How Grantmakers Think – Presentation at NMU

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SUSTAINABILITY = IMPACT


RESOURCE DEVELOPMENT

2013 Public and Charities Sources of Revenue

- Philanthropy
- Earned Income: Service fees from government sources
- Earned Income: Service fees from private sources
- Government Grants
- Investment Income
- Other (including dues, rental income, special events, goods sold)

Total Revenues
$1,650,000,000

Source: National Center for Charitable Statistics
2013 CONTRIBUTIONS: $335.17 billion by source of contributions (in billions of dollars – all figures are rounded)

Source: Giving USA Foundation™ / GIVING USA 2013
Types of Grantmakers

- Private Foundation: Independent & Family
- Community Foundation
- Corporate Foundation
- Operating Foundation
- Nonfoundation Grantmakers
- Government Grantmakers

WHAT IS A FOUNDATION?

- It is a 501(c)(3) Nonprofit Organization
  With some differences
- It is a trust – through its trustees
- It has a mission to fulfill
- Its annual “payout” (5% of its assets)
Private Foundations (Independent or Family)

- Every organization that qualifies for tax exemption as an organization described in section 501(c)(3) is a private foundation. It will be presumed to be a private foundation unless it gives timely notice to the IRS that it is not a private foundation.
- Requirements that the foundation annually distribute income for charitable purposes;
- Provisions that investments must not jeopardize the carrying out of exempt purposes; and
- Provisions to assure that expenditures further exempt purposes.

HOW DO THEY GIVE?

Private Foundations – Independent

- Tend to be larger and more formal
- More likely to have their own initiatives
- Seek to fund programs that can demonstrate innovation
- Usually one donor, but the donor/founder is not involved in decision-making (nor his or her family)
HOW DO THEY GIVE?

Private Foundations - Family

• Family is still involved, usually as trustees
• The giving may or may not be strategic
• Depending on family dynamics, members give to different organizations
• Staff may or may not be present to help operate the foundation

TYPES OF FOUNDATIONS

Community Foundation

• A grantmaking public charity created by and for a community of people. It is supported by local donors and governed by a board of private citizens who work toward the greater good of the citizens in the community. Funds come from a variety of sources, including bequests and living trusts, and are invested in perpetuity. The investment earnings are then distributed to worthy organizations or causes.
## HOW DO THEY GIVE?

<table>
<thead>
<tr>
<th>Community Foundations</th>
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<tbody>
<tr>
<td>• Often makes grants through a combination of community grantmaking programs and donor advised funds</td>
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<td>• Vary in how proactive they are able to respond to requests – or initiate programs</td>
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<td>• Donor advised funds make grants at the donor’s discretion</td>
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<td>• Community grantmaking is often determined with staff and community member involvement</td>
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## TYPES OF FOUNDATIONS

### Company-Sponsored Foundations:

- Separate legal entities, maintain close ties with the parent company, and their giving usually reflects company interests.
- Generally maintain small endowments and rely on regular contributions from the parent company and/or subsidiaries to support their giving programs.

### Corporate Direct Giving Programs:

- Are not separate legal entities, so they are not subject to laws governing exempt organizations, including public disclosure requirements.
- Do not have an endowment.
- Often include employee matching gifts and in-kind gifts as part of their grantmaking activities.
### HOW DO THEY GIVE?

<table>
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<th>Corporate Foundations</th>
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<td>• Give based on corporate interests</td>
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<tr>
<td>• May be more of a pass-through situation</td>
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<td>• Giving may be based on current profits more than on accumulated assets</td>
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<td>• Giving may be strategic, may not be strategic</td>
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<td>• May or may not have paid staff</td>
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### TYPES OF FOUNDATIONS

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<th>Operating Foundation</th>
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<td>• Typically serve to support a larger nonprofit entity/Examples include: university, library, service club, hospital.</td>
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<td>• A rare number are completely standalone and may have grantmaking programs but generally do not accept proposals. Examples include: Fetzer Institute (Kalamazoo) and Pew Charitable Trust.</td>
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<td>• Hospital Foundations are the most likely to have some kind of grantmaking program in an effort to maintain the hospital’s tax exempt status and impact root causes of community health concerns.</td>
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Operating Foundations

- No unsolicited proposals
- Relationships with staff or trustees
- Grantees programs are strictly aligned with foundation programs
- They are often grantseekers themselves.
- Some service clubs (like Rotary) may have a grantmaking program.

Nonfoundation Grantmakers: United Way

- Both raises money and makes grants.
- Often operates its own programs in addition to grantmaking.
- Generally has some type of community committee structure that works with staff to make grantmaking decisions.
- Has a "blackout period" for grantee fundraising
- Coordinates broad community volunteerism
- Struggles to clearly define and manage relationships with community foundations.
United Ways
- Grantees must be accepted as a “United Way Agency”
- Proposals are accepted from agencies each year and can be for restricted program support or in some cases unrestricted support
- Typically grants fund basic needs

Nonfoundation Grantmakers: Government
- Funds organizations through either grants or contracts
- Funding opportunities are often tied to specific legislation
- Funding opportunities tend to shift with political climate
- Very restrictive with how money is spent
- Often pays very low overhead percentage (like 10%) causing organizations to subsidize funding with philanthropy
- Grants.gov is useful for identifying opportunities
- Conference calls with government staff help grant seekers understand opportunities
- Some have a peer review process
Defining Strategic Philanthropy:

- Strategy (strat-e-gy) n: 1. a carefully devised plan of action to achieve a goal, or the art of developing or carrying out such a plan. 2. in evolutionary theory, a behavior, structure or other adaptation that improves viability.

- Refers to both the working philosophy and program strategies of a foundation.
- Grantmaking designed around focused research and data, creative planning, proven strategies and careful execution and strategies in order to achieve intended results.
- Focus on being proactive, innovative, effectiveness and impact.

HOW DO THEY GIVE? CURRENT TRENDS

- Social change
- System change
- Entrepreneurial efforts
- Collective impact
- Data-driven priorities and evidence based results
- "New" Philanthropy
  - PRIs
  - Impact Investing

- Putnam Community Investing Consulting
Range of Grantmaking Strategies

More Open and Greater Breadth

- **Passive**
  - Open to good ideas
  - Lacks in systemic change

- **Proactive**
  - Targets a need
  - Open to solutions

- **Prescriptive**
  - Targets a need
  - Seeks proposals for specific solutions

- **Preemptive**
  - Targets a need and solution
  - May create an organization to implement the solution

More strategic and greater depth


HOW DO THEY GIVE? CURRENT TRENDS

1. I conduct due diligence and do research before deciding who to support.
2. I first decide my philanthropic goals or ideal solutions, and then search for potential recipients who fit those.
3. I fund efforts that address root causes and attempt systemic solutions.
4. I prefer to have information about an organization’s proven effectiveness or measurable impact before deciding whether to support it.
5. I often recommend a cause or organization to others.
PROSPECT IDENTIFICATION

- Foundation Center database: http://gvsu.edu/library/databases.htm?type=name&view=F
- Triangulate
  ✓ Foundation website
  ✓ Form 990 (GuideStar)
  ✓ Foundation Center database
- Decision-making
  ✓ What's a match?
  ✓ Idea adjusting: is there a fit?
  ✓ Organize information on a prospect brief
MAKING CONTACT – PROPOSAL DEVELOPMENT

• Proposal form and guidelines
• Web submission VS. hard copy
• Relationships between and among staff and trustees (yours and theirs)
  Don’t be tacky, be purposeful
• How much to request and grant structures

MAKING CONTACT – PROPOSAL DEVELOPMENT

• Grant Structures:
  ✓ Multi-year grant
  ✓ General operating support VS. Program support
  ✓ Challenge grant
  ✓ Your initiative and their initiative
COMPONENTS OF A GRANT APPLICATION

1. Cover Letter
2. Executive Summary
3. Needs/Purpose Statement
4. Program Design
5. Goals and Objectives
6. Evaluation Plan
7. Timeline
8. The Budget
9. Sustainability Plan
10. Organizational History/Capacity

Courtesy of Michigan Nonprofit Association

MAKING CONTACT – PROPOSAL DEVELOPMENT

Relevant terms
✓ Letter of inquiry
✓ “No unsolicited requests”
✓ Request for Proposal (RFP)
Foundation Center Database

• The Douglas & Maria DeVos Foundation
  Website: http://dmdevosfoundation.org/
  Foundation Center Database: Search "DeVos Foundation, Douglas & Maria" and click to view Foundation Center profile
  2012 Form 990:
  http://990s.foundationcenter.org/990pf_pdf_archive/383/383035972/383035972_201212_990PF.pdf

• Daniel & Pamella DeVos Foundation
  Website: http://www.dpdevosfoundation.org/
  Foundation Center Database: Search "DeVos Foundation, Daniel & Pamella" and click to view Foundation Center profile
  2012 Form 990:
  http://990s.foundationcenter.org/990pf_pdf_archive/383/383035976/383035976_201212_990PF.pdf

DOS AND DON’TS, PET PEEVES, AND OTHER ADVICE

• No surprises
• Changes mid-grant
• Lessons learned
• Cover letter/executive summary
• World views – yours and theirs
• A practical budget trumps a frugal budget
FACTORS AFFECTING GRANT AWARDS
(Survey of 164 Foundations)

- Positive & measurable impact on those served
- Shows collaboration or partnership
- Cost-effectiveness
- Reflects cultural sensitivity and diversity
- Primary prevention approaches
- Organization has a proven track record
- New, innovative program
- Multiple sources of organizational funding
- Competent, professional staff
- Previous relationship with the funder

EFFECTIVE STORYTELLING

- Comprehensive but not boring
- Judicious use of data
- Demonstrate thorough understanding of problem and those who will be served
- Demonstrate knowledge of various types of intervention that are successful
- Show knowledge of barriers that may hamper success
- Make sure YOUR issue is also the FUNDER’S issue
- Lead funder to conclude that your approach is one of the best possible choices

Courtesy of Michigan Nonprofit Association
TOP PET PEEVES OF GRANT REVIEWERS

1. Typos
2. Paragraphs that masquerade as sentences
3. Sweeping generalizations
4. Microscopic detail
5. Boredom
6. Lots of flash, little substance
7. Bad addition
8. Getting to the end of a 64 page request and STILL not know what you are asking for
9. No sustainability plan
10. Did you know there were instructions with this?
11. It is nice but we don’t fund that!

THANK YOU!