

Eckerd Family Foundation Capital Grants Discussion Paper

A capital campaign is an intensive fundraising effort organized to meet a specific financial goal within a specified period of time. Included within the classification of a capital campaign are such projects as the construction of a facility, purchase of equipment and endowment support.

A capital grant should do more than just build or renovate a building. An ideal capital grant helps an organization that is already strong and successful. A well-planned capital grant can strengthen an organization in the following ways:

- build its institutional capacity by helping it to broaden and deepen its base of support from the private sector;
- encourage volunteer involvement in the fundraising effort and beyond;
- strengthen the organization and its board of directors; and
- significantly and identifiably benefit the clients to be served by that organization and the surrounding community.

A capital grant allows an organization to maintain, sustain and innovate in its service delivery without compromising its effectiveness or current resources including the ability to raise operating funds.

Criteria for Capital Grants

Any organization that EFF considers for funding, either program or capital grants, should be able to meet a basic set of criteria that evaluate a number of factors.

Current EFF Basic Evaluation Criteria

- Positive Youth Development Philosophy
- Leveraging Proposition
- Best Practice and Innovation
- Strategies for Sustainability and Self-sufficiency
- Full Youth Participation
- Asset-driven Program
- Organizational Credibility
- Need Established
- Pertinent and measurable objectives, methods, indicators and evaluation
- Financial stability

In addition to the basic criteria, the following represents other criteria EFF might consider. These are broken down into categories A-D.

Additional Capital Grant Criteria

A. Organizational Considerations:

- The demand for programs and services are stable or increasing and are responsive to a well-documented need that dictate need for a new/improved facility.
- There are existing, measurable program accomplishments.
- A new facility will increase the capacity, effectiveness, efficiency, quality and/or success of the applicant program.
- There is effective board, administrative and program staff leadership in place.
- There is a track record of at least two years that substantiates ability to sustain quality programs and services.

B. Capital Campaign Considerations:

- There is a capital campaign \$ goal established.
- A campaign strategy is in place that builds on the organization's fundraising strengths, addresses its fundraising weaknesses and plans for retaining and sustaining donors afterwards.
- The campaign is volunteer driven.
- A timeline and budget are established.
- A contingency plan is established if the goal is not met.
- The amount that has already been raised is reviewed.
- 100 percent of the board of directors have or will personally support.

C. Building Considerations:

- The scope of the project has defined-cost estimates, based on architectural plans.
- The proposed facility has been designed to meet current and future needs.
- The facility equals or exceeds the standard for similar buildings.
- The project is appropriately sized relative to the organization and the program to be housed.
- The facility is cost effective.
- There is a financial, staffing and management plan for operation of a new facility.
- Regulatory approvals are in place or imminent-delays in construction due to certificate of need, zoning, etc can dramatically impact costs.
- Purchase agreements or options are in hand for real estate.

D. Relationship to EFF Mission and Current Priorities:

- There should be some compelling connection between the work of the organization and a priority of EFF as reflected by its mission or current initiatives. By way of example, it is clear that all children benefit by the asset-building approach to youth development. However, EFF has declined to give unrestricted support to organizations serving all groups of youth. Capital grants should be awarded only where there is a direct, clear and substantial relationship to at-risk and vulnerable youth and/or their families.

Programs that do not meet all of these criteria may still be considered but should be rated as a higher risk and may have additional contingencies placed on any investments.

Capital Grant Categories

The general categories, employed by those foundations that make capital grants are:

- construction of facilities
- renovation of facilities
- purchase of major equipment or an integrated system at a defined cost (\$300,000 or more)
- purchase of real estate
- endowments

Capital grants are not generally given for:

- projects that are substantially completed at the time of the request
- retirement of long-term debt

Eligibility – should distinctions be made?

The requirements for capital should probably be the same as those for any other grant as stated in the current grant guidelines:

- not-for-profit organizations
- organizations that are not substantially dependent on government sources for operating revenues or directly controlled or operated by federal, state or municipal governments

Some foundations disqualify religious organizations, elementary and secondary schools, and other foundations (e.g., community foundations) from eligibility for capital grants only.

Capital Grant Guidelines

Should there be minimum or maximum \$ limit?

There really is no generally accepted formula for amounts. EFF's current grantmaking guidelines indicate that the foundation will not consider proposals under \$10,000. Other limitations might include:

- EFF will not consider more than “x” percent of the total cost of the capital project.
- EFF will not be the first giver in the mix and 20-50 percent of the goal should be raised prior to approaching EFF.
- The Kresge Foundation reports that the typical competitive grant proposal request amount ranges from one-fifth to one-third of the remaining amount needed to complete the campaign. Kresge has no specific limit; it reports this statistic only to offer the benefit of its experience in supporting successful capital campaigns. Kresge rarely provides the largest gift in a capital campaign.

Should capital grants be challenges?

Capital grants awarded as a challenge to the organization to raise the balance of the funds to complete the fundraising effort on an agreed upon timeline presents the organization not with just dollars but the opportunity to build organizational capacity. When they truly succeed, they leave a stronger board and giving constituency that is broader and deeper. These attributes will be useful to the organization when it faces challenges and opportunities down the road.

Evaluation

Evaluation of the impact of the grant other than the match or accomplishment of the campaign goal should be a condition of every capital grant reporting requirement. This requirement provides information to the foundation so that it can evaluate its own process and best practices in capital grantmaking. This topic would be covered in the proposal planning process and be made part of the reporting requirements.