

SPRING 2024

ESSENTIALS

A publication to inform and inspire your giving

Greatest Hits

What should I include in my grant guidelines?

How do I politely turn down grantseekers?

Is this self-dealing?

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MESSAGE FROM THE CEO

Dear Exponent Philanthropy Community,

As I approach the end of my second year as CEO of Exponent Philanthropy, I have been reflecting on my many enlightening and informative conversations and visits with this dynamic and diverse philanthropic community. While the Exponent Philanthropy community varies in size, scope, and geography, all of you are committed to our vision of “transformed communities through *informed* giving.” Emphasis on the word “informed” is intentional because that concept is evident in this issue of Essentials and your partnership as a valued Exponent Philanthropy member.

This Essentials covers important and enlightening topics—material you will return to repeatedly. Our online presence has grown over the past few years, and the articles in this issue have garnered tens of thousands of views on our blog.

These pieces range from fundamentals for newer leaders to the next level for experienced leaders—and they are all instructive. Some are about the basic nuts and bolts of philanthropy, like “Essentials for Creating Grant Guidelines,” “Is This Self-Dealing? Three Quick Questions to Ask,” and “Foundation Recordkeeping: A Quick Guide.” Other articles center on more advanced but equally crucial topics like “Grantmaking for Equity: Essential, Fundamental Practices,” “A Call for Catalytic Leadership in Philanthropy,” and “I Used to Be on the Other Side: Reducing the Power Dynamic in Philanthropy.”

As philanthropic and community leaders, we all can learn, improve, and grow. I urge you to keep this issue of Essentials close to read, reflect on, and advance the issues important to your communities.

In partnerships and transformation,



Paul D. Daugherty
Chief Executive Officer

ESSENTIALS FOR CREATING GRANT GUIDELINES

BY EXPONENT PHILANTHROPY

You can build good relationships with potential partners from the start with open communication and detailed grant guidelines. At the same time, you can help other grantseekers move to different funding sources quickly. Remember, though, these are just guidelines. If you want to make a grant outside of those stated guidelines, you can certainly do so.

What Information to Include

In your grant guidelines, use just a page or two to touch on the following key areas to provide a clear framework for what your foundation is looking for.

Mission, Vision, and Values

What are the goals that guide your giving? How does your foundation want the world to be different because of its work?

Brief History of the Foundation

Help grantseekers understand what motivates you—whether it's a donor's legacy, roots in a community, or another event or experience. What aspects of the foundation's history shape its interests today?

Program Interests

What are your broad interest areas (e.g., education, social justice) if not defined in your mission? Have you identified a niche within those areas? Talk with community leaders, nonprofits, or your local community foundation to identify unmet needs and ways your foundation can add value.

Geographic Focus

If you do not outline a geographic focus in your mission, consider this important point. Foundations with a narrow focus may find geographic limitations to be unnecessary, but others intending to focus on a community or region should specify that. Being specific will go a long way toward reducing the number of ineligible grant proposals.

Grant Restrictions

This is where you say who and what you **do not** fund. Consider these restrictions:

- **Type of organization**—It's common for foundations to say they only make grants to 501(c)(3) public charities. They do so to avoid the additional requirements that might be necessary if funding other organizations. In most cases, it is better to phrase the restriction as giving only to public charities with a 509(a)(1) or (2) designation or to governmental agencies. Currently, these are the only charitable organizations that require minimal paperwork.



- **Size of organization**—Some foundations limit their giving to organizations below a particular annual operating budget. They believe they will have greater impact when partnering with smaller organizations.
- **Funding uses**—Some foundations choose to not fund individuals, fundraising drives, religious activities, or litigation, for example. Do certain funding uses not match your foundation’s goals?
- **Repeat grantees**—Some foundations fund the same organizations year after year. Others seek new organizations and programs after a few years or require grantees to take a year off before reapplying for funding. Find an approach that best fits your overall strategy.
- **Unsolicited proposals**—If your foundation does not fund unsolicited proposals but prefers instead to fund those it identifies, state that clearly. Nevertheless, grant guidelines are helpful in educating the grantees you do invite to apply.

Getting Your Proposals Underway

When a foundation initiates a grant proposal, it is taking responsibility for finding those organizations and programs that will best fulfill its mission. This is particularly effective for [foundations with a clear focus](#) and knowledge of the field in which they fund or foundations with the time to gain such knowledge. Although this approach allows funders to better manage the number of proposals they receive, the foundation may miss some excellent ideas. Some foundations do most of their grantmaking proactively; however, they allot a small portion of funds for other ideas.

When grantseekers initiate proposals, the onus is on them to engage with the foundation. Depending on how widely you publicize your guidelines, a grantseeker may or may not know much about your giving. This open-door policy may bring proposals from organizations outside your usual applicant pool, which is useful when the foundation is new or is funding a new area of interest.

Grant Types

Foundations often tend toward one or two grant types, awarding other types as circumstances warrant. For example, if you’re interested in shoring up young organizations in your community, you might offer a series of [general operating support grants](#) to stabilize those organizations. If you’re interested in expanding affordable housing, you might consider loans, loan guarantees, or another form of [program related investment \(PRI\)](#).

Consider the following grant types:

- **General operating support**—This type allows a grantee to decide how funds are used, although most foundations and grantees have conversations about expectations and intended outcomes.
- **Capacity building grant**—This grant type funds core organizational skills and capabilities, such as leadership, fundraising, and management.
- **Project support grant**—This type of grant funds a particular program or project.
- **Scholarship**—A scholarship typically funds individuals for a particular purpose, usually for travel or study, and requires special Internal Revenue Service approval, unless a third party selects the grant recipients.

- **Seed grant**—This type provides start-up funds for a new organization or program.
- **Challenge/matching grant**—This grant type provides funds with the expectation (or on the condition) that additional funds are raised from other sources.
- **PRI**—This is a loan, loan guarantee, or other investment that offers a return either through repayment or return on equity.
- **Capital grant**—A capital grant funds the purchase or construction of a building, land, or major equipment.
- **Endowment fund**—This type builds an organization’s endowment and helps it achieve financial stability.
- **Innovation grant**—This grant type funds projects that experiment with new solutions to social problems. Innovation grants are key roles for foundations because few organizations have the same luxury of funding projects perceived to be risky.

Grant Sizes

Foundations give grants of all sizes. Consider how grant size fits into your overall grantmaking strategy:

- What are the needs of your community? Will a few large grants have a greater impact than several small ones? If your foundation funds in a new area or one with only a few effective organizations, or both, a few large grants may be the right fit.
- What is the best grant size considering the foundation’s resources and time? Many small grants may take more time to review, administer, and monitor than a few large ones. In addition, for

grantees you intend to fund over time, larger [multiyear grants can significantly reduce the administrative burden](#) for you and the grantee organizations.

Note: Large grants to small public charities can force or “tip” the public charity into private foundation status—a disservice for most public charities.

How to Apply

Foundations vary in the amount of information they require from grant applicants—sometimes just a letter or email. Because [the law establishes few requirements for simple grants](#) other than knowing a grantee’s tax status, your foundation has a great deal of flexibility in deciding what to require. Before assuming more documentation leads to better grants, consider asking for only what you need to determine if a grant fits your foundation’s strategy. Whatever you request, be specific, even down to a page limit.

Depending on how specialized your funding strategy is, you might consider accepting a common grant application used by other foundations in your state or region. Be sure to check if grantees find the local common grant application to be a time-saver. You also might think about accepting applications electronically via downloadable forms that grant applicants can email to you or via forms that grant applicants can complete and submit online.

Many foundations use a screening process to help the foundation and grantseeker know early on if there is a possible fit. Only those organizations with the possibility of receiving a grant go through the work of

submitting a full proposal. For example, your foundation might ask for a one- to two-page letter of inquiry that states the organization's mission and dollar amount requested, and that briefly describes the program to be funded, the needs to be addressed, and the intended outcomes.

Contact Person

Even after reading your guidelines, grantseekers may have questions. You might welcome emails or phone calls to offer advice. Some small foundations even organize events that help grantseekers learn about the foundation's people, interests, and how to apply for funding.

During her time as executive director of Pottruck Family Foundation in California, Exponent Philanthropy member Nancy Wiltsek encouraged potential grantees to call her to discuss projects and proposals.

“Although it may seem inefficient, a short phone conversation saved time for grantseekers and our foundation,” says Wiltsek. “We received and processed far fewer proposals that didn't meet our guidelines. In fact, we reduced by half the number of proposals outside our guidelines.”

Publicizing Your Grant Guidelines

Put your guidelines to work by making them easily accessible to grantseekers via one or more of the following sources:

- Foundation directories
- A one- or two-page information sheet (print and electronic)
- A small brochure about the foundation
- The foundation's website
- An annual report

You can even use your outgoing telephone message to communicate basic requirements and direct applicants to your full guidelines. If an organization seems of interest to you, you can also send your guidelines directly to that organization.

“A website has really streamlined things for us as a small foundation,” says Exponent Philanthropy member Katy Pugh Smith of Piedmont Healthcare Foundation in Georgia. “We used to mail out a brochure each year to explain our grant guidelines and field many calls with questions about what we fund. Now, I simply email the link to our website.”

[Establishing a website](#) is a particularly effective way to get your guidelines out to potential grantseekers. Websites also are good places to feature a list of grants your foundation made during the past year or two (with grant purpose and amounts) and your foundation's annual tax reporting form (your Form 990 or [Form 990-PF](#)).

Letting the Public Know You Give Grants

Here are ideas for foundations—new or well-established—looking to expand program areas or grantseeker pools:

- Distribute your mission and guidelines on your website or at local nonprofit events.

- [Talk with other foundations](#) that have similar program interests. They can sometimes refer grantees to you.
- Ask if your regional association of grantmakers publishes a directory of funders.
- Notify [Candid's Foundation Directory](#) of your mission, guidelines, and recent grants, and update your entries, as necessary.
- Invite nonprofits to meet with you to describe their programs.
- Issue a request for proposals, which outlines your vision for a project and solicits appropriate organizations to apply. You can mail your request for proposals to nonprofit organizations in your community or advertise it in a newspaper or online.
- Host events that allow potential grantees to learn about your interests and to ask questions.

A CALL FOR CATALYTIC LEADERSHIP IN PHILANTHROPY

BY ANDY CARROLL, EXPONENT PHILANTHROPY

Philanthropy is ever-changing. Pressing issues and seismic political, economic, and technological shifts move us to revisit how we work regularly. Urgency, passion, curiosity, and the desire to engage drive some lean funders (those with few or no staff) to center their giving around authentic relationships with grantees and community members. This type of [Catalytic Leadership in Philanthropy \(CLIP\)](#) sets them apart from other lean funders.

Notably:

- Where foundations get information from proposals and site visits, funders engaging in CLIP **educate and inform themselves** *before making grants*.



- Where foundations distance themselves from grantees and community members through elaborate application processes, these funders **invite conversations, nurture relationships, and seek new ideas and feedback** from these stakeholders.
- Where foundations emphasize grants and dollars, these funders **leverage powerful assets, including knowledge, connections, reputation, access, influence, and the freedom to take on complex or controversial issues** to give beyond dollars.
- Where foundations operate on a short-term, year-by-year cycle, these funders **commit themselves to an issue for years or even decades**.

Catalytic leaders connect people and organizations to build networks that enable greater participation in decision making.

Elements of Catalytic Leadership in Philanthropy

This transformational leadership style embraces these practices and skills:

- Finding your focus, whether it's on one or two issues or a community
- Developing a common understanding of what you want to accomplish
- Getting out of the office, scanning the landscape, and engaging the community
- Listening deeply to, learning from, and building strong relationships with grantees, members of the community, and diverse experts

- Encouraging and leading convenings and collaborations
- Understanding the ecosystem of your chosen issue or community
- Identifying gaps, needs, and leverage points for initiating change
- Committing to a course of action for multiple years

As you immerse yourself in these elements, you'll see the potential of having an impact at a larger systems level. Actions that appeared risky—convening, collaboration, and advocacy—will become logical, natural steps in your quest for impact. Indeed, as your work unfolds, you'll move from grantmaker to an active catalytic leader for change.

Becoming an Active Catalytic Leader for Change

This transformative journey will position you to carry out powerful work in several specific areas, from strengthening organizations and communities to influencing policy.

Strengthening Organizations and Communities

In this area, you can:

- Provide the flexible, long-term support nonprofits need.
- Build the capacity and leadership of nonprofits and networks.
- Support community organizing.

Advancing Equity and Inclusion

In this area, you can:

- Support small, dynamic grassroots organizations.
- Nurture and support leaders of color.
- Engage grantees and members of the community in decisions.

Convening and Connecting

In this area, you can:

- Gather grantees, nonprofits, government agencies, business leaders, educators, and others to generate solutions together.
- Mobilize diverse partners around an issue to develop action plans, coordinate efforts, and build collective will.
- Leverage your relationships to serve as a community broker and matchmaker.

Nurturing Creativity and Innovation

In this area, you can:

- See patterns and connections among disparate events, groups, and issues to identify new solutions and ideas.
- Provide seed funding for promising ideas and cutting-edge entrepreneurs.
- Develop talent, leadership, and human potential.

Influencing Policy and Building Civic Participation

In this area, you can:

- Speak out to focus attention on urgent issues.
- Fund and disseminate research for policy change.
- Promote civic education, participation, and voter engagement.
- Elevate the voices of those who are voiceless in the policy arena.
- Catalyze reforming antiquated, ineffective systems.

As a lean funder, when you embrace your unique ability to learn, nurture relationships, and bring people together, you become a powerful changemaker. You can start down

your path to CLIP today with the humblest of acts: listening. Wherever you are in your journey, the Exponent Philanthropy community is here to help you each step of the way.



IS THIS SELF-DEALING? THREE QUICK QUESTIONS TO ASK

BY EXPONENT PHILANTHROPY

No topic within private foundation rules raises as many questions and concerns as self-dealing. The self-dealing rules prohibit a range of transactions between private foundations and their insiders (called disqualified persons) to ensure that foundation assets are used for charitable purposes rather than private benefit.

Common Acts of Self-Dealing

The self-dealing rules are broad and absolute. There are no exceptions for seemingly minor transactions entered

at arm's length. The rules even prohibit transactions beneficial to the foundation. The Internal Revenue Service (IRS) imposes significant penalties on the disqualified person involved, even if they acted unknowingly or without malice. Foundation managers who approved the transaction also can be subject to penalties.

Common acts of self-dealing include:

- **Rent**—Any payment of rent to a disqualified person, even at below market rates, is self-dealing.
- **Attending fundraisers**—Although trustees or staff may attend fundraisers to assess a potential grantee or the results of a grant, spouses or other disqualified persons may attend only if they directly pay the nonprofit the full ticket price.
- **Fulfilling a personal pledge**—You cannot fulfill foundation insiders' legally binding individual pledges with foundation funds.

3 Quick Self-Dealing Questions to Ask

So, how can a small foundation determine whether a potential transaction constitutes self-dealing? Lean funders can apply three straightforward questions to any situation.

Question #1. Does The Transaction Involve a Disqualified Person?

The IRS defines a [*disqualified person*](#) as one of the following:

- Officers, directors, trustees, and others with similar authority at the foundation
- Substantial contributors to the foundation (those whose contribution exceeds 2% or more of the foundation's income over the life of the foundation if the donated amount is \$5,000 or more)

- Family members of those previously listed, including spouses, ancestors, and descendants and their spouses—but not siblings
- Entities controlled by disqualified persons (with a share or interest of 35% or more)
- Certain government officials

To determine whether self-dealing is in play, always start by asking whether the transaction involves a disqualified person. If the answer is yes, you may be facing an act of self-dealing.

Question #2. Is the Transaction on the List?

In general, this is the list of prohibited self-dealing transactions:

- Sale, exchange, or lease of property
- Furnishing goods, services, or facilities for money
- Lending money or extending credit
- Payment to, compensation of, or reimbursement of a disqualified person
- Transfer to or use of the foundation's income or assets by a disqualified person
- Payment of money or property to a government official

Question #3. Does an Exception Apply?

The list of prohibited transactions is sweeping but with several recognized exceptions:

- **Prohibition**—Sale, exchange, or lease of property between a foundation and a disqualified person

Exception:

- If offered at no charge

- **Prohibition**—Furnishing goods, services, or facilities between a foundation and a disqualified person

Exceptions:

- If offered at no charge and for a charitable purpose, or
- If offered on a basis equal to that offered to the public and related to the foundation’s charitable purpose

- **Prohibition**—Lending money or extending credit to a disqualified person

Exception:

- If credit flows from the disqualified person to the foundation, no fees or interest are charged, and proceeds are used for a charitable purpose.

- **Prohibition**—Payment to, compensation of, or reimbursement of a disqualified person

Exceptions:

- Purchasing D&O liability insurance for trustees
- Providing reasonable and necessary trustee compensation
- Reimbursing disqualified persons for reasonable and necessary expenses related to foundation work
- Compensating disqualified persons for personal services, which include certain professional services related to the foundation’s mission

- **Prohibition**—Transfer to or use of the foundation’s income or assets by a disqualified person

Exceptions:

- If benefits are incidental and tenuous (e.g., having one’s name on a building or scholarship fund), or

- If fundraiser tickets are used by those with foundation duties but not by spouses or other guests

- **Prohibition**—Payment of money or property to a government official

Exception:

- See Exponent Philanthropy’s publication [How to Avoid Self-Dealing](#), or consult your attorney for details.

7 TYPES OF SUCCESSFUL PHILANTHROPISTS

BY PATRICK SAMPSON, COGEO

Understanding the type of funder you are—and matching with like-minded nonprofit leaders—is one of the most important building blocks to achieving your funding goals.

As nonprofit development consultants, we create funder profiles to help our clients better understand the various types of philanthropists and how to best engage them.

What Type of Philanthropist Are You?

A funder can be one or a combination of types. Take a look at the types described in this section to see what fits you.

Note: Percentages given represent the percentage of the overall funding population that identifies as each type.



Communitarian—Doing Good Makes Sense (26%)

- Believes that doing good in the community makes good business sense
- Thinks that what is good for business contributes to their personal success
- Views philanthropy as an exchange, a better way to get things done than through government
- Has the desire to give rather than feeling like it's an obligation
- Tends to believe in the institutions they fund and usually wants to establish a long-term relationship; likes to be involved and have some control
- Usually likes recognition and public acknowledgment

Devout—Doing Good Is the Will of a Higher Power (21%)

- Feels it is some higher power's will to do good; 96% of their giving centers on religious purposes
- Usually has faith in the leadership of the institution; feels it is their moral obligation to give and a higher power's desire that they help others
- Sees giving as an act of stewardship
- Does not care about recognition

Investor—Doing Good Is Good Business (15%)

- Views philanthropy as a business relationship; is highly motivated to avoid taxes
- Carefully investigates the organizations they fund; looks for measurable returns
- Feels no moral imperative; is skeptical of altruistic people
- Is not actively involved in the day-to-day operations of the organization, yet, attention and respect of this type are very important
- Would never assign an investor to interact with a devout or altruist, or vice versa

Socialite—Doing Good Is Fun (11%)

- Likes to have fun in funding work—the main reason for getting involved; is creative, especially in planning social events
- Sees philanthropy as a social exchange; funds organizations that feel like the right place for this funder type and their family
- Looks for formal recognition and loves to be honored; are influenced by the social implication of their work and contributions



Repayer—Doing Good in Return (10%)

- Does good because the organization has already given them something special; likely have had a life-changing experience with the organization
- Is very focused in their giving
- Sees effectiveness and service delivery as very important
- Sometimes has low involvement in the organization
- Gives on an emotional level; does not look for recognition

Altruist—Doing Good Feels Right (9%)

- Gives because of belief that it's the right thing to do; is genuinely selfless; almost always focuses on social issues
- Believes wealthy people or organizations have a greater obligation to give; is largely unaffected by others
- Likes to know the leadership of an organization; seeks respect rather than recognition

Dynasty—Doing Good Is a Family Tradition (8%)

- Tends to come from affluent families with a tradition of giving; often has a family foundation
- Interestingly, usually see [generational differences in the organizations this type of philanthropist supports](#)
- Is the most selective type of philanthropist; does their homework; focuses on the institution's core mission and implementation
- [Looks to experts for advice](#); works with tax advisors, lawyers, and CPAs
- Believes philanthropy gets things done better than the government
- Supports nontraditional institutions
- Wants minimal recognition

Be Clear About You and Your Funding Goals

Knowing your philanthropic motivations is an easy first step to immediately improving your funding experience. Whether you're evaluating a potential grant application or a new connection, or reevaluating your outbound messaging and mission overall, [help nonprofit leaders optimize your relationship going forward](#). You'll attract more of the right funding opportunities and reduce the wrong ones.

HOW RACIAL EQUITY SUPPORTS BETTER GRANTMAKING PRACTICES

BY AFIA AMOBEAA-SAKYI AND BRENDAN MCCORMICK, EXPONENT PHILANTHROPY

Note: This post originally appeared on the [GrantCraft Candid Learning for Funders blog](#).

Exponent Philanthropy is on a journey to understand, embrace, and champion racial equity. So, we're embedding it in our programs and research. For instance, our 2020 [Foundation Operations and Management Report](#) explored the relationship between the relevance of racial equity to a foundation's mission and some grantmaking best practices.

Relevance of Racial Equity to Foundation Mission

Our survey defined *racial equity* as

the systematic fair treatment of people of all races that results in equitable opportunities and outcomes for everyone.

We asked foundations to rate the relevance of racial equity to their mission. More than a third (34%) said it was “very relevant.”

Interestingly, foundations with at least two people of color on their boards and those with all female or nonbinary board members considered racial equity significantly more relevant to their mission than did boards without that board member composition. Foundations with all White or all male boards can still engage in racial equity work. But they must bring more diverse perspectives on board to advance conversations around racial equity and make the work more central to their mission.

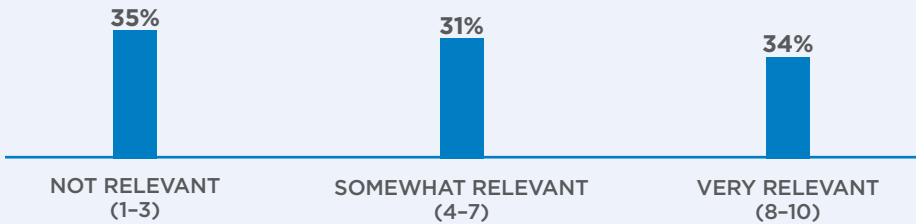
Good Grantmaking Practices Aligned With Racial Equity

We surveyed foundations on an array of grantmaking best practices—from monitoring grantee accomplishments to engaging constituents in the grantmaking process—and analyzed the relevancy of racial equity as it related to the grantmaking practices.

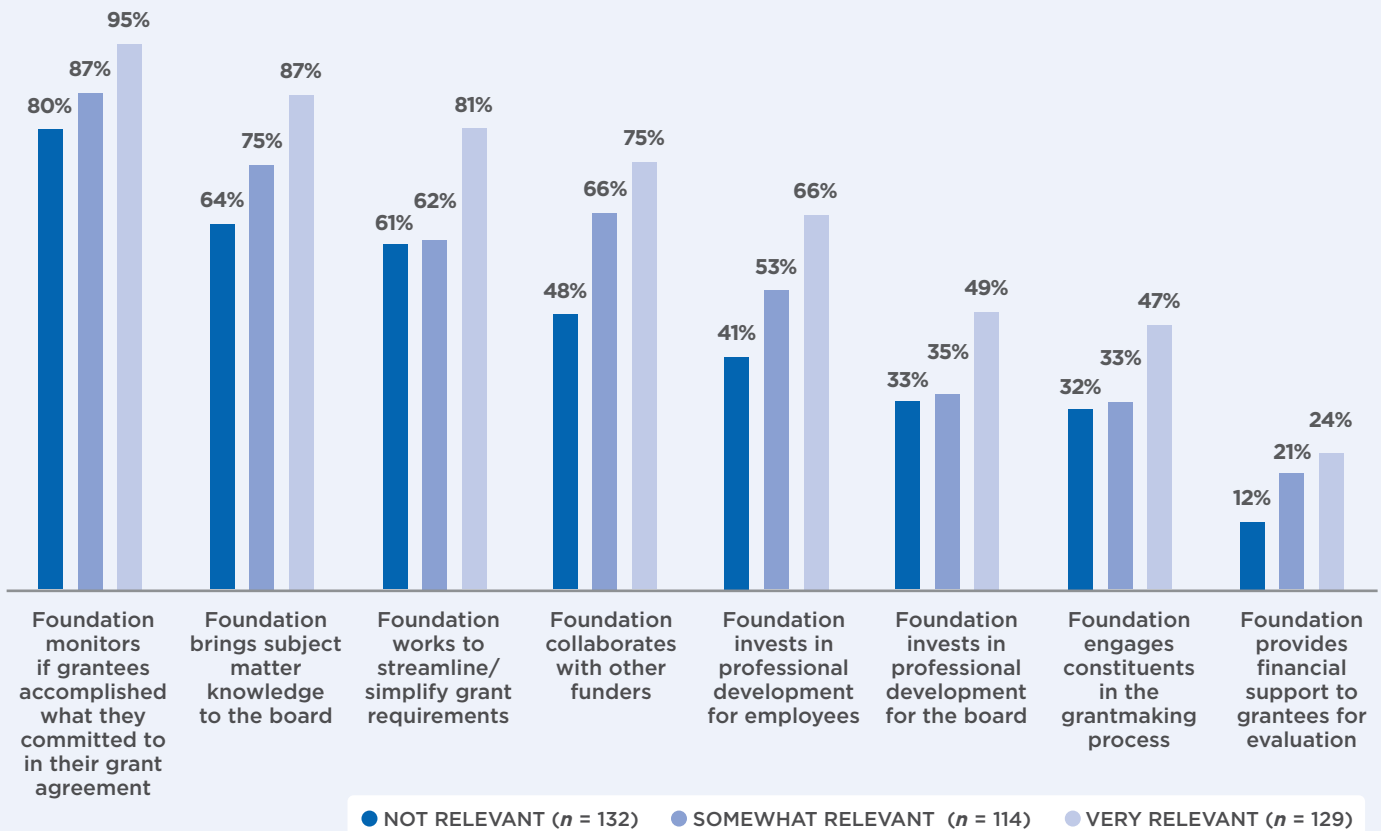
The foundations that said racial equity was “very relevant” to their mission engaged in each of the aforementioned grantmaking practices more than foundations that said it was “not relevant” or “somewhat relevant” to their mission.



1. Percentage of foundations indicating relevance of racial equity to their mission (n = 375)



2. Foundation grantmaking practices, by relevance of racial equity (n = 114-132)



Members also said the following strategies play an outsized role in advancing racial equity:

- **Streamlining and simplifying grant requirements** helps deemphasize traditional long-form applications. This strategy offers alternative ways to collect and share information, reducing some barriers to entry and affording more organizations a shot at philanthropic dollars.
- **Collaborating with other funders** to learn, support a cause, or pool grants, has advantages. This strategy involves more large-scale work, shared risks, and new perspectives.

- **Engaging constituents in the grantmaking process** helps funders make more informed decisions without preconceived ideas about what they think grantees need.

General operating support and multiyear grants were fairly common regardless of the relevance of racial equity to a foundation's mission. Funders and grantees who work in racial equity said these two types of grants are essential, and they are increasingly common among lean funders—not just for those focused on racial equity.

No matter your funding focus, multiyear and general operating support grants afford recipients the security to think long term to better create change and solve problems.

There's Still Work to Do

Despite the positive findings identified in the report, we still have work to do to increase the number of diverse voices in philanthropy.

Compared to the overall population and number of foundations (65%) that said racial equity was “somewhat” or “very relevant” to their mission, the racial and ethnic diversity of foundation boards and staff was low:

- Of participating foundations, 74% had no board members of color (i.e., their boards were comprised entirely of people who identified as White).
- More than three-fourths (78%) of participating staffed foundations had no paid staff members of color (their staffs fully comprised people who identified as White). And this trend continued for CEOs: Of participating foundations with full-time CEOs, 90% had someone in that role who identified as White.

White people still dominate philanthropy. But foundations that bring more diverse perspectives into the field will likely engage in other philanthropic best practices. This includes rethinking barriers to entry and data collection and understanding the stresses grantees face.

As the philanthropic sector tries to build trust, strengthen relationships, and address the systemic power imbalances in our society, trusting both nonprofits and the communities they serve is crucial.

No matter what its funding priorities are, a foundation can make the world a more equitable place for all of us.

GRANTMAKING FOR EQUITY: ESSENTIAL, FUNDAMENTAL PRACTICES

BY ANDY CARROLL, EXPONENT PHILANTHROPY

Grantmakers must be intentional about equity and inclusion within their boards, governance, and funding efforts to make an outsized and lasting impact in their communities and issue areas.

Equitable Grantmaking Practices

This fundamental set of practices is an excellent place for funders to start advancing racial equity in philanthropy. That said, these actions are just the beginning. They complement a continual journey of [learning about systemic racism](#).

Eliminate Barriers to Entry

Don't impose a [minimum organizational size or budget](#) in your grant guidelines. Instead, consider all organizations, including the smallest ones.

Streamline Your Application and Reporting Requirements

Many funders design overly complex processes, burdening nonprofits with time and labor, which undermines effectiveness. Question what hoops you put your grantees through. Similarly, consider the elaborate perfectionism you expect in grantees' financials and documents. By contrast, you might consider [accepting proposals written for other funders](#).

Know the minimum legal requirements for making grants to public charities. [Survey your grantees](#) and use a cost-benefit approach in designing your process, asking yourself what you really need to make grants decisions.

Immerse Yourself in Your Chosen Community or Issue and Learn Before Moving Forward

Funders have unique perspectives across organizations. They also have unique access to people with knowledge. Make use of these powers. Invest in learning about your chosen issue or community. A prudent entrepreneur does a market analysis of the landscape and competition before opening for business.

Engage your family and board in the learning process. The knowledge you gain will help you [pinpoint ways to make an impact](#). And, as you learn and engage people, you will cultivate valuable relationships.

Expand Your Circle and Go Beyond Your Comfort Zone of Acquired Knowledge

Push yourself to go beyond familiar people and organizations. For example, get to know the work of smaller, grassroots organizations and groups led by people of color. [Fund more groups led by people of color](#).

Get to Know Your Grantees

Carve out time to [listen and learn about your grantees' real needs](#) and the fields they work in. Often, grantees won't put essential things they need in proposals. Build open, trusting relationships with them. You will learn much more and be able to partner—not just fund.

Rethink Your Data Collection

Ask for data that allows you to identify racial disparities at work in your chosen community or issue. [Disaggregate your data](#) by race and gender.

Consider the Time Horizon for Your Goals

Think about how long it will take for you and your grantee partners to fulfill your desired goals. For many funders, the desired impact takes several years, a decade, or more. Offer [general operating support](#), capacity-building support, and [multiyear grants](#). Impact and change depend on strong, sustainable organizations. Results take time.

Know the Stresses on Your Grantees

Make it a practice to understand grantees' income streams. Many funders aren't aware that the top two revenue sources for nonprofits are earned income and government payments and grants. Knowing if key grantees are facing shortfalls, and asking how you can help, allows you to be proactive—for example, by offering to fund cash reserves or capacity-building, or by [engaging in advocacy](#).

Save Time and Labor for You and Applicants

Make your [grant guidelines](#) as specific and clear as possible to maximize the relevancy of proposals you receive. To save nonprofits valuable time, use Web-based questionnaires and letters of inquiry to efficiently determine whether an organization's work is aligned with your mission.



I USED TO BE ON THE OTHER SIDE: REDUCING THE POWER DYNAMIC IN PHILANTHROPY

BY LORI HENINGER, MONTCLAIR FUND FOR WOMEN (NEW JERSEY)

For the past 30 years, I have had the privilege of working in leadership positions at nonprofit organizations from local through international regions. I also have worked as a consultant for nonprofits doing strategic planning, staff and board development, and fundraising.

I know firsthand what it's like to run programs, [engage in advocacy](#), and have to raise money so that program costs and overhead are met. Now I'm on the other side, making grants to organizations that are both similar and different to the ones for which I worked.

What It's Like in the Nonprofit Space

When thinking about fundraising from the nonprofit side, I imagine myself standing in front of a wall at a dry spigot with an empty bowl in my hands. The handle controlling that spigot is on the other side of the wall from which the spigot protrudes. There is someone on the other side of that wall who will—or will not—turn on the tap to let the water (money) flow.

What, I wonder, can I do to impress the person behind the wall enough to get them to turn the handle? Is it metrics? A good story with a happy ending? A clear, descriptive LogFrame (logical framework)? An impeccable profit and loss statement? A great proposal? A perfect budget? A colorful, online annual report?

[How do I build a relationship with the person behind the wall?](#) When running a small nonprofit, and having to do the actual work of the organization, where do I get the time to meet with the funders who might be interested? And then, how do I cultivate that relationship? To write the proposals? To do thorough reports with varying requirements from funder to funder?

How transparent can I be with this donor/foundation? Can I talk to them about what's really going on behind the metrics, our budget, and our program? How do I explain that in a small nonprofit, staff costs are the same as program costs? Is there any flexibility in the funding, or do we need to follow the budget to the penny?

The Power Imbalance in Philanthropy

This is the reality for many nonprofits. They do the work and raise the money because they are committed to the missions of their organizations. And they are often afraid of the very people on which their organizations depend: their funders. There is a power imbalance between those *with* the funds and those *asking* for the funds, and because of the nonprofit's commitment to the mission, the staff live with it and do the best they can. This is especially true for

organizations led by African Americans; [Echoing Green and Bridgespan](#) show that

Black-led organizations are 24 percent smaller than the revenues of their white-led counterparts, and the unrestricted net assets of the same organizations are 76 percent smaller than their white-led counterparts.

Having moved to the “turn the handle (or not)” side of the wall for the past 3 years, I have learned a great deal from conferences, member organizations, and mainly from my peers. You have taught me what it means to run a foundation: the passion; the laws; the fiscal oversight; investing; coordinating for greater impact; and so much more. The people I have met who can “turn the handle” are deeply committed to their foundation/fund’s mission, be it thematic,

population, geographic, or a combination, and to the better world set out by their mission. I think we can do even better.

Common Questions

Here are some questions that have come up for me during the past 3 years:

- Does your foundation/fund operate internally—your ways of working, your processes, and procedures—in a way that reflects the world your mission is designed to create?
- How does your giving reflect the idea that those within and served by the organizations you fund have the same intrinsic value as you and those within your foundation/fund?
- Are your giving requirements—proposal writing, reporting, contacts, visits—in line with your values and the changes your fund/foundation wants to create?
- As a lean funder, do you experience any of the same issues experienced by those you fund?



MORE LEAN FUNDERS SHOULD CONSIDER GENERAL OPERATING SUPPORT

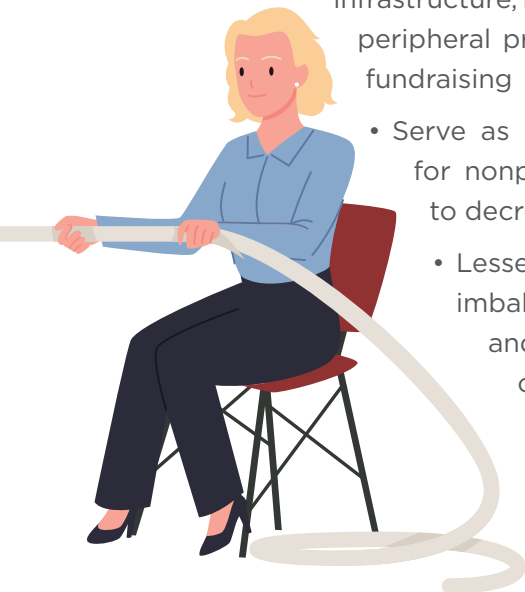
BY EXPONENT PHILANTHROPY

When funders give general operating support, also known as gen op grants, they help sustain a nonprofit's mission rather than specific programs or projects. Grantees can use these funds to strengthen the organization or further its charitable purpose as they see fit. This might mean looking at salaries and overhead, investing in technology, furthering fundraising efforts, or something else.

Philanthropists working with few or no staff are uniquely positioned to offer this type of support. They tend to be very familiar with the communities where they fund and often have [deep relationships with nonprofit leaders](#).

Gen op grants are valuable for many reasons. They:

- Allow grantee organizations to focus on fulfilling their missions and building infrastructure, rather than on tackling peripheral projects and additional fundraising
- Serve as a vote of confidence for nonprofit leaders, helping to decrease burnout
- Lessen the inherent power imbalance between grantor and grantee and shift the conversation toward the outcomes of the grant and overall impact of the organization



Gen Op Grants by Lean Funders

According to the [2023 Foundation Operations and Management Report](#), more than two-thirds (70%) of foundations surveyed provided general operating support to grantees.

Among foundations that gave gen op grants, respondents reported awarding 29 of those grants, on average, in the preceding fiscal year, and the grants accounted for 49% of each foundation's total grantmaking budget. The average general operating grant amount was \$57,990 (median of \$21,435).

That said, the percentage of foundations providing gen op grants, though, has decreased over the past 5 years. While there was a slight increase in the percentage of foundations providing general operating support from 2020 to 2021, this increase was not significant.

Measuring Outcomes

Some funders shy away from general operating support because they are concerned with precisely how to know if the grant is making a difference. Although general operating support requires a [high level of trust](#), a foundation can use a variety of questions and techniques to measure success.

Sister David Ann Niski, executive director of the Bernardine Franciscan Sisters Foundation in Virginia, asks basic questions about impact of the foundation's gen op grants, such as this one: "Is the organization still running, financially sound, and operating high-quality programs that benefit our community?"

Kathleen Odne, a board member of the Dean & Margaret Lesher Foundation in California, offers these considerations of additional, broader questions about the impact of the foundation's gen op grants:

- **Are we multiplying resources?** Does the grant and its reputational capital encourage investments by others? General operating support can help organizations chase other (easier-to-come-by) funding for programs.
- **Are we building capacity (e.g., infrastructure, staffing)?** Can we use our intellectual capital to inform the capacity-building?

As you track the progress of your gen op grants, be mindful of not overburdening grantees. As Judy Peckham, executive director of the Conrad and Virginia Klee Foundation in New York, says,

“Too often as funders, we force our grantees to embark on new projects because that’s what we’re willing to fund. Yet, organizations with good core programs often desperately need funds for administrative costs to keep those programs strong. If you’re nervous about outright operating grants, consider granting more than a requested project budget to offset administrative costs for that project.”

Keep reporting requirements proportionate to the grant's size and consider midgrant conversations in lieu of written reports. You could also welcome a [report prepared for another funder](#).

Asking Grantees About Their Greatest Needs

Take your relationships to the next level and ask current, past, and potential grantees to share their greatest needs. Ask whether gen op support would help. Such a conversation indicates your openness to dialogue and willingness to be responsive.

The Bernardine Franciscan Sisters Foundation shared this feedback from one of its grantees:

“Core operating support has allowed [The Boys and Girls Club] to avoid mission drift in seeking funding.”

Another grantee wrote,

“This grant has been immensely helpful by assisting with our greatest of needs: fundamental operating expenses.”

Is General Operating Support Right for You?

Should your foundation fund general support? It depends on your grantmaking goals and your strategy to meet those goals; your community's needs and how best to support them; and the tendencies of your board and the types of grants that keep them engaged.

Whether or not you ultimately decide that general operating support is right for your foundation, take the time to consider it. It can be a powerful tool for your foundation and your grantees.

Here are some steps to follow:

- Use this article and other resources to educate your board about general operating support.
- [Talk with fellow grantmakers about their experiences.](#)
- Consider allotting a portion of your grantmaking budget to gen op grants. Discuss a potential strategy and process for these grants.
- Identify prospective grantees. Does the grantee have a track record of success, or is it a [start-up that you're keen to invest in](#)? Does the grantee have the leadership and systems in place to be successful at managing unrestricted funds? Or can you help to build those areas?
- Ask grantees if general operating support would help. Critical operating costs often are the most difficult to fund, but [grantees may not reveal the need unless asked](#). Many are accustomed to foundations that prefer project grants, not operating support.

As increasing numbers of funders embrace general operating support, we encourage you to learn more by [calling on our staff](#) and [fellow Exponent Philanthropy members](#).



FOUNDATION RECORDKEEPING: A QUICK GUIDE

BY EXPONENT PHILANTHROPY

Without a doubt, giving plenty of time and thought to your foundation's recordkeeping system will pay off in the long run. In general, you should keep most foundation files of any significance for a minimum of 3 years. However, this can add up to [a lot of paper!](#)

For one thing, if space is a major concern, it's probably time to [transition your paper files to electronic ones](#). Admittedly, you should have more than one copy before throwing out the paper. Of course, this can be time consuming. Thus, contracting this task out may be the best solution.

Foundation Recordkeeping Tips

- By and large, a good rule is to have a separate, well-labeled [file and location for each type of paperwork](#). After that, it's easy to initially file, access when needed, and move to storage when not.
- As mentioned in the earlier article "Grantmaking for Equity: Essential, Fundamental Practices," consider accepting letters of inquiry, proposals, and other materials online, and use that [online source as your main storage](#). If doing so, it is important that you have a system to ensure regular backups because computers can crash.
- Have a set time each year to create new files and move old ones to storage. For example, at the beginning of a new year, gather file folders of unfunded proposals for 2021 (if kept). Then, put

them in a box clearly marked “Declined 2021 Proposals/Disposal Date January 2024.”

- Keep only what you must. For instance, grant proposals sometimes have attachments that you didn’t request.

What Documents to Keep (and for How Long)

Below is a list of the length of time you must keep each type of record by the main areas of foundation operations.

Founding Papers and Legal Documents

Most important, keep originals of these documents in a secured, fireproof location off-site. In addition, keep copies in your office:

- All legal documents (permanently)
- Amendments to your articles of incorporation (permanently)
- Charter documents (permanently)
- State sales tax exemption rulings (permanently)

Accounting Records

- Accounting records, especially bank statements and reconciliations, checks, budget and expense reports, check requests and invoices, depreciation schedules, general ledger, general journal, board honorarium reports, investment reports, payroll taxes, and security brokerage slips (7 years)
- Bank deposit slips and interim financial statements (3 years)
- Paychecks (3 years)
- Tax returns with attachments (permanently)
- Tax worksheets (10 years)

Board Records

- Board code of conduct (3 years)
- Financial policies (permanently)
- [Board meeting minutes](#) (permanently)

Grantmaking Records

- General grant correspondence, such as letters of inquiry and grant applications—even ones that were denied (3 years)
- [Grant records](#), particularly an annual financial record of grants, contributions correspondence, grantee Internal Revenue Service determination letters and verification, and matching gift records (7 years)
- Grant reports (permanently)

Employment, Office Administration, and Insurance Records

- All insurance policy confirmations from insurance agent and auto insurance papers (3 years)
- Benefits and salary information (permanently)
- Contracts, leases, and mortgages (7 years)
- [Employment policies](#) (permanently)
- Employment records, especially applications, personnel files, time reports, unemployment claims, withholding exemptions, workers’ compensation reports, and W-2 forms (7 years)
- General correspondence (3 years)
- [Insurance policies](#), such as business owners’ package, crime coverage, coverage for directors and officers, pension plan and fiduciary liability, and umbrella coverage (10 years)
- Real estate records (10 years)
- Workers’ compensation insurance policies (7 years)

JUST SAY NO: THE ART OF THE TURNDOWN

BY FOUNDATION SOURCE

People sometimes compare the [foundation/grantseeker courtship](#) to the dating process: Funders and grantseekers are looking to find each other and build long-term relationships. Sometimes the chemistry is there; other times, it isn't. Rejection is an inevitable part of this process, so learning to say no politely and confidently is an essential skill.

That said, let's be frank: It's hard to say no to a friend or a colleague who asks for donations to their favorite charitable cause. It's uncomfortable. If you're conflict-averse, you might reluctantly make a gift out of guilt. Or, you might even start avoiding the grantseeker rather than directly discuss the pending request, leading to feelings of more guilt and even greater discomfort.

If your foundation is known to have financial resources, and you've given to nonprofits before, you're likely to face requests for donations time and time again. In today's information age, it is increasingly easier for grantseekers and fundraisers to see the foundation's name attached to various charities and put you on their list of prospects.

In other words, by making gifts to others, particularly sizable donations, you invariably attract attention. Hiding is not a viable long-term solution.

Dealing with this situation has never been easy, but there are ways to be gracious and direct in turning down such requests. Funders who must say, "No, thank you" on a regular basis tell us that mastering the turndown is something of an art. You want to be sensitive, but you also want to avoid misunderstandings. Here are some of their tips for delivering that message, whether by letter or in a one-on-one conversation.

Be Direct

Rather than waiting until you get a follow-up call or are cornered at an event, take the initiative and reply immediately to the individual requesting the support. If the request is for a project that you clearly do not want to fund, then the sooner you reply, either with a letter or a phone call, the better. Your response could begin something like this:

Thanks so much for your letter. I wanted to get back to you as soon as possible because I know the urgency of your organization's work.

Explain (But Not Too Much)

There is a natural tendency for funders to want to explain why they have made the decision to not make a gift as well as a tendency for grantseekers to want an explanation. However, saying too much can have unintended consequences and send mixed messages. Consider the funder who, in looking for a convenient excuse, says,

Your project is good, but we don't fund research that does not have a plan for implementing the findings.

Lo and behold, the fundraiser comes back to the donor shortly thereafter with a fully drawn out implementation plan, having interpreted the donor's initial rejection to mean:

If you make this change to your request, we'll fund you.

This can lead to an even more difficult conversation after the grantseeker has put additional time into a proposal that still does not makes sense for you to support.

Cautious and experienced funders have learned this lesson and refrain from commenting too specifically on a request that they are unlikely to fund. [When it comes to explanations, less is more.](#) Sometimes the "it's not you, it's me" response is both effective and truthful, citing your own limitations: budget, the number of requests that you receive, and your desire to focus on a handful of causes.

Listen and Validate

People tend to accept rejection more readily if they [feel that they have been heard and understood](#). Sometimes, listening to a pitch patiently and compassionately, even though you have little interest, allows the grantseeker the satisfaction of knowing that they have made their best case to you.

To the degree that you feel comfortable doing so, you might make positive comments about the project or the organization—stopping short of raising expectations that you are a prospective donor. For example, you could say,

Your passion and dedication to serving the needy really comes through in your request, and I'm sure that other foundations will find it compelling.

Alternatively, you might respond,

It is clear that you and others worked really hard on this proposal, and I want you to know that I found it powerful, even though we have chosen not to offer support.

Use Your Mission Statement as a Buffer

Foundation boards adopt mission statements and develop guidelines for their funding areas to communicate to grantseekers, peers, and the general public. Having a [mission statement and funding guidelines](#) makes it easier to explain why a request wasn't approved. For example, if your foundation exclusively supports the arts, then a proposal to fight global warming, no matter how worthy, is clearly a nonstarter.

Be Firm

It is important for funders to choose their words carefully because the person you're addressing is likely to be looking for any sign, however small, that the door is open for future support. Even well-meaning casual comments, such as "Keep me informed of your progress," can unintentionally fuel expectations.

Assuming that there is no interest in the work of the organization, some donors seek to nip this in the bud by saying,

Unless we change our funding priorities, your organization will never be a good match for us.

It may sound harsh, but clarity and honesty in the short term can save time, effort, and ill will in the long term. Grantseekers appreciate such candor because it allows them to effectively manage their time and prioritize opportunities that are more likely to yield financial support.

Issue a Partial Decline

At times, you may want to say no to a request for funding yet still offer some other kind of support. For example, when declining to fund a community center's ongoing programming, you could offer to volunteer your time during its annual winter coat drive. Similarly, you might be in a position to introduce the center to individuals who are more inclined to support it financially.

These suggestions should help you manage grantseeker relationships while minimizing misunderstandings, hurt feelings, and guilt.

Saying no might feel a bit awkward at first, but you should take solace in the fact that turning down off target requests is ultimately constructive for everyone.

Not only will you help the nonprofit direct its fundraising efforts more appropriately, but you'll be able to focus on your own philanthropic goals by concentrating your resources for greater impact in the areas you've identified as your foundation's priority.

It isn't pleasant to decline a funding request. Imagine, though, being acknowledged not only for your charitable giving, but also for [how gracefully and directly you were able to say no](#).

