprofit's inequitable access to capital and fundraising challenges. One consequence of the racial wealth gap for Black-led nonprofits is that they do not have access to the same financial resources as white-led organizations. Black people can seldom go to family members or friends for large infusions of cash; the same holds true for these nonprofits. These leaders do not have access to many social or professional networks that can provide the monetary resources necessary to grow and scale their organizations. While the murder of George Floyd and others highlighted the inequities BRIC-supported nonprofits face - inequities that were aggravated during the pandemic - they still struggle to raise both general operating and foundation funding.

BRIC and ULC have collaborated since 2021 to develop a streamlined, trusted application process and remove some of the barriers to accessing capital, but more needs to be done. Both an expectation and opportunity for foundations and financial institutions to support this endeavor and create more equitable access to grants, loans, and other funding is required.

Recommendations for BRIC, ULC, nonprofits, and others are offered below. While it is impossible to propose a slate of recommendations that will completely reverse the effects of centuries of racism and discrimination, these strategies may provide leaders and their board of directors with the tools they need to scale and achieve their missions.

Some proposals address the underfunding of Colorado's Black-led nonprofits due to racialized disparities in foundation grant-making and access to capital from traditional lending institutions. Including diversity, equity and inclusion as criteria when making grant awards might make some funders uncomfortable because many grantors have taken a "color blind" approach to grant-making. Although well intended, this approach fails to recognize how existing systems and structures create disparate outcomes for some nonprofits.

These disparities have existed for generations, and the recommendations suggested will not move the needle overnight. But collectively, they could influence future allocation awards and close the current gap that exists between Black, and white -ed organizations.

CONCLUSION AND RECOMMENDATIONS

BRIC/ULC

Recurring comments made by respondents highlight the struggle leaders face to secure general operating support, much less take on a capital campaign. Comments also highlight the leaders' knowledge gaps in strategic planning, board member recruitment and development, capital campaigns, and property acquisition.

RECOMMENDED ACTIONS:

- BRIC currently offers leadership development and organizational capacity building through the Executive Directors of Color Institute (EDCI). BRIC and ULC could expand the EDCI curriculum to include technical assistance on board recruitment and development and strategic planning.
- Provide advanced workshops, summits and/or coaching on property acquisition and capital campaigns.
- Solicit support from foundations and financial partners to sponsor the current EDCI curriculum and advanced workshops, summits, and coaching.



BRIC SUPPORTED NONPROFITS

Access to capital was often cited as the primary barrier for not moving forward to improve existing space and property acquisition. Other barriers noted were difficulty fundraising for general operation dollars and a lack of understanding about purchasing property and capital campaigns.

Several directors also commented that their board members are hesitant to engage in fundraising activities or even discuss a capital campaign for their organizations.

Most of those surveyed indicated that they expect to grow in the next 3-5 years and are interested in sharing space. However, the survey failed to define what 'growth' means, so it is unclear what exactly this means.

Leaders cannot move forward without understanding the basics of property acquisition, the risks and responsibilities involved in ownership, and what is involved in ramping up for a capital campaign. Having the "right" board composition is also crucial to evaluating short- and long-term needs to advance their missions.

To grow, grow and thrive, the directors need assistance in these areas.

RECOMMENDED ACTIONS

- Enroll in the expanded EDCI modules on board development and strategic planning.
- Participate in property acquisition and capital campaign workshops, summits and/or coaching. These trainings should be mandatory for those agencies that desire to purchase property.
- Self-assessments are an important first step to help leaders and board members understand their health and capacity. The nonprofit life cycle assessment is a popular and effective tool to assist with this analysis. It is intended to help nonprofits with strategic planning and board development by considering systemic benchmarks in the organization's life from idea, start-up, growth, maturing and decline, and crisis. Leaders and their boards should be required to conduct the analysis to help them determine where they are in their "life cycle," identify challenges and opportunities, and define what growth means for their organizations.

A free online assessment is available at [Self Assessment](#).



FOUNDATIONS

Based on what is known about the multiple barriers faced by leaders of color, most of the nonprofits surveyed need assistance accessing and diversifying funding and building relationships with donors to break down barriers to capital. The philanthropic community must also acknowledge that it operates in a system of inequity and take steps to level the playing field.

RECOMMENDED ACTIONS

- If they are not already doing so, foundations should use Diversity, Equity, and Inclusion criteria to guide funding decisions.
- Make a significant financial contribution to BRIC to support the grant and loan fund.
- Partner with BRIC/ULC to sponsor nonprofit development.



FINANCIAL INSTITUTIONS

One of the difficulties BRIC BRIC-supported nonprofits face accessing capital is the belief by banks and other financial institutions that these entities are higher-risk candidates for mortgages and other loans. When loans are made, they are more likely to receive smaller loans and higher interest rates. To address this bias, banks should think differently about creditworthiness and consider these organizations' vital role in stabilizing and serving their communities. Financial institutions may also satisfy Community Reinvestment Act (CRA) requirements by lending to BRIC-eligible organizations.

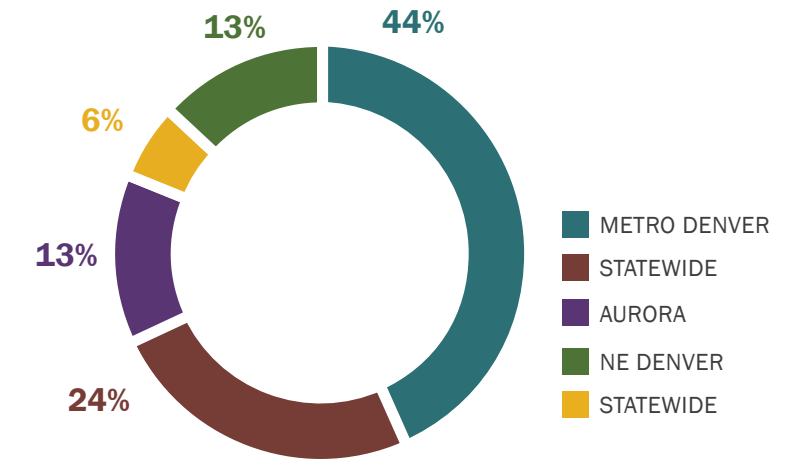
RECOMMENDED ACTIONS:

- Provide below-market-rate financing to make access to capital more attainable
- Make a significant financial contribution to BRIC to support the grant and loan fund.
- Partner with BRIC and ULC to sponsor nonprofit training.

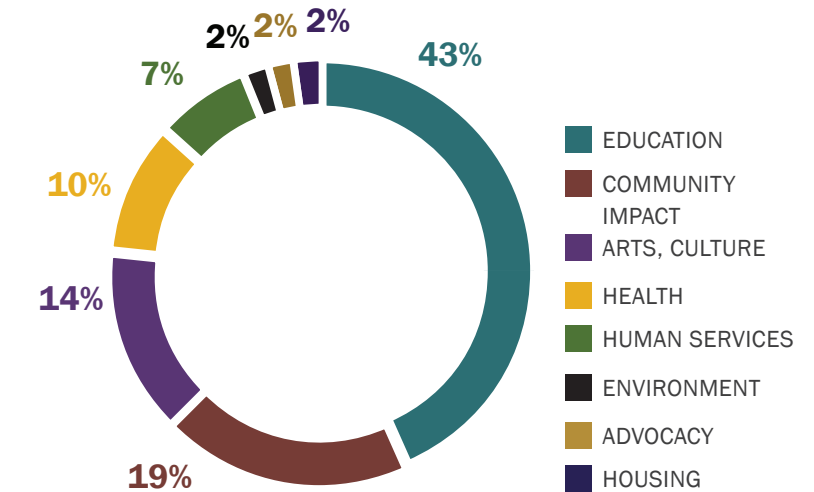


ATTACHMENT A SURVEY RESULTS

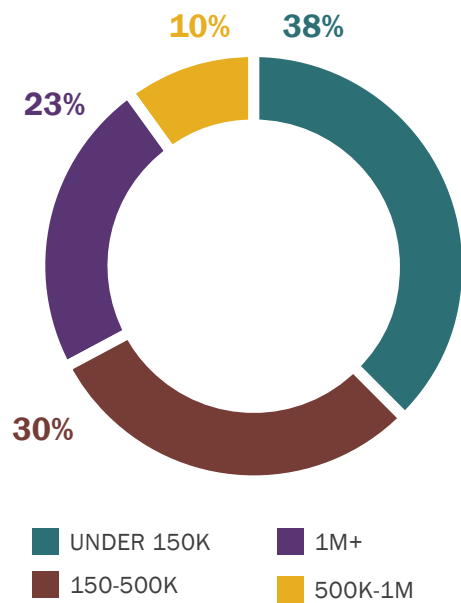
All respondents have participated in BRIC Fund capacity building programs and/or the Executive Directors of Color Institute. Additionally, 71 percent have received direct assistance from BRIC.



Most of the nonprofits surveyed identify Metro Denver as their geographic service area. 25 percent identified Aurora. 6 percent of the nonprofits work Statewide.



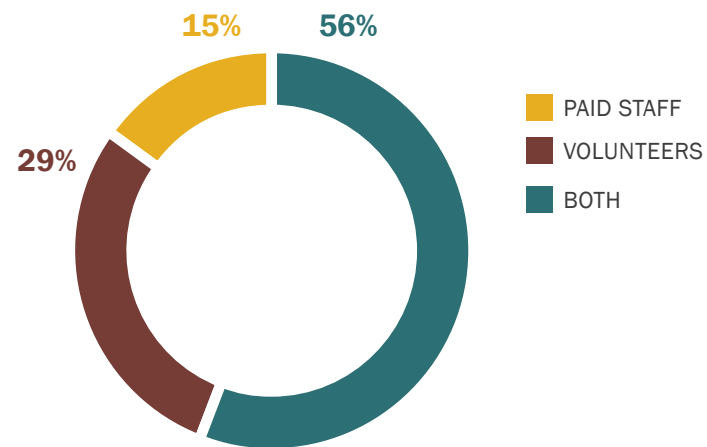
Majority of respondents identified Education as their focus area. Nearly 20 percent identified community impact as a focus area; this category includes economic development and empowerment strategies.



WHAT IS YOUR ANNUAL BUDGET?

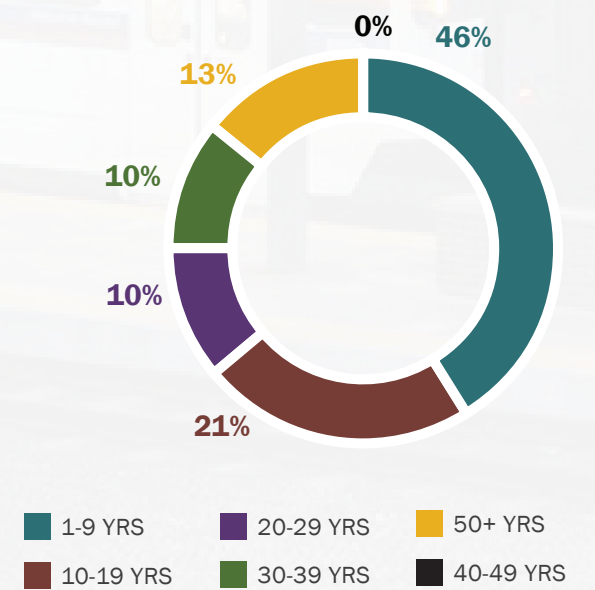
They are small. In 2020, the nonprofit Echoing Green, partnered with the Bridgespan Group to examine racial inequities in philanthropy. That report “Barriers to Capital and Racial Equity in Philanthropy” found that “Black-led organizations were 24 percent smaller than the revenues of their white-led counterparts, and the unrestricted net assets of the Black-led organizations were 76 percent smaller than their white-led counterparts.” Consistent with the data included in Echoing Green’s report, 68 per cent of the agencies surveyed have annual budgets under \$500,000.

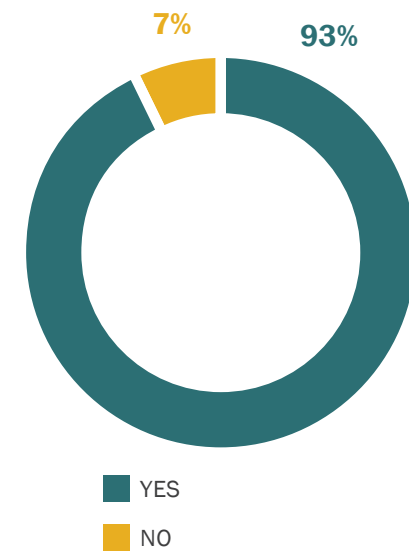
Nearly a third of respondents rely solely on volunteers to run their organizations. Most of these nonprofits are in facilities that need maintenance or renovations. These directors report that a lack of funding prevents them from hiring staff and making necessary improvements to their facilities.



HOW MANY YEARS HAVE YOU OPERATED?

They are young. The National Center on Charitable Statistics says the failure rate for nonprofits is over 30% within the first 10 years. Nearly 50% of the agencies surveyed have operated for less than 10 years. While these agencies have participated in BRIC capacity building activities, they may require additional coaching to succeed. This might include more assistance with developing strategic plans, fundraising and Board management.

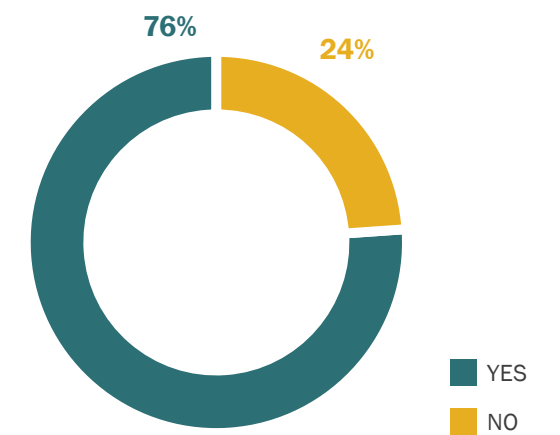




They are resilient. The majority of respondents faced significant disruptions during the peak of the pandemic that resulted in changes to their business operations. This is consistent with research from the nonprofit Building Movement Project that shows that nonprofits run by Black, Indigenous, and people of color (BIPOC) have been disproportionately affected by COVID-19.

BRIC respondents made significant changes to their operations, including working less hours, working remotely, and/or providing virus-related information and services to their clientele. They also experienced an increased demand for services, without a similar increase in funding. Several respondents reported staff losses during the pandemic and state that it is still difficult to recruit and retain staff. Despite these challenges, the agencies persevered and are still in business.

They are optimistic. It is estimated that 87 percent of national BIPOC leaders are working in communities that are hardest hit by the pandemic; two-thirds of them work with communities that don't have stable housing. During the pandemic, BRIC leaders worked hard to provide necessary services to stabilize their communities. In the face of these challenges, and perhaps in response to them, over 90% of respondents anticipate that they will grow in the next 3 - 5 years.



ATTACHMENT B

BRIC / ULC

QUESTIONNAIRE

1. What is your email address?

2. What is the name of your organization?

3. Have you received direct financial assistance from the BRIC fund?

- Yes
- No

4. If yes, did you receive a:

- Grant
- Loan
- Other:

5. Have you participated in any BRIC fund capacity-building programs?

- Yes
- No

6. If yes, what programs have you participated in?

- EDs of Color Institute (current or alum)
- BRIC grantee webinars/convening

7. What is your focus area?

- Arts, Culture
- Education: Adult, Youth Early Childhood
- Environment
- Health
- Housing
- Human Services
- Other

8. What is your geographic service area?

9. How long have you been in operation?

10. Are you a 501(c)(3) organization or are you fiscally sponsored?

- 501(c) (3)
- Fiscally Sponsored

11. If you are fiscally sponsored, who is your sponsoring agency?

12. What is your annual budget?

- Under \$150K
- \$150K-\$500K
- \$501K-\$1M
- \$1M+

13. Do you have paid staff, volunteers, or both?

- Paid staff
- Volunteers
- Both

14. Do you currently own office space?

- Yes
- No

15. Are you currently leasing office space?

- Yes
- No

16. Do you share space with other nonprofit organizations?

- Yes
- No

17. Are you interested in sharing resources with other nonprofits?

- Yes
- No

18. Do you need to make capital improvements to your space?

- Yes
- No

19. Has COVID impacted your operations?

- Yes
- No

20. If yes, how?

21. Do you anticipate growth in the next 3-5 years?

- Yes
- No

22. If yes, can your existing space accommodate your growth?

- Yes
- No

23. Has your board discussed acquiring space for your organization?

- Yes
- No

24. If yes, have you initiated a capital campaign?

- Yes
- No

25. What challenges might prevent your organization from acquiring space?

26. Is there anything else you would like to share about your facility needs?

ATTACHMENT C

AGENCY BIOGRAPHIES



BRIC - The Black Resilience in Colorado Fund (BRIC) is Colorado's first Black-focused community fund. Established on June 19, 2020, BRIC provides financial resources and support to Black-led and serving organizations.



ULC - Since 2003, the Urban Land Conservancy (ULC) has worked to acquire, create, and preserve community-serving real estate assets in the Denver metro area. ULC has invested in more than 50 properties throughout the Front Range for community benefit.



cbd - community by design (cbd) was established in 2009. cbd's areas of expertise include affordable housing and community development, community engagement, and nonprofit organizational development. In addition to working with The Denver Foundation and ULC, cbd has worked with other government and nonprofit organizations, including the City of Boulder, the City of Longmont, and the HOPE Center.





For information about this report or the BRIC Loan Fund,
contact us at connect@bricfund.org.

Thank you to our external evaluator!

