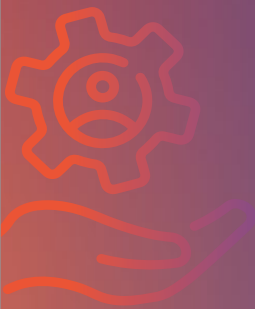


Unlocking Progressive Power-Building

Changing the Culture of Philanthropy
to Effectively & Equitably Support
Multi-Entity Organizations



10 Ways to Make Smarter Investments in Power-Building

To accelerate the movement towards racial, social, and economic justice, philanthropy seeks to support grassroots organizations building the power to achieve transformative policy change. Using findings from interviews with over thirty civic engagement grantmakers, this report offers a set of practical steps that funders can take to change giving practices to better support multi-entity grassroots organizations doing bold power-building work.

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Our Work

Who We Are

New Left Accelerator, a 501(c)(4), supports progressive leaders, organizations, funders, and state ecosystems to build the strategic, operational, and adaptive capacities to employ multiple legal entities to further social and political progress.

The Capacity Shop, NLA's separate but affiliated 501(c)(3), serves as an education and resource center that generates and shares knowledge about how to safely and boldly use multi-entity organizations.

Our Vision

We imagine a world where the mobilization and enfranchisement of millions of people have realigned power in our country; where grassroots organizations led by impacted communities can win and protect policy that advances social, racial, and economic justice, and strengthens our democracy.

This will be a reality when:

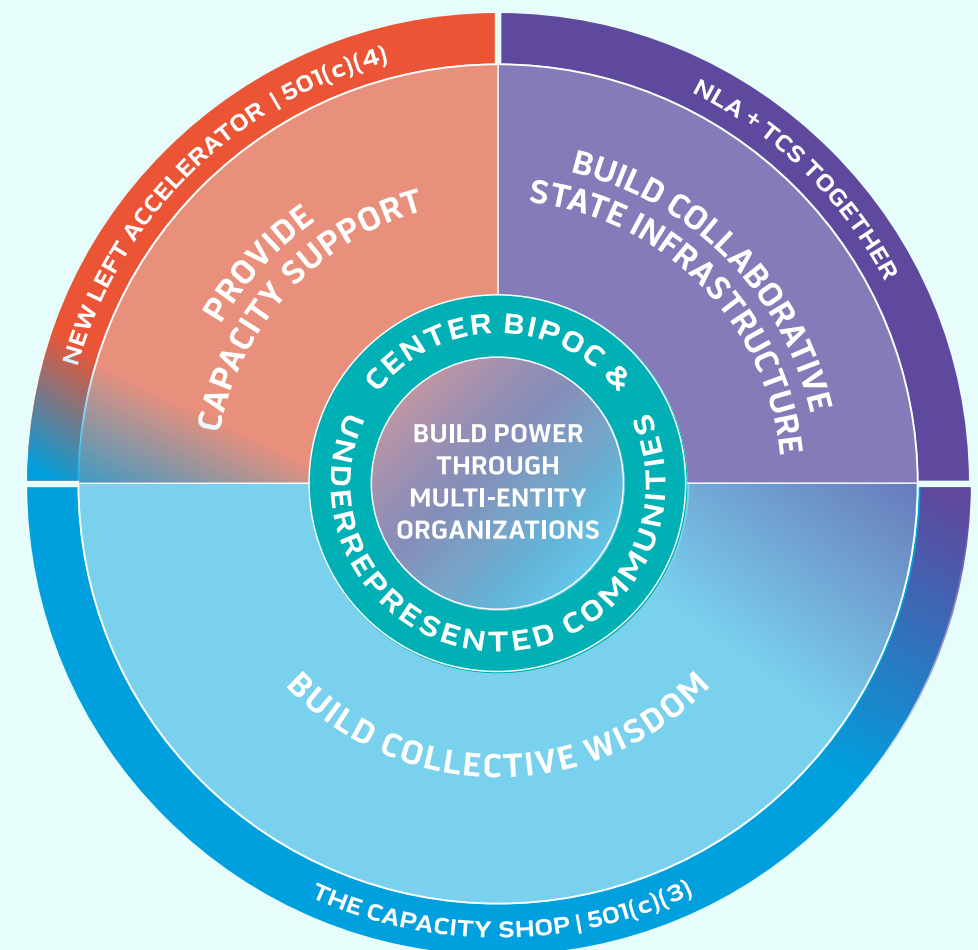
- Those with historical positions of privilege and power—namely white, socially and economically advantaged people—are using that power to disrupt and transform the ecosystems and structures that lead to systemic oppression.
- Funding practices have evolved so that progressive power-building organizations—including those led by communities most impacted by injustice—are healthy and fully resourced to sustain deep organizing year-round, every year.
- The progressive ecosystem has the power and influence to win elections, hold elected officials accountable, and shape how policy is created and implemented.
- Those directly affected by harmful policies and inequitable systems are leading the movement for change through grassroots organizing and powerful advocacy.
- State ecosystems and grassroots organizations have the resources, capacity, and knowledge to utilize multiple legal entities—including 501(c)(4)s, 501(c)(5)s, PACs, and corporations—to build and sustain power and influence.

Who We Work With

NLA and TCS center impacted communities in our work. This means we prioritize partnering and collaborating with organizations that center the experiences and voices of marginalized groups at the intersection of race, gender, and class.

Our Core Programmatic Strategies

To achieve change, NLA and TCS engage in three core strategies.



Key Definitions

A Primer on Multi-Entity Power-Building

MULTI-ENTITY DEFINED

Multi-entity organizations use more than one legal entity—often 501(c)(4)s, 501(c)(5)s, PACs, or corporate entities, in addition to 501(c)(3)s—to build power and influence.

THE CHALLENGE OF MULTI-ENTITY WORK

Multi-entity work is complex. Leaders must navigate tax, employment, and compliance laws; build new systems to manage resources across legal entities; accurately track and report political activity; engage multiple stakeholders to coordinate strategy; and find new attorneys, accountants, and others with unique multi-entity expertise.

WHY MULTI-ENTITY WORK IS REQUIRED TO BUILD POWER

Although 501(c)(3)s do important work, they cannot engage in the full range of strategies and tactics that build and sustain power. Only non-(c)(3)s (e.g., 501(c)(4)s, PACs, corporate entities, etc.) can participate in critical strategies like unlimited lobbying, political activity, independent expenditures, and/or the endorsement and funding of candidates. These strategies are central to achieving and implementing electoral, legislative, administrative, and judicial victories that improve people's lives.

NLA'S Definition of Power

While there are many definitions of power, for NLA, we mean the *power to win and protect policy change*, which requires the ability to effectively organize and mobilize a diverse grassroots base to:

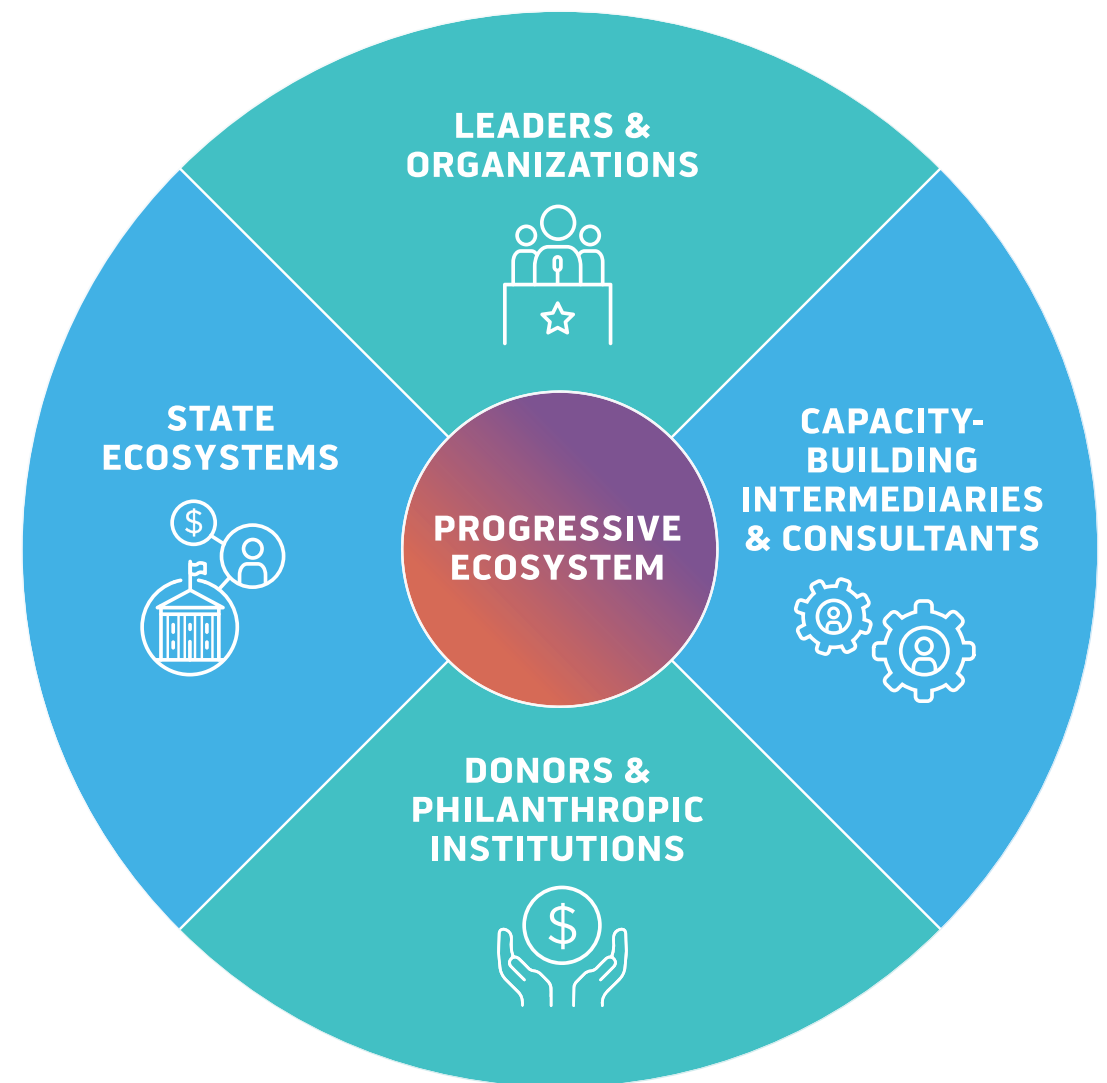
- Elect and protect progressive majorities at all levels of government.
- Pass and defeat ballot initiatives and legislation.
- Co-govern with elected officials to draft, implement, and protect progressive policies that advance racial, social, and economic justice.
- Hold elected officials accountable.

“In philanthropy we need to do a better job understanding that it takes a lot of capacity to build power. Organizations cannot have only a risk management approach to their work; they need to have a sophisticated strategy to win. And to do that they need more than (c)(3)s. And if they have more than one organization, we have to get them capacity-building support that actually meets their needs.”

Ecosystem Sectors That Must Change

NLA and TCS believe that in order to create the change we want to see in the world, the entire progressive ecosystem must evolve to better support multi-entity power-building organizations led by the communities most impacted by injustice.

NLA AND TCS THUS FOCUS OUR WORK ON FOUR KEY SECTORS OF THE PROGRESSIVE ECOSYSTEM:



INTRODUCTION

The progressive movement and the philanthropic sector are at a crossroads. Across issues—racial justice, climate change, abortion access, democracy protection, women’s rights, poverty, workers’ rights, immigrant rights—there is increasing recognition that the old ways of doing things are no longer up to the monumental task of our time. Our movements need effective and aligned grassroots, advocacy, and political strategies to achieve transformative change. To meet this moment, philanthropy has an opportunity to move away from age-old habits influenced by white supremacy and risk-averse giving, and launch a new age of giving to achieve true transformative change.



Despite limited budgets and restricted funds, grassroots organizations—many of which are led by Black people, Indigenous people, and people of color (BIPOC)—are creating a seismic shift in the way power-building work is conducted in the field. Each year, more bold leaders are **building multi-entity organizations**—using 501(c)(4)s, corporate structures, political action committees, and other entities in addition to 501(c)(3)s—because they understand that these entities are a prerequisite for *unleashing their full potential and power*. Yet much of the rest of the progressive ecosystem has not kept up with a fast-changing multi-entity field.

Report Background

In 2022, New Left Accelerator (NLA), a 501(c)(4), and The Capacity Shop (TCS), our affiliated 501(c)(3), set out to learn more about how four key sectors—**organizations, intermediaries, funders, and state ecosystems**—were evolving to keep up with the shift to a multi-entity ecosystem.

We turned first to the philanthropic sector. We did so because, as part of our own organizational journey, NLA and TCS have made a commitment to analyze institutional power and examine how to disrupt systems of oppression within the nonprofit sector, our family of organizations, and ourselves. The structural and positional power that funders hold makes them powerful gatekeepers. As a result, funder policies and practices often dictate the legal structures and strategies that the entire movement can utilize to achieve their goals.

NLA repeatedly observes how practices ranging from overly restrictive grant-making terms to disconnected and uncoordinated (c)(3)/(c)(4) funding limit grantees’ ability to use bold, legally-permissible strategies to achieve their vision. We believe that for the progressive movement to succeed,

funding practices must change. So we set out to better understand the cultural and structural barriers within philanthropy that are impacting multi-entity power-building work in the field.

To that end, from February to June 2022, we conducted 30 interviews with staff at various philanthropic institutions that fund civic engagement work. Interviewees included a mix of senior leadership, program officers, administrative staff, and donor advisors. Some of the institutions only fund 501(c)(3) work, while others give a mix of 501(c)(3) and 501(c)(4) resources (with varying levels of restrictions on the use of their funds).

We asked interviewees what they knew and understood about their multi-entity grantees, what they understood about the challenges and needs of multi-entity work, what they wanted to learn, and what changes they believed were necessary in their institution and the philanthropic sector at large to better support the field. All interviews were confidential. Themes, lessons, and quotes from those interviews are shared here without attribution to individuals or institutions so interviewees could speak freely.

1. Political is a word, like power, that has so many definitions that few people mean the same thing when they use the term. The word “political”, however, exists on a spectrum of meaning; sometimes it means partisan political activity (endorsing or supporting candidates for office); other times it means little “p” politics, by which people are referring to issues that are considered controversial (e.g., abortion or immigration). Many foundations avoid thinking about or educating their staff about either power or politics because they can’t fund political activity. Movements, however, must be political in both senses of the word to win and defend policy victories. To ignore this reality is to court disaster. We cannot be bold without a deeper understanding of power and politics; we cannot be compliant unless we educate all sectors of our movement about what the law allows and prohibits.

What We Learned

The interviews painted a picture of a philanthropic sector in transition. While the number of funders that support 501(c)(4) and multi-entity work is rapidly growing, bright-spots in the field of multi-entity funding are still the exception to the rule.

Much of the philanthropic sector has a limited understanding of multi-entity work. A fear of multi-entity work often dominates internal culture and prevents open and honest communication about the reality of grantee work and needs. Standard giving practices are all too often more conservative and risk-averse than what the law allows, limiting

the impact of grantees' work to the detriment of us all.

The good news is that there are a handful of funders charting a new path, ready to share their learning and experiences. There was also high awareness among interviewees that bold power-building strategies require more than 501(c)(3)s. And the brightest spot of all was the near-universal desire among interviewees to not only learn about and better understand multi-entity work, but also to advocate to improve practices at their institutions. The message was clear: the sector is hungry to learn and evolve.

Key Takeaways This report shares ten specific recommendations for improved philanthropic practices. However, there are five main points that we hope those who read this report will take with them:

Get Comfortable with Power and Politics:

Many foundations refuse to think about power or politics because they cannot fund political activity. Movements, however, must be both political and powerful to win and defend policy victories. 501(c)(3)-only funders can develop a better understanding of how and when movements and organizations can use other entities to build the power to win policy victories—even if the foundation does not fund 501(c)(4)s or political activity. Understanding power is the difference between funding programs that feed the hungry (downstream investment) and investing in work that ends hunger (upstream investment).

Internal learning about power and politics IS permissible for foundations who give only (c)(3) funds. Foundations can and should educate their staff and stakeholders about the entire spectrum of strategies and activities that movements and organizations need to win policy victories so that they can make smarter, more informed investments in the portion of multi-entity work they can legally fund. And, just like nonprofits, foundations must educate their own staff about the limitations and opportunities of law

that governs foundation work—providing legal training, accompaniment, and creative partnership to foundation staff so that staff is empowered to do bold but compliant work with the rapidly growing sector of multi-entity grantees leading policy work in the field.

Allow What the Law Permits:

Philanthropic practices should allow nonprofits to engage in all activities allowed by law. That requires eliminating grant agreement terms that expressly prevent legally permissible strategies and giving general operating and/or expenditure responsibility grants. When done correctly, multi-entity work and grantmaking are no more risky than any other nonprofit or philanthropic endeavor.

Funders should change restrictive practices that unnecessarily tie grantees' hands behind their backs at the very moment we need them to be maximizing their impact. Grant terms more restrictive than the law should be removed—and funders should commit to grantmaking practices that make multi-entity work possible.

Invest in BIPOC Organizations' Infrastructure:

Far too few philanthropic dollars go to BIPOC-led grassroots organizations. This historical underinvestment has meant that many multi-entity BIPOC organizations² have lacked sufficient resources to fully develop the organizational infrastructure they need to do bold work safely. This is especially concerning because BIPOC organizations are often the first to be targeted with regulatory complaints, state investigations, or fines for minor infractions—all efforts designed to chill their work and limit their impact. The risks of multi-entity work are manageable when addressed properly. Organizations with sufficient resources to build the operational and compliance capacity of their staff and to access multi-entity informed attorneys, CPAs, and consultants are well prepared to execute bold multi-entity work safely.

The field needs multi-year investments in the operational capacity of BIPOC-led 501(c)(3)s that support multi-entity work, providing them with an infusion of sustained resources that enable them to build robust infrastructure and the operational capacity to be both bold and compliant.

2. See data from Race to Lead (<https://racetolead.org/>) showing that BIPOC-led organizations receive less funding which results in fewer resources for critical infrastructure and capacity investment; see also Racial Equity in Philanthropy, Bridgespan Report (<https://www.bridgespan.org/insights/disparities-nonprofit-funding-for-leaders-of-color>).

Use 501(c)(3) Funds to Build Multi-Entity Praxis & Operational Capacity:

501(c)(3)s that support multi-entity work need access to multi-entity competent legal, financial, operational, and strategic expertise. Unfortunately, much of multi-entity work is expensive, less sexy than program work, and woefully under-funded. Worse, there are few multi-entity specific trainings, tools, or resources and limited multi-entity informed technical assistance. This must change. Our movement needs access to a multi-entity praxis and resources specifically designed to build multi-entity operational capacity. These needs can be met with (c)(3) dollars, which is critical since (c)(3) resources are far more plentiful. Working together, funders, intermediaries, consultants, and leaders need to rethink how our entire ecosystem becomes multi-entity competent.

A prerequisite to transforming our ecosystem is investment in the development of a multi-entity praxis as a common good. Funders and intermediaries who run capacity-building programs can make sure multi-entity grantees have access to multi-entity competent advice and technical assistance. And we can use (c)(3) funds to build a shared body of knowledge about the operational capacity and know-how that multi-entity work requires across our ecosystem.

Invest in Shared Infrastructure Solutions:

Our movement must build shared infrastructure to make multi-entity work possible at scale. We cannot build power by providing technical assistance to one organization at a time. Forming thousands of small 501(c)(4)s and multi-entity organizations is inefficient and simply not economically feasible given the limited (c)(4) funds in our ecosystem. There are many state ecosystems and movements experimenting with collaborative ways to build shared infrastructure for multi-entity work, but too often funders invest only by issue area, limiting shared infrastructure solutions. Creative organizations like the Community Building Strategies, Center for Empowered Politics, NAKASEC Action Fund, and the Arizona State Tables (One Arizona and Arizona Wins), among others, are a few of the organizations leading the way, piloting innovative infrastructure solutions. These include using corporate entities, shared 501(c)(4)s, and managed shared offerings that make multi-entity work possible at scale, while consolidating and reducing risk.

We need funders to step out of their issue silos and invest in shared and placed-based infrastructure that addresses the common challenges of multi-entity work. Given the expense and complexity of multi-entity work, shared infrastructure is a prerequisite to power-building work at scale.

It is our hope that this report will spark conversations and action in the philanthropic sector that will improve funding practices to better support multi-entity, power-building work. The use of multi-entity organizations is a technical but urgent matter for the entire progressive movement. We cannot dismantle systems of oppression and exploitation without power—and we cannot secure power without grassroots, multi-entity organizations.

At NLA and TCS we imagine a progressive ecosystem where grassroots power-building organizations—particularly those led by communities most impacted by injustice—are powerful, healthy, and fully resourced to sustain all of their organizing year-round, every year. We hope that this report inspires you to imagine the role you might play in making this vision a reality.

“Not looking at a grantee’s (c)(4) is like not looking at half of the body of somebody. How do we not see that when we fail to understand their other entities matter, we are missing the real possibility of their work? We need to start seeing our role as funding in a way that most helps the grantee succeed—and we need information about the legal entities they have to do that.”

“In philanthropy we need to do a better job understanding that it takes a lot of capacity to build power. Organizations cannot have only a risk management approach to their work; they need to have a sophisticated strategy to win. And to do that they need more than (c)(3)s. And if they have more than one organization, we have to get them capacity-building support that actually meets their needs.”

1

Understand Power and What It Takes to Win

Challenge

A failure to understand power limits the field's ability to secure policy wins and maximize impact.

While civic engagement funders speak often of “power-building,” most interviewees reported that their institution did not define the word power, discuss or know what is required to exercise power, evaluate if grantees have a plan to acquire power for the communities they serve, or understand the legal entities and/or operational capacities required to engage in campaigns and activities that achieve power. Many shared that internal staff at their institutions avoid talking about 501(c)(4) work—often pretending that (c)(4) grantees do not exist—and that it is common within their institutions to pretend that there is no link between organizing work, elections, and the ability to pass policy. The consequences of philanthropy's failure to engage in honest analysis of what it will take to win transformative change and pass policy has implications for the entire ecosystem. Without a clear understanding of what power is, how grantees build and utilize it, or the non-(c)(3) legal entities and strategies required to wield it, many funding institutions are unable to think strategically about how their approaches and practices need to evolve to best support winning strategies.

Solution

Invest in understanding what it takes to win.

Philanthropic institutions can make a commitment to improve their own understanding of how movements and organizations can use different legal entities, strategies, and operational capacities to build and wield power. For many, this will require a fundamental shift in thinking. For example, while it is certainly true that we need to invest in feeding and housing the homeless, we also need to understand what it would take to build the power to pass equitable policies that end the conditions that create homelessness in the first place. This expanded understanding will increase philanthropy's ability to invest in interventions that lead to critical wins.

“Without an analysis of how power operates in our society, and what is needed to change that, you lack an analysis about what is needed to shift power. And foundations often don't engage in this kind of analysis, and so they don't name or talk about (c)(4) or other work that is by definition, part of any understanding of power in our sector.”

“Power building is a spectrum. It starts with educating people about issues, but it can't stop there. It then needs to go into lobbying, candidate work, and ballot measures. If you really want to build power and pass policy, you need to be able to engage in different strategies like accountability work with elected officials . . . ”



“To carry out a real strategy for power, you need multiple entities. [The philanthropic field] needs to better understand and acknowledge that the (c)(3) element is just one arm . . . and that (c)(4)s open up another door to how organizations can wield power.”

“Groups are saying that we need to radically reorder who is making decisions. They would rather be organizing our friends and have both an inside and an outside strategy to move forward an agenda, and that requires different legal entities. They really need us to invest in and understand their (c)(4)s and accountability work. But we tend not to talk about that.”

2

Develop a Clear Stance on Multi-Entity Work

Challenge

Lack of clarity limits trust and communication.

Many interviewees reported that they lacked clarity about their foundation's stance on 501(c)(4) and/or multi-entity work, and that unspoken policies of "don't ask, don't find out" are common. Staff's comfort talking about multi-entity work also varied widely across philanthropic institutions and even sometimes within programs in the same institution. Interviewees reported feeling fear and confusion, which results in inconsistent messaging to grantees about whether the foundation values multi-entity work. The consequences are substantial: grantees are afraid to share their true operational and compliance needs (let alone their compliance violations or legal woes) with their funders. This results in a lack of resources to do multi-entity work safely, which exposes them to efforts to sabotage their work. We are all the poorer for the lack of honest information about the needs of multi-entity grantees.

Solution

Get clear and be transparent about your institutional stance.

Philanthropic institutions can develop clear, written positions on multi-entity work that provide transparency on their stance to both staff and grantees. Clarifying an institution's support for multi-entity work—even if the institution does not fund non-501(c)(3) work—helps to align internal and external stakeholders on the value and importance of power-building strategies. This, in turn, signals partnership for *all* of their work, which builds trust with grantees and allows them to be more forthcoming about the strategic range of their work and multi-entity capacity-building needs. With more accurate information, foundations can make better-informed decisions about where and how to invest to best support organizations to achieve transformative policy change.



“Funders haven’t been challenged to be more explicit on their stance on (c)(4) work both with themselves and their grantees. We need to think more about how we can better support movement and power-building with grant giving and [investments in] capacity that recognize that (c)(4) work is an important part of the equation.”

“We have to ask ourselves: How can we be clear that we recognize that the (c)(4) aspects of grantee’s work are a strength?”

“If grantees have the ability to run a (c)(4), they have the ability to build a more complete toolbox and really move the needle. That is a good thing—not something philanthropy should be signaling it is scared about. We need to communicate that to grantees better.”

“We are hearing from our grantees directly that they need help in thinking about how to use and form other legal entities. And that means we need to be thinking and talking about that too. But right now we don’t think or communicate about our work that way.”

Program Officer Perspective

“Some institutions or program officers are really out front and clear that they applaud their grantees for taking on the challenge of starting a (c)(4). Others won’t let them mention that they lobby. Some grantees know the difference, and they don’t tell cautious funders about what is really going on or what they really need.”

Grantee Perspective

“We would love to talk openly and honestly with our program officer about our true needs. We need an attorney. We need a new system to move money between our (c)(3) and (c)(4). But they don’t even want us to say the word lobbying. So when we talk to our program officer, we all just pretend we don’t do (c)(4) work. We would never tell them directly that we support candidates. It’s absurd, really. But what are we going to do? If they get nervous we won’t get our (c)(3) grant—and we need it.”

3

Tackle Risk-Averse Culture

Challenge

Fear-based practices limit impact.

Many institutional practices within foundations reflect a risk-averse culture. Interviewees shared that the fear of reputational risk or “making a mistake” often drives internal decisions. As a result, funding policies and practices are more conservative than the law and misaligned with program priorities. Worse, limitations and restrictions in grants are often interpreted by grantees as guidance on what is legal and what is not (which is often inaccurate). This sows confusion, hinders legally permissible power-building work, and restricts impact.

Solution

Hire for expertise to explore what is possible, not just what is comfortable.

Tackling conservative foundation practices and culture requires a shift in thinking and attitude. Leadership and staff inside foundations can host internal conversations about the facts and the actual risks of multi-entity advocacy and explore and champion innovative best practices. Institutions can begin with an evaluation of internal organizational practices to determine which are required by law and which are the result of a risk-averse culture. Foundation leadership might explore second opinions where current advice is more conservative than what the law requires and ensure that *all* professional advice that the foundation receives is multi-entity competent. To implement a bold vision for what is possible, foundations should also consider hiring staff with multi-entity experience who bring in new perspectives, with a focus on recruiting BIPOC former EDs who have navigated 501(c)(3) foundations while building power. The task for philanthropy is not just to increase tolerance for risk, but to transform their giving practices to provide the grantee the maximum flexibility that the law allows.

“To respond to the moment we have to ask the question of what more and different things do we have to do . . . But that means we have to change the level of comfort within our own institutions.”

“People in philanthropy have built walls that are so high that they don’t want to entertain the conversations about what it takes to win. They don’t ask how we can go up to the line. The easier answer is just to say ‘no’ culture-wise. It would be really interesting to think about how we push philanthropy to come in with: ‘How do we get to yes?’ when they see something new or bold come in. How do we push ourselves to not just come with a fear-based ‘no’?”

“Risk aversion is real, and fear is real. And you can’t address the fear unless you take the risk aversion head on. You need to educate all of the players in these institutions—program officers, trustees, grants administrators, and the attorneys—on how they can do better and do more and be bolder. Democracy is on the line. It’s not the time to be cautious.”

“There is huge variation in approach, risk tolerance, and even understanding of what it means to use (c)(4)s to build power in the (c)(3) funding space itself. This is a huge barrier that is holding back the movement. We need to ask ourselves how we can do better.”



4

Invest in Education About Multi-Entity Work and Needs

Challenge

Foundation staff lack multi-entity education and learning opportunities.

The desire for access to education and knowledge about multi-entity work was nearly universal among interviewees. Many confessed to not understanding how 501(c)(4)s work, not knowing what questions they could ask multi-entity grantees, and not knowing what was prohibited culturally or legally within their institution, or how to structure their grants to allow for maximum flexibility. Meanwhile, many interviewees who understood multi-entity work or held previous jobs at bold funding institutions with best practices around multi-entity grantmaking reported that efforts to improve practices at their current institutions were often stymied by conservative approaches from grants administration or the legal counsel's office. There was frustration that internal practices were established on the basis of perceived reputational risk rather than accurate legal analysis of what is allowed. Nearly all of the interviewees felt that bolder approaches to giving are needed and that more and better education about multi-entity work and the law was necessary at every level of their institutions.

Solution

Develop institution-wide education for all stakeholders.

Knowledge is the first step toward building a culture that supports compliant and bold power-building work. Foundations can make a commitment to organizational-wide learning about multi-entity work and grantmaking. Regular training, tip sheets, talking points, internal communications, case studies, learning communities for foundation staff, and even "lunch and learn" sessions with grantees can develop institution-wide knowledge about how to support multi-entity grantees. Legal support should be readily available to all foundation staff and attorneys encouraged to be collaborative partners in finding bold and compliant solutions (this is critical because when legal is perceived as always saying "no" rather than as a collaborative partner in building what is possible, staff tend to avoid legal guidance). Mistakes can be treated as opportunities for learning and updating practices. Education should be designed to inspire and for *all* institutional stakeholders including trustees, program, finance, grants administration staff, legal departments, and evaluation partners, in addition to program staff. Eventually, the philanthropic sector may innovate enough to develop new standards and best practices for bold and legally compliant multi-entity giving.

"Our grantees are saying they want to have (c)(4)s but they don't know how to start, and we don't know how to support that work. Our program officers often don't really understand it, and I don't think many funders understand it, either. That has to be addressed if we want to better support what is actually happening in the field."

"What is really needed is to demystify this work. I don't know what limitations are cultural and what is the law, so myth busting with information is another thing that would be really helpful."

"I have a limited understanding of what it means to build operational capacity for multi-entity organizations. I think that is something we really need. Education in this area for [program officers] would be really valuable ...We don't understand the way to build capacity that sets grantees up for the work they are telling us they want to do."

"[There is a] need to focus on different stakeholders at foundations for better grantmaking practices to support bold work: educating the board, attorneys, and grants managers."



5 Gather Better Data to Increase Impact

Challenge

We cannot fix what we do not know about.

The philanthropic sector has a multi-entity data problem. Although an increasing number of grantees have multiple legal structures to carry out their work, many funders do not even know if their grantees are multi-entity, let alone track what their capacity-building needs are. Furthermore, there is little information collected on how multi-entity organizations build and wield power. As a result, our ecosystem lacks an understanding of what infrastructure is needed to do multi-entity power-building work safely or at scale, and what strategies and tactics work and why. Without basic knowledge about the legal structure of their grantees, foundations cannot make informed decisions about *how* to structure grants to best support the work of multi-entity grantees. This hurts grantees and hinders investment in sorely needed infrastructure and capacity for the fast-growing multi-entity field.

Solution

Collect targeted data that improves practices.

Collection of multi-entity data is necessary but should not be laborious. Many institutions are rightfully and admirably striving for trust-based philanthropy and less burdensome grant application processes, which is something to applaud and replicate. But we cannot fix what we do not know about. Collecting minimal basic information—like whether grantees are multi-entity and what their top infrastructure needs are—is a critical first step.

“Asking better questions and building trust to get the right answers is something that funders are responsible for. So few funders ask the key questions: do you have infrastructure to do this work? Do you have enough resources to track money across organizations and to be compliant? We can help more if we bother to understand the needs.”

“My institution does not collect data on (c)(4)s, but I just do it anyway. How would I know how to best help grantees and structure my grants if I didn’t know what entities they have or how they do their work?”



“The [grantees] don’t have the space to share the real dynamics going on with their infrastructure with funders, and part of that is that we don’t ask. How do we create more space for grantees to really articulate challenges and needs around this work? How do funders do that internally?”

“There is an unstated understanding that many groups we support have (c)(4)s, but we don’t think about them as a whole with different structures. This is a real shortcoming [in philanthropy] in general; we need to get more curious and ask more questions.”

6

Invest In Grantee *Operational Capacity*—Not Just Programs

Challenge

There is chronic underinvestment in operational capacity.

For too long, philanthropy has given preferential treatment to programmatic funding at the expense of operational capacity and to white-led organizations to the exclusion of organizations run by Indigenous people and people of color. Many interviewees acknowledged internal pressure to give grants only to programs that can yield numeric results rather than grants to invest in organizational infrastructure. And too often these organizations are white-led. It is simply harder, interviewees explained, to fund the less sexy but critical work of building grantees' operational, financial, and compliance systems. This short-sighted approach has grave consequences, unnecessarily increasing risk and liability for multi-entity grantees. This risk is especially acute for BIPOC-led organizations, who have historically been starved for infrastructure funding, and are often the first to be targeted by opponents as they gain power and visibility through multi-entity work.

Solution

Invest in operations and infrastructure and prioritize BIPOC organizations.

Individual foundations can begin to change their practices by having candid internal conversations about the percentage of their funds that go to BIPOC organizations and the unintended consequences of grantmaking that gives preference to programs while starving operational infrastructure. They can also commit to additional multi-year grants that allow organizations to develop their financial, compliance, and legal infrastructure. Building operational infrastructure is a win-win because it boosts the odds that organizations can maximize their impact, sparks honest conversations between foundation staff and grantees about their true operational needs, and builds the capacity and know-how to keep organizations compliant and safe. Taking it a step further, funders can stay committed to grantees when legal or regulatory challenges do arise, funding access to legal services and doubling down on giving in moments of crisis so that organizations have the resources they need to address internal challenges and survive opposition attacks. We must not turn away from organizations doing bold work who draw fire; otherwise bold work that achieves results is chilled.

“Everything in the ecosystem pushes the groups to programs. Little pushes them to capacity building, internal controls and infrastructure compliance. The focus of funders historically is for programs but not operations and compliance, and this is a grave mistake”

“There is a need for more recognition from funders that internal infrastructure is a critical part of the movement. It relates directly to how or if organizations can engage and carry out their strategy.”

“We are now asking: how can we best support organizations to make sure they are following the rules and yet also pushing the boundaries if they can? We want them to aim not just for compliance, but for cultural and organizational practices that are bold toward achieving as much power as they can so they can accomplish their goals. If we invest in their infrastructure and their capacity—not just their programs—then they are simply better set up to do that.”

“Funders need to understand the very real need for compliance. They need to understand that groups need to build infrastructure, and they need it year-round. And they need committed money to do that.”



7

Utilize 501(c)(3) Funds to Invest In Multi-Entity Competent Capacity Support

Challenge

Philanthropy is underutilizing 501(c)(3) funds to address multi-entity challenges.

Capacity-building support funded by foundations is rarely multi-entity competent. Interviews revealed that few foundations screened their capacity-building providers or consultants for multi-entity knowledge, and most did not distinguish between 501(c)(3)-only and multi-entity grantees when designing cohorts, providing educational opportunities, or making large investments in capacity-building infrastructure. It is legal for (c)(3) funds to be used to ensure that (c)(3) grantees with multiple legal entities have the infrastructure, capacity, and knowledge to be compliant with the law. The failure of foundations to utilize (c)(3) capacity building to provide multi-entity competent support unnecessarily increases risk to 501(c)(3) grantees that manage operations for a family of organizations, wastes precious capacity building dollars on (c)(3)-only systems inadequate for multi-entity work, and sometimes even causes harm by funding the provision of advice that is inaccurate and inappropriate for multi-entity grantees.

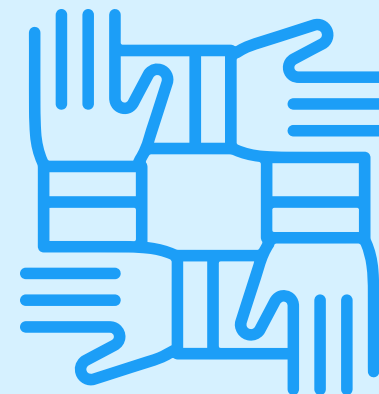
Solution

Invest 501(c)(3) funds to develop a multi-entity praxis that can serve the ecosystem.

Funders must invest in growing the field of multi-entity informed capacity-building support. Funders can encourage development of a multi-entity informed field by screening capacity-providers for multi-entity expertise, insisting that providers offer multi-entity informed support to multi-entity grantees, and investing in development of a multi-entity praxis (i.e., tools, resources, case studies, and training specifically designed to address the most common multi-entity challenges). Funders can also examine their own giving and capacity-building practices to ensure that their (c)(3)/(c)(4) funding and capacity-building programs are coordinated and aligned for maximum impact. Too many funders are themselves structured in a way that is inefficient for multi-entity giving, making grants and offering capacity support that is itself uncoordinated. Given how limited (c)(4) capacity-building dollars are, it is mission-critical that (c)(3) funders ensure their capacity-building dollars meet the unique needs of the fast-growing universe of multi-entity grantees.

“[T]here is a lot of variation within (c)(3) funders and their willingness to think about how to better support their grantees that do non-(c)(3) work. Some take responsibility for knowing what their multi-entity grantees need. Others just act like the (c)(4) does not exist. This is wasteful, but hard to change.”

“My real concern for our grantees is that I know what it takes to run a multi-entity org—all the machinations, internal changes that are required; all the expertise and rules. And it takes a lot of time to do this work well. It’s hard stuff, and I think a lot of funders don’t have a full appreciation of that. Groups need support that addresses that.”



“We need to care about protecting our (c)(3) grantees. This is ultimately not just about the (c)(4) programs; it’s actually about risk to the (c)(3)s. But it is hard to get (c)(3) funders to think about it that way.”

“Multi-entity work is more complicated by degrees of multiplication. If there is one sure tried and true way that history teaches us our opponents will take down our organizations, it is around the mundane traps of compliance and finance. There is a lot of vulnerability and headaches in doing multi-entity work. Can we help alleviate that?”



Invest in Shared Infrastructure —the Next Frontier

Challenge

The field lacks infrastructure solutions to scale bold work and centralize risk.

Many interviewees identified the lack of shared movement infrastructure to address common multi-entity challenges as one of the largest gaps in our ecosystem. Interviewees shared that while the number of multi-entity grantees is rapidly growing in nearly every state, infrastructure to support that work at scale has not kept pace. Concerns that small (c)(3) grantees often lack operational capacity to manage multi-entity compliance was a common theme. There was agreement that the go-at-it-alone approach that leads to every small organization having to build their own (c)(4) and/or PAC is inefficient, burdensome, and wasteful. This is a particularly urgent problem at the local and state level where battles around high-stakes policy, redistricting, and democracy reforms are being fought by grassroots groups and coalitions that have to compete for scarce (c)(4) resources. Aligned infrastructure allows for collaborative and compliant election year work at scale.

Solution

Invest in innovative ecosystem solutions to common multi-entity challenges.

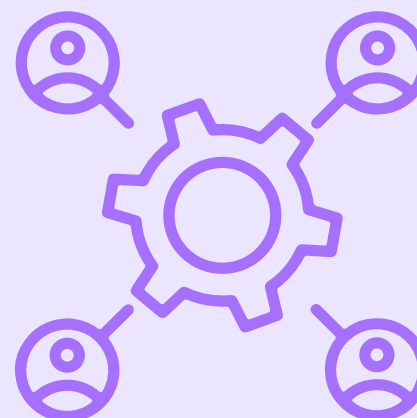
The most effective way to engage in power-building work at scale is to support state-based collaborations where leaders are building shared infrastructure for aligned power-building work. Many innovative organizations are building collaborations and experimenting with shared infrastructure solutions that support multi-entity work across an issue or geographic area. Bright spots include increased (c)(4) fiscal sponsorship options, back-office solutions like managed shared services that reduce the cost of compliance, finance, and legal support (see Community Building Strategies and Center for Empowered Politics), shared multi-entity network solutions (see NAKASEC Action Fund), and state-based capacity-building programs that provide multi-entity competent training and technical assistance (see Empower & Protect in Arizona), and multi-entity competent intermediaries (see Bolder Advocacy, New Left Accelerator). Shared infrastructure can even generate independent revenue for multi-entity work (see case studies from IRG and NLA on Ohio and Florida). Funders should invest in collaborative infrastructure solutions that strengthen not only individual organizations, but allow state ecosystems and entire movements to engage in the strategies needed to win policy battles.

“We have made progress. But a bigger commitment to ecosystem approaches and funding is what is really needed. The solution is not just money; it’s consistent money, plus the right kind of capacity building, plus more core infrastructure in the states. And we simply don’t have the infrastructure we need for (c)(4) work right now.”

“The bigger question arising from investing in (c)(4)s is making the work summative. How do you move from helping one organization have that capacity, to helping a movement or ecosystem have it? How do we all come together to start thinking about collective power and how to build the infrastructure to help us get there?”

“Funders need to recognize that it is not efficient the way we do it now. Our best talent is getting burned out and spending their time trying to navigate tax law. We need to build better ecosystem infrastructure to support this kind of work—LLCs even—but all our talent should not be spending their time on navigating these challenges all alone. The leaders should have ecosystem partners to lean on.”

“We need shared infrastructure that supports more than one group. We need to better support multi-entity work in a movement or a region or a state. We need to stop just doing things one group at a time.”



9

Develop Diverse Multi-Entity Competent Intermediaries and Consultants

Challenge

Lack of a multi-entity praxis means technical assistance providers are both scarce and the pool of providers is not diverse enough.

The tremendous growth and needs of 501(c)(4)s and multi-entity organizations in the field are far surpassing the capacity of technical assistance providers in the progressive ecosystem. Interviewees at foundations committed to providing multi-entity competent technical assistance reported that they struggled to find values-aligned consultants and intermediaries with multi-entity experience. And those providers that did exist were often booked up for months. As a result, leaders of multi-entity organizations often lacked access to a diverse pool of values-aligned, multi-entity technical assistance providers. There is a clear need to continue to grow a diverse pipeline of equity-informed multi-entity practitioners and to ensure that existing intermediary providers are multi-entity competent.

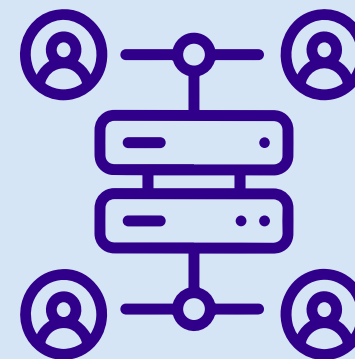
Solution

Invest in developing diverse, values-aligned, and multi-entity competent capacity-building intermediaries who can support the field.

Training consultants and intermediaries, who can serve many organizations, to provide multi-entity competent capacity-building support is one of the fastest ways to scale effective multi-entity support for the field. This would require an investment in training programs and learning communities specifically designed to increase multi-entity knowledge among diverse and equity-informed coaches, consultants, and capacity-building intermediaries. Priority should be given to liberatory and equity-informed BIPOC practitioners and other consultants and coaches from historically underrepresented groups who wish to develop or refine their multi-entity knowledge.

“We can’t find the support our grantees need. There are not enough attorneys. There are not enough folks who understand (c)(4) work that are consulting right now. As a result, we are investing in bad advice a lot of the time. If there are not more resources and support to serve the field, the field is not going to be able to meet the moment.”

“One of the most important things for funders to understand is the need to invest in more than their groups. We need to consider the capacity of intermediaries and the field as a whole. It is hard for us sometimes to pull up and see what matters most. We tend to have a myopic focus only on our grantees. Making investments in infrastructure and the capacity of intermediaries to do this work will be necessary if we really expect to build our field.”



“We don’t know how to give our grantees the right advice and we don’t have the capacity to advise (c)(3)s and (c)(4)s at the level that they need. This is something that we need to externalize. We need more partners to do this work with our grantees. But it’s a hard skill set to find even when you are looking.”

“People in philanthropy have not been pushed enough to clarify their orientation to (c)(4) work and their commitment to investing in an entire ecosystem that can support more (c)(4) work. To be (c)(4)-forward is to think about how to create capacity building infrastructure and support. If we are serious about building power then we need to get serious about coming together for larger solutions. Intermediaries are a critical part of that.”

10

Spread Wisdom from Multi-Entity Funding Pioneers

Challenge

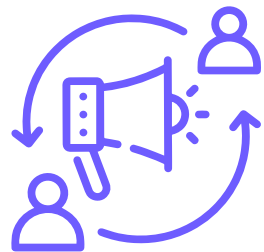
There is a collective need to learn about what works and what does not.

Multi-entity and (c)(4) giving is becoming more common, and innovative foundations are charting a new path. Yet nearly all interviewees shared that they had few places to go to learn or access information about best philanthropic practices or to share learning about multi-entity giving. Interviewees from institutions at the vanguard of multi-entity funding had a wealth of knowledge and lessons learned but likewise complained that there was no structured way to share or discuss their learning and insights with their peers and the field. Learning about multi-entity grantmaking happens mostly in informal conversations between curious individuals, depriving the philanthropic field of the development of a praxis on the topic. Interviewees also acknowledged there was still a great deal to learn in this fast-growing, emergent field and much to improve; many shared that they have learned as much from missteps as from successes.

Solution

Invest in sector learning and elevate innovative and better practices.

Bold (c)(3) and (c)(4) funders are learning while making multi-entity informed investments. The sector would benefit from hearing more about their experiences, victories, and challenges. Interviewees with multi-entity giving experience shared practices like offering additional grants to multi-entity grantees to cover legal and compliance costs, providing general operating grants with minimal restrictions, and making additional long-term (c)(3) grants that allow multi-entity grantees to build out the operational capacity to stay compliant, coordinating their (c)(3) and (c)(4) giving and offering multi-entity competent capacity support. The knowledge gained through these experiments deserves more daylight. Leaders and intermediaries also have offerings for funders: many funders offer un-coordinated and un-integrated (c)(3)/(c)(4) funding and capacity building programs that place unnecessary burdens on leaders; a better practice is for funders to better coordinate their own (c)(3)/(c)(4) giving and offerings. The philanthropic field can prioritize and invest in development of a shared body of knowledge around better multi-entity practices and create intentional spaces to learn from multi-entity funding pioneers.



“There are a handful of funders that are investing in (c)(4) education and capacity and that are doing things differently, and we need to shine a spotlight on that to show that it is not only possible but that it works. I want to know what the (c)(4) funders are doing and learning.”

“(c)(4) funders are also becoming part of the problem. We don’t always understand the infrastructure needed to do the work or how the work is done. Some of them think they can give in July of an election year. They won’t pay for infrastructure or the high cost of (c)(4) capacity building. There is a lot of education and learning still needed in the (c)(4) funding community.”

“Just giving a (c)(4) grant and then washing your hands of whether or not the grantee has the capacity to do (c)(4) work can really put groups in danger. This makes philanthropy complicit in the problem. They feel good because they are giving (c)(4) money, but really they are creating another unintended consequence. We need to think and engage more deeply.”

“We changed our approach. And we are now asking: How can we best support organizations to make sure they are following the rules and also pushing the boundaries if they can? We are clear that we want them to aim not just for compliance, but for cultural and organizational practices that are bold so they can achieve their goals.”

Funder Perspective

“When funders move into the (c)(4) space they are often so focused on evaluating what the groups are accomplishing that they don’t look inward and evaluate how their own practices are contributing to a host of challenges. Many start to give on both sides but the right hand does not know what the left is doing. There are unintended consequences for groups receiving uncoordinated support from funders who themselves can’t figure out how to be multi-entity.”

Grantee Perspective

“Our funders (c)(3) and (c)(4) giving is often not coordinated—they seem to have the same challenges having more than one entity that we have! When they are not aligned that has consequences for us. One funder offers (c)(3) capacity support that does not acknowledge that we have a (c)(4)—even when they are giving us (c)(4) funds. That’s hard to navigate.”

CONCLUSION

A culture shift in philanthropy is needed to build the power to achieve and sustain transformational policy victories. BIPOC, grassroots organizations are leading bold multi-entity work, disrupting systems of oppression, and transforming the map of power. Changes in philanthropic giving practices are needed to ensure that those leaders and organizations have the support and resources they need to do bold work safely.

During our interviews, we encountered a critical mass of individuals interested in learning how to change practices within their institutions to make multi-entity competent investing the new norm. We hope that you will explore the challenges and solutions outlined here with your peers and colleagues, and that you consider ways you might take steps to implement them. We see this report as an opening—an opportunity to spark conversation, reflection, and collaboration on the initial journey to transform our ecosystem.

You can learn more about NLA's and TCS's vision for transformation by reading our [Theory of Change](#).

Acknowledgments

This report would not exist without the time, insight, wisdom, and candid reflections of all who participated. We would like to thank all those who spoke to us for the report, and the many individuals who read drafts (some multiple times) to improve this report along the way. We are enormously grateful.

We also wish to acknowledge the limitations of our own perspective and process. This report does not capture all the innovation or knowledge of our field. It is not the final word on this topic by any means. There are surely

key points we missed, stories that are untold, and bright spots that did not get lifted up. We therefore ask for your grace. And we hope that you read this report in the spirit it is intended: as an invitation to not just engage in—but lead—conversations about how we can all use our power and positions to transform our ecosystem to achieve the change we wish to see in the world.

If you have thoughts, insights, questions, or concerns, please reach out to Deborah Barron at deborah@newleftaccelerator.org

