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### **Private Foundation Grants: Worth Every Penny for New and Emerging Nonprofits**

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#### **Abstract**

Competition is fierce in the world of grant funding and is especially challenging for new and emerging nonprofits. One of the most time- and cost-effective methods to secure grant funding is through private foundations, which are both significant and consistent sources of revenue that non-profits should not overlook. This paper explains why pursuing private foundation grants versus government grants represents the best strategy for new and emerging nonprofits to build a sustainable funding base. It further demonstrates the nuances of effective methods for cultivation and sustainability of foundation fundraising and why a dedicated grant professional or consultant is vital to achieving consistent results.

#### **Introduction**

According to GrantStation's *Fall 2014 State of Grantseeking™ Report*, increasing competition for grant awards is the second most frequent challenge facing grant seekers. However, "lack of time and/or staff" is the first (p. 9). Private foundation funding should be an essential part of the fundraising strategy for every small to medium nonprofit. Foundation grants are usually less cumbersome to administer than government grants and can be a significant source of revenue. Even small seed grants of between \$1,000 and \$10,000 for general operating support are dependable sources of cumulative income.

Private foundations were a funding source for 79 percent of respondents to the GrantStation's *Fall 2014 State of Grantseeking™ Report*, a 5 percent increase since fall 2013. According to The Foundation Center's latest *Key Facts on U.S. Foundations*, the country's 86,192 foundations held \$715 billion in assets and distributed a record \$52 billion in 2012. This annual research study estimates 2013 giving at \$54.7 billion. The outlook for 2015 and beyond is for growth to continue ahead of inflation, with independent and family foundations growing at a higher rate than other types of foundations (Foundation Center, 2014).

The diversity of private foundations makes targeting them for applications particularly beneficial for new and emerging nonprofits. Developing a strategy to identify various types of private foundations for funding can lead to multiple grant awards. Allowable uses of funds also vary, and may include program support, operations, facilities, equipment, and staffing, among other types of support.

## Foundation Types

The three basic types of private foundations include: independent or family foundations, corporate foundations and operating foundations (The Foundation Center, 2015). The key difference between operating and independent (non-operating) foundations centers upon how each allocates its revenue. Operating foundations use the bulk of their income to actively run their *own* charitable programs or services, such as museums, libraries, research facilities or historic landmarks. Therefore, unless the mission of an organization relates directly to that of an operating foundation(s), this is not a viable source of funding. In contrast, community foundations are public foundations that receive significant public support. They award grants only in specific geographic locales.

Independent foundations include many of the nation's largest foundations as well as family foundations. They use endowments and donations to make grants to other nonprofit organizations. There are some 80,000 independent foundations in the United States. However, 98 percent have assets of less than \$50 million (The Foundation Source, 2012). Grants offered by independent foundations are often less restrictive than governmental awards, giving nonprofits greater flexibility when using the funding.

Businesses help establish and fund separate entities called "corporate foundations" to accomplish philanthropic giving. The Foundation Center (2014) estimates 2013 giving by corporate foundations reached \$5.7 billion. Many companies also offer formal corporate giving programs with guidelines and a strong web presence. However, marketing departments or designated company officials sometimes manage corporate giving programs that do not readily promote formal application guidelines or processes. In such instances, leveraging existing relationships with staff members who manage corporate giving opportunities increase the likelihood of receiving an award.

### Grant Professionals: Worth their Weight in Gold

Twenty-one percent of the nonprofit survey respondents for the *Fall 2014 State of Grantseeking™ Report* cited a lack of time and staff as their greatest challenge to grantseeking (GrantStation, 2014). Since most nonprofits rely on donors to support their causes, fundraising is integral to their survival. Thus, having a dedicated grant professional manage the grant seeking process is one key to success. Collaboration between program staff, administrators, and target populations is necessary to develop fundable programs with achievable goals and objectives. However, a dedicated grant professional directing the research and writing processes assures that resulting messages are the ones that an organization wants to convey and ensures the timely submission of the application.

### Finding the Private Foundations That Fit

To identify best-fit funders, start by researching private foundations and learn as much about them as possible. The Foundation Center and Guidestar® offer robust databases to save time and simplify research. Start by verifying that the organization's mission aligns with funder giving priorities. Utilize the following additional selection criteria: why were they established; what is their mission; where do they give; to whom do they give; how may funds be used; and who are their officers, board members and administrators.

Also consider the foundation types as research progresses. Some foundations contribute only to pre-selected organizations. Unless someone within the organization has a connection with one of the board or staff members at such a foundation, or can create one, the potential to garner funding is slim. Therefore, new and emerging nonprofits should initially target a mix of independent or family, corporate, and community foundations.

### ***Creating a Grants Calendar***

Develop a process for submitting grant applications to best-fit funders. First, organize the results into a simple grants calendar that lists targeted foundations, grants available, allowable uses of funds, submittal deadlines, dates submitted, funding amounts requested, funding amounts received, approved uses of funds and reporting deadlines. Also maintain an electronic or hard-copy file of all key correspondence and compliance information. To maximize utility, arrange the information chronologically to align with the nonprofit's annual calendar, programs and budgetary needs.

### **Establishing Rapport with Funders**

In addition to cultivating solid research and program development skills, establishing and maintaining rapport with each foundation before applying is a necessity. If the foundation has a website, read it carefully. Due diligence must precede direct communication with designated staff, when contact is allowed. If the foundation advertises a contact person and phone number or requires an introductory meeting, make the call! Briefly introduce the organization, and then explain why its work aligns with the charitable intent of the foundation. Also remember to ask any unanswered questions regarding the application process.

Build rapport with whoever is managing the foundation's funds. Notably, there has been tremendous growth of private foundations over the past decade which has expanded the traditional network of administrators. For example, banks, law firms, volunteers, and even consultants now assume management roles for select foundations, especially smaller ones. These individuals are the gatekeepers for many foundations without elaborate offices or paid staff, so contact them whenever possible.

### **Proposal Considerations**

With the exception of certain organizational information, always create fresh language when submitting recurring grant applications to foundations with annual grant competitions. Avoid merely cutting and pasting a previous grant proposal. Instead, highlight the nonprofit's achievements from previous awards. Significantly, transparency and accountability should be the motto of any nonprofit that is true to its mission. Demonstrating these values is crucial to helping the nonprofit grow and mature. Ongoing, sincere communication that demonstrates appreciation to funders goes far in fostering long-standing relationships that often result in renewal or pre-selected awards.

### ***Proposal Submittal***

When submitting proposals, track the expected notification dates to ease cash flow projections. Then, be patient. Nearly all private foundations require at least 90 days or longer when making a funding decision. However, application guidelines typically list review timelines.

## **Express Gratitude**

The processes of thanking private foundations and providing updates or fulfilling reporting requirements are essential aspects of stewardship in an increasingly competitive fundraising environment. As grant awards arrive, thank the funder immediately, then again once the check arrives. Be sure to thank the funder even when proposals are unsuccessful. Doing so helps position the nonprofit in a positive light when it reappplies.

## ***Reporting to the Grantor***

Finally, when an agency wins a grant, unless the foundation has specific reporting requirements and timelines, submit at least a one-page letter at the end of the grant period. Describe how the funds contribute to impacts in line with the assessment plan from the funded proposal. The end goal is to create an emotional connection between the funder and grantee by personalizing the letter for the appropriate contact. Explain who and/or what benefitted from the funding. Include photographs if allowable. The letter should clearly demonstrate why the funding is essential to the organization and its clients.

## **Case Examples**

The following two case examples demonstrate the notable results of implementing some of the aforementioned grant cultivation strategies.

### Boys & Girls Clubs of South Valley, Salt Lake City, Utah

In 2006, the contract grant writer for the Boys & Girls Clubs of South Valley, Salt Lake City, designed a more effective grant seeking plan with only limited knowledge of the nonprofit's grant history. The proposal developer cast a wide net of research including new, sustainable private foundations whose criteria align with the club's needs, resulting in 13 grant awards. Although funded in the \$1,000 to \$2,000 range, most of the grants are for general operating support or existing programs integral to the club's operations. Many of the same private foundations give follow-up awards but in the higher \$3,000 to \$7,000 range. Two of these grants are in perpetuity for \$10,000 each.

### California FarmLink (CFL)

This organization is a large nonprofit with a budget of \$1 million. The benefits of its decision to increasingly focus on private foundation grant seeking are numerous. Based on experience, the nonprofit's leadership team now views the foundation grant seeking process as both less complex and more productive than governmental grant seeking. However, this is not the case for all grant seeking organizations.

The CFL targeted private foundations, even those without a recent track-record of support. However, cultivating relationships across time eventually helped CFL to secure \$150,000 from a foundation that originally declined several grant requests.

According to Eric Winders, Director of Development for the CFL, "Foundations should be considered as individual donors. They are not just a monolithic wall of money; they are made up of people who really care about the cause, and it is important for nonprofit organizations to cultivate foundations for the long term." Eric continued, "One of the reasons why we like working with private foundations is that there's an opportunity for dialog. Due to the sheer size

of government and the often bureaucratic channels of different agencies, it can sometimes be hard to best understand the nuances of a particular grant. The relationship that we've developed with the foundation staff has helped to ensure that the funding is being put to the best use while still meeting their expectations."

### **Conclusion**

Private foundation grant seeking is one of the most cost-effective methods of raising money. It is a particularly effective strategy for new and emerging nonprofits that have limited resources, experience, and/or infrastructure. Private foundations frequently make awards that support general operating or project costs, including capacity-building or seed grants. This less restrictive funding gives nonprofits the flexibility to use the funding wherever it is most needed. On average, private foundations generally award smaller grants than either the government or large "competitive" foundations. Even so, do not underestimate the importance of pursuing these smaller grants, especially in the face of serious budget shortfalls. Sometimes it is better to have reliable, consistent, and less restrictive funding from private foundations. In contrast, applying for just one or two large federal or state grants to solve budget concerns can prove disastrous for neophyte organizations, especially if they do not win the grants. Significantly, multiple funding streams improve long-term sustainability for both new and more seasoned nonprofits.

### **Biographical Information**

**Liz Kinne** has over 15 years of experience in developing award-winning grant proposals for nonprofits and municipalities. Liz is the lead consultant for Grant Pro Group, LLC and serves as the Director of Advancement and Partnerships for the Boys & Girls Clubs of South Valley. She has written more than \$20 million in government, foundation and corporate proposals for nonprofits and municipalities nationwide. Liz is one of six people in Utah to hold the Grant Professional Certified (GPC™) designation. She has presented for the Utah Nonprofits Association and Utah Society of Fundraisers. Contact Liz at: [liz@grantprogroup.com](mailto:liz@grantprogroup.com) .

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