

# **MATCHING GRANTS**

## **Are They Useful and When Do They Succeed?**

Condensed from a Report to the Meyer Memorial Trust  
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## **INTRODUCTION**

Matching grants can be a powerful and effective granting mechanism when administered under the proper circumstances. This conclusion emerged from a retrospective research study conducted on a sample of matching grants given by the Trust over a period of 11 years. This report describes and analyzes findings of the study and offers recommendations for foundation activity in this area of grantmaking.

The Meyer Memorial Trust uses the terms “matching” grants and “challenge” grants interchangeably. For the purposes of this study, the term matching grants is used. Meyer Trust matching grants include a variety of situations in which payment of the grant is contingent on the grantee raising other funds for the project. Match requirements vary and may include:

- ✓ The grantee raising other funds from specific sources or within a specific time.
- ✓ The grantee raising other funds according to a specific ratio (1 to 1; 2 to 1; etc.) or a certain amount.
- ✓ The grantee raising whatever additional funds are needed to complete the project.

Meyer Trust matching grants specify under what conditions payments will be made. Sometimes part of the grant is an outright payment and the remainder of the grant has matching requirements. Sometimes grant funds are released incrementally as the match is raised. Frequently, none of the Meyer grant funds will be released until all of the funds have been raised for the project.

## **STUDY PROCESS**

Thirty-six out of 208 matching grants were analyzed. They represented a variety of organizations and projects. Grant sizes ranged from \$25,000 to \$1,000,000. Seventy-five percent were capital projects; about half were from the Portland metropolitan area and half from other parts of Oregon. Because of the Trust’s interest in learning from difficulties with matching grants, the sample was weighted with projects that experienced problems during the grant.

Information was gathered through file review and interviews with both program officers and grantees. The goals of the study were to analyze the Trust’s matching grant process, assess how well the grants worked, and identify key themes from which recommendations could be made.

# FINDINGS

All but one of the organizations accomplished their project goals. Two raised only a portion of the required match but were able to complete the projects satisfactorily with the reduced award. Ten projects had significant internal or external problems during the matching grant.

Most grantees had not had a matching grant before and only 14 had requested one. However, all felt that the match requirement had helped their fundraising. It was used as the major theme in nearly two-thirds of the fundraising campaigns. Only five of the 36 said that, in retrospect, they would have preferred an outright grant. The most common reason the grantees felt they were given a matching grant was to help them build a broader base of support. All grantee organizations felt there were direct and indirect benefits to the matching grant.

The findings of the study fall into three general areas: direct and indirect benefits of matching grants, factors for success in matching grants, and problems with matching grants.

## A. Benefits

The **direct benefits** of matching grants are:

- ✓ Increased dollars for projects. Trust dollars attract other dollars. Matching grants encourage grantees to leverage Trust dollars.
- ✓ New constituents. A challenge grant encourages organizations to identify new support sectors that broaden the organization's base of donor support (27 of 36 opened up new sectors). It also can encourage donors to give at higher levels.
- ✓ Organizational learning. The process provides the opportunity to advance organizational capacity, infrastructure, and sophistication.

Individual lessons learned by the organizations fall into three major groups. Noteworthy highlights of these lessons include the following:

- ❖ *Campaign Process* —how to effectively use a match as a tool for fundraising.
  - Inexperience doesn't mean you can't do it.
  - You can go back to the community and your donors if it's done well.
  - More time than originally planned is needed if fundraising and program development occur simultaneously.

❖ *Organizational* – management and technical expertise, such as data management, strategic planning, board development, and leadership development.

- Having to raise matching funds can clear up fuzzy thinking and clarify goals.
- The process causes the board to mature.
- A successful campaign helps the executive gain the confidence to tackle other challenges.

❖ *“Real world” Context* – lessons about the community and external resources, challenges, and opportunities.

- Respected donors taking risks with the grant causes others to follow.
- It is very important to estimate actual costs realistically.
- Seeking matching funds helps you learn about your community.
- A matching grant prevents over-reliance on a single large donor.

**Indirect benefits** are sometimes almost as powerful as the direct benefits in the eyes of the grantees. The grant can:

- ✓ Increase visibility and credibility for the organization
- ✓ Increase self-awareness and clarify the organization’s purpose
- ✓ Improve reflection of community values, thereby improving communication with the community
- ✓ Gain new partners and/or higher level of collaboration for the organization
- ✓ Increase community awareness of issues addressed by the organization

The ripple effect of a successful matching campaign also reaches the broader community. Two of the organizations went on to tackle other challenges because of their collaboration with other groups on the matching grant project. One project started a chain of community re-development activities. A successful donor list developed by a grantee was used by other organizations. The new facility built by one organization was used by other local non-profits for their own fundraising.

## **B. Factors for Success**

A successful matching grant reflects the presence of certain factors in the organization, in its community, and in the foundation’s approach to the grant.

The most important factors in the organization are:

- Strong people – a leader, a solid board, and competent fundraising staff
- Good project alignment – compelling need and good match with the organization
- Accurate project information—adequate budget and resources identified

- Realistic fundraising plan – strategies, organization, budget
- Good access to key constituency – lead donors identified, key constituents already familiar with and supportive of project, communication system in place

The most important factors in the community are:

- Understanding and valuing the organization’s services
- Awareness of need to expand or improve services
- Ability to contribute and not saturated by competing campaigns

The most important factors in the foundation are:

- Careful analysis of organizational and community readiness
- Discussion with grantee of match potential
- Development of appropriate contingencies
- Design of appropriate monitoring and evaluation mechanisms
- Maintaining flexibility and accessibility

### **C. Problems**

Ten of the grantees had difficulty making their match. Two of the 10 felt they still had problems as a result of the matching grant. In general, the problems with matching grants related both to internal conditions of the organization and to external factors that affected the environment in which they operated. While each organization had its own unique set of problems, common themes can be identified.

From the study, the primary problems appear to be:

- ✓ Leadership transition or lack of effectiveness
- ✓ Fundraising plan not thought out (sources or strategies not identified)
- ✓ Lead gifts not yet identified
- ✓ Fundraising staff or consultant deficiency or organizational concern about consultant’s expertise
- ✓ Obstacles not anticipated or planned (inadequate environmental surveys and feasibility data)
- ✓ Poor access to constituency

In addition, two major factors for many of the less successful projects – and some of the others – were the unanticipated length of time it took to complete the campaign and the unforeseen consequences of change in costs and availability of expertise. Raising sufficient funds for the project became a moving target for these organizations.

It is interesting to note that there were no serious problems among those grant-

ees who had themselves requested a matching grant. On the other hand, when a matching grant was imposed in the last stages of the foundation's decision-making, there was a higher incidence of serious problem (three of four).

## **RECOMMENDATIONS**

To achieve the best results with matching grants, the Trust should:

- Analyze the capacity of the organization to manage a matching grant.
- Develop a match mechanism (requirements and contingencies) that fits the organization.
- Monitor and evaluate the match.
- Provide recognition.

### **1. Analyze capacity for matching grant**

Solid research conducted by the foundation staff generally uncovers the information necessary for making a good decision on the viability of a matching grant for an organization. A “match-readiness” analysis can be used to address the specific capabilities of the organization to manage and achieve a matching grant (see attached).

When meeting with the applicant, either prior to initial submission or after initial review, foundation staff could discuss the possibility of a matching situation, ask more specific questions relating to the factors for success, and stress the importance of sound planning and accurate data gathering, both internal and external. This would also be the appropriate time to direct the organization to external resources available to nonprofits that would assist with some of the gaps or weaknesses that could undermine a successful fundraising effort. The accessing—and perhaps funding—of these resources could be built into the grant recommendation. A decision to award a matching grant should depend upon the match-readiness of the organization.

### **2. Develop the appropriate match mechanism**

When a matching grant is awarded, foundation staff should construct specific contingencies that best fit the situation of the organization. This should include the following types of issues: specifying appropriate ratios of matching funds; deciding whether the payments should be incremental or “all or nothing”; and/or identifying which sources can be counted toward meeting the match. Special contingencies that would add leverage or community benefit can be discussed and included.

The grantee can further define the outcomes of the matching grant by describing measurable goals and objectives they hope to accomplish during the grant. For example, they may have in mind certain numbers, types, and sizes of donations from various constituents. They may have a specific timeline for raising various amounts of money in order to meet their unique needs. These benchmarks of accomplishment can be adjusted as the campaign progresses, but they provide the foundation and organization a way to measure the outcomes of the matching grant itself while gaining a greater understanding of the challenges and benefits of the process. This type of baseline information, or starting points, for each of the outcomes could be useful to both the foundation and organization in any future studies of matching grants.

### **3. Monitor and evaluate the match**

A positive foundation/organization relationship during the period of the matching grant is much appreciated by the grantees. Those aspects of this relationship that are seen as most beneficial are:

- ✓ Accessibility of foundation staff
- ✓ Flexibility of the foundation staff when reshaping match contingencies
- ✓ Solution-orientation of foundation staff when discussing difficulties
- ✓ Listening ability, patience, and clarity of foundation staff when responding to grantee concerns

### **4. Provide incentives and recognition**

The achievement of successful matching grant campaigns is a powerful experience for organizations and the individuals involved. The efforts are often exhausting and the achievements very meaningful. Many past recipients feel a loss at the end of the grant period—a loss of intensity and peak activity, a loss of a relationship with the foundation, a loss of motivation—and the let-down affects both the organization and the people. Even though this is not a foundation responsibility, it is an opportunity for the foundation to provide a better sense of closure and recognition which, in turn, acknowledges the energy and effort provided by the individuals involved in the campaign. This recognition could include:

- ✓ Sending the grantee a congratulatory letter, which can be circulated, published, or quoted by the organization
- ✓ Citing successful campaigns regularly in a foundation newsletter, off-prints of which can be sent to the organization for their own use
- ✓ Submitting information on successful campaigns to local newspapers
- ✓ Trustee visit to the organization or community that has achieved exceptional or unique success in their match

## **CONCLUSION**

The matching grant is a valuable mechanism for organizations when they have enough critical factors for success, the right grant design that fits the organization, and adequate support for the campaign process. It provides both direct benefits – dollars, new constituents, and organizational learnings – and indirect benefits which help not only the organization but also the community. When constructed and managed well, problems are minimized and the matching grant positions the organization for the future – with more effective infrastructure, greater understanding and knowledge, and a broader, more committed support base.



# CHECKLIST OF FACTORS RELATED TO SUCCESSFUL MATCHING GRANTS

In addition to the general questions we ask when reviewing grants, the following factors are particularly important when reviewing requests for a matching grant.

## ⇒ **Leadership**

Raising funds for a matching grant is easier when there is strong leadership at all levels, including the board, executive director, and fundraising staff. Previous experience with fundraising, commitment to the organization, and/or enthusiasm for the project are also helpful.

*Reasons for caution:* staff and/or board hesitant about project or with little experience in fundraising; unusually high percentage of recent turnovers in staff and/or board; divisive issues within the organization that take high amounts of energy and time.

## ⇒ **Planning**

Careful planning is important. Every matching grant project needs a well-thought-out fundraising plan that is well understood and accepted by everyone involved in the endeavor. The plan should include a realistic project budget and timeline that is appropriate in size and scale for the organization. It should also describe potential challenges and obstacles to success will be addressed.

*Reasons for caution:* no plan; fuzzy, unclear plan; lack of clarity about leadership roles and responsibilities for fundraising; urgent need for funds; project too large for organization to handle; project not a clear match with the organization's mission; no feasibility data.

## ⇒ **Community Awareness and Support**

Raising funds for a matching grant is easier when the community already understands and values the services of the organization, and when there is a good communication system already in place between the organization, its constituents, and the community at large.

*Reasons for caution:* small donor base; organization's existing services not widely understood or valued in the community; organization unsure of community response to new project.