NATIONAL CENTER FOR
FAMILY PHILANTHROPY

SPLENDID LEGACY 2

CREATING AND RE-CREATING YOUR FAMILY FOUNDATION

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EFFECTIVE GRANTMAKING:
THE FULFILLMENT OF YOUR MISSION

BY SUSAN CRITES PRICE

This is it—the main reason you started a foundation. Regardless of the other motivations behind starting a foundation—creating a vehicle for working together as a family, building a legacy, reducing taxes—grantmaking is likely your main goal and is the heart of your work. Families willingly jump through all the legal, financial and administrative hoops necessary to establish a foundation so they can use their resources to make a difference in the world. It can bring your family true joy.

That's not to say that grantmaking is simple. To quote Aristotle: "To give away money is an easy matter and in any man's power. But to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man's power nor an easy matter."

No one is born knowing how to be a grantmaker, and, until recently, it wasn't something you could study formally. As a result, grantmakers learn by doing. This process, however, can test your patience. For founders who are entrepreneurs, it can be frustrating to make grants and have to wait a long time to see results—or maybe not see results at all. Most grantmakers go through times of impatience with all that they need to master. Don't worry if this happens to you. In fact, it is important to embrace the idea of trial and error with your grantmaking. With each grant, you'll have the opportunity to learn something new — regardless of its result. In time, you'll come to enjoy it.

In fact, there are definite rewards for your efforts. As you go through the process of making grants, you will meet amazing people—nonprofit and community leaders, volunteers, advocates, researchers, experts, other philanthropists and the recipients of the programs you support. You'll have the satisfaction of seeing situations improve through the intervention of programs you fund. Ideally, you'll have positive experiences working together as a family to make a difference and leave a legacy.

However, building a legacy takes time. Many family foundations start out as a continuation of the founders' personal philanthropy by making grants to their favorite nonprofits. But as time goes on, foundation boards typically take a more focused, strategic approach to grantmaking. This is especially true when there is an influx of assets (what the lawyers call "a liquidity event"). With more money to give, family foundations have more decisions to make about which groups to fund, what types of grants to make, and perhaps the most important question: how they can achieve the most impact.

The unique nature of family foundations adds another layer of complexity to their grantmaking. In most families, individual family members will have different interests or preferences. The founder may call all the shots initially, but as the foundation evolves, engaging the family eventually requires a more inclusive and flexible approach. Community needs change over time, too, requiring foundations to shift their grantmaking strategies to meet those changes.

The field of philanthropy is changing, too. Today's family foundations have more ways than ever to make an impact, such as new vehicles for mission related investing.

As the field evolves, more voices are weighing in on how foundations should operate. Some groups are pressing funders to put more grant money into human services rather than investing in institutions like universities or arts organizations. Federal, state and local government regularly entertain proposals that could affect foundation grantmaking. Foundation experts debate the desirability of charity—providing relief for immediate needs—versus philanthropy, which tries to address root causes. More philanthropists are weighing in on the best ways to measure their impact—or whether it's even possible to do so. Such measurement attempts can be especially frustrating when you try to address a problem, such as environmental pollution, and the outcome won't be known for decades.

In this chapter, we'll explore these issues — as well as many others — to help you build an effective and satisfying grantmaking program. As you examine these questions, it's important to remember one key word — flexibility. As your family changes and your foundation evolves, you need to make sure you build flexibility into your grantmaking plan. You'll need to revisit your plan occasionally, maybe even at set intervals, to be sure it is achieving the impact you want.

You don't need to reinvent the wheel. The National Center for Family Philanthropy's Online Knowledge Center has a huge storehouse of sample documents from other foundations, everything from mission statements to grant guidelines and agreement letters.

Go to ncfp.org to learn more.

Finding a **Focus**

As you get started with your grantmaking plan, it's important to consider a few fundamentals. First is your mission statement. Typically, your mission statement is broad enough to leave room for a variety of grantmaking focus areas. In developing your mission statement, you'll also want to consider the donor's intent, as well as if he or she died before the foundation's mission was established.

Consider the Rockefeller Foundation's mission: "to promote the well-being of humanity throughout the world." That broad mission, along with a set of core values, has guided the foundation for a century and accommodated numerous grantmaking approaches. Other foundation missions are narrower, but still leave plenty of room for the current and future generations of trustees to find focus areas—sometimes referred to as program areas—and to shift gears as the board's interests and the community's needs change. Again, flexibility is key.

If one of your foundation's goals is family engagement, then it's critical for family members to have an interest in the grant program focus areas. Otherwise, they may participate only half—heartedly or may opt out altogether. Sometimes a foundation's mission and program areas are chosen by the founder or founders. In other foundations, several family members are included in the decision from the beginning. Whichever is the case with your foundation, your success over time likely rests on whether the board can find common ground on program areas.

As the number of people involved in the foundation grows, the process of focusing your grantmaking becomes more complex. It can be especially difficult to find a grantmaking focus when family members have diverse interests or where they see multiple areas of need. Some families deal with these competing interests by proposing a dozen or so potential areas of focus, and inviting each family member to pick their top three. The top vote getters become the foundation's initial list. This process helps families home in on the values and interests they share, rather than on their differences. Some families also choose to hire an outside facilitator to lead the discussion

As you continue the process, broad program areas, such as education or the environment, can be narrowed further, for example, to a focus on early childhood education or clean water. Since it takes a while to get up to speed on program areas, you're wise to limit the number you take on. Some funders recommend no more than one or two initially.

> New foundations have two years to meet their first 5 percent payout. By limiting the number of program areas in those first years, you'll have time to delve into the issues, meet people already working in those fields, and ease into your grantmaking responsibilities.

Keep in mind that you are not locked into your initial focus areas forever. Promising research, for example, might lead the foundation in new funding directions. Still, many grantmakers recommend staying with the same program areas for at least three years. That gives you enough time to determine if the program is a good fit and allows you to notify grantseekers of changes in your future funding plans. The important thing is to stay flexible.

Personal **Passions**

Founders don't have to give up their personal passions as they involve the whole family in their philanthropy. When the late Gilbert and Jaylee Mead of Washington, DC, created the Mead Family Foundation in 1989, many of the initial grants went to area arts organizations, a particular passion of the founders. However, as Gil's four children were invited to join the board, the focus expanded to encompass their interests — and it ultimately shifted away from the arts. The foundation's mission statement is "To empower youth to have crisis-free lives, strong families and excellent education." To support that mission the foundation chose four program areas: crisis prevention in children and youth, K-12 education, arts education, and strengthening families. But even though their foundation chose to direct its grantmaking elsewhere, the couple chose to continue supporting the arts organizations through their personal funds rather than through the foundation.

Geographic Focus

Traditionally, newly formed family foundations would choose to fund organizations in the hometown where the founders lived or created their wealth. The geographic focus may also branch out to include the hometowns where various board members live. As the expanding family become more scattered geographically in more cities and even foreign countries, foundations must consider whether to draw new geographic lines.

A growing number of families, however, are choosing to make funding decisions based on their interests rather than where they live. Sometimes, for example, a foundation will focus primarily on the family's hometown but then provide support to organizations such as orphanages in a country from which it adopted a child. In other cases, however, they choose to focus solely on issues — a choice that is especially popular among newer foundations. According to the National Center for Family Philanthropy, only about 40 percent of foundations created since 2010 focus their giving on geography, while geography is a focus for 80 percent of foundations created before 1970.

Global philanthropy is growing among family foundations. There are special legal and tax requirements for private foundations giving to overseas organizations, so it's wise to consult legal counsel. Because of the restrictions, some foundations opt to donate through a growing number of U.S.-based intermediary organizations.

In deciding where to fund, ask these questions:

- Is your foundation more likely to achieve its grantmaking goals by keeping a narrow geographic focus?
- If the focus is too narrow, will family members living in different communities feel disconnected from the grantmaking?
- Will you risk diffusing the impact of your grants if you fund in all the places where your family members live?
- How much more work will be involved in managing and evaluating grants in a variety of places?

As with every other aspect of grantmaking, you'll have to consider the tradeoffs that come with each decision you make. It's possible that some day, no one from the family will live in the home community. If the family becomes widely dispersed, you may need to revisit the mission and guidelines.

Some families set aside an amount for discretionary grants so that geographically dispersed family members can support organizations where they reside without eroding the main focus of the foundation's grantmaking.

Embedded Philanthropy

Sometimes, even the "hometown" can be too big. The Steans Family Foundation of Chicago quickly realized that its small foundation could have more impact by focusing on revitalizing one city neighborhood on Chicago's west side rather than trying to affect change city wide. The foundation works in partnership with local residents and institutions to revitalize the North Lawndale neighborhood. This approach of immersion in one area and working collaboratively with residents is called embedded philanthropy.

Assessing **Community Needs**

It's easy to fund organizations you already know. But as you aim to move the needle in your program areas, it's important to expand beyond your comfort zone to find organizations that can achieve the greatest possible impact with your resources. How do you find these high-impact organizations? Let's say you want to learn more about the state of early-childhood education in your region and which nonprofits are doing the most promising work—or identify areas of the work that are not being addressed at all. Sources of information include:

- Community or focus area experts
- Other area foundations that are funding similar work
- Local community foundation program staff
- Affinity groups
- Local United Ways
- Regional associations, which sometimes sponsor interest groups of funders

(Note: Regional associations of grantmakers are membership organizations of foundations and other funders that offer a variety of programs. Find the nearest one to you at www.givingforum.org.)

As you aim to gather information, consider inviting key experts to speak at your board meeting or even join an advisory committee of your board. This is a great way for the whole board to stay up to date on new developments in a program area.

Some family foundations even recruit experts to be community ("non-family") board members.

Remember, too, that experts include the people who have been served by the nonprofits you may decide to fund. They've experienced the problems you are trying to solve and can help funders devise effective solutions.

Some experts also reside in your boardroom. "When a foundation first begins, there will be different levels of knowledge about grantmaking," said Julie Fisher Cummings, a trustee of the Max M. & Marjorie S. Fisher Foundation. "It is a great idea to have board members share their passions and knowledge with each other as well as have speakers that can enrich this learning so there will be shared learning."

Consider joining an affinity group for your funding areas. There are many national groups for funders in health, education, the environment, and the arts, just to name a few. Grantmakers for Effective Organizations (GEO) is an affinity group about grantmaking in general. GEO and many of the other affinity groups have conferences where you can hear speakers on the latest issues and meet and compare notes with other funders.

What do you have **to give**?

Payout Rate

To figure out how much money you can give in grants, you first need to determine your payout rate. Your payout rate is the percentage of your foundation's net investment assets paid out in the form of grants or eligible administrative expenses. By law, private non-operating foundations must distribute at least 5 percent annually, with certain exceptions. The rule was created to prevent foundations from receiving assets but never actually making charitable distributions with them.

The figure below illustrates some of the complexities of payout with a sample payout calculation for a fictional foundation.

DETERMINING THE MINIMUM REQUIRED PAYOUT

ITEM	AMOUNT	EXPLANATION
Foundation Assets	$ 20,000,000	12-month average fair market value of foundation's assets*
Cash Reserve	– $ 300,000	Law allows up to 1.5 percent of endowment value to be "held for charitable purposes"
	$ 19,700,000	
		Law requires a minimum 5 percent payout
Payout rate	X .05	
	$ 985,000	This indicates that the foundation has qualified to reduce its tax on investment income from 2% to 1% for year
Excise Tax Credit	– $ 20,000	
		Payout may be met through grants, administrative expenses, and other qualified distributions
Minimum Payout Requirement	$ 965,000	

*While there is no specified formula for how to calculate required payout, a monthly average is generally accepted as one of the most straightforward and reasonable approaches. To get the average fair market value, add up the value of the endowment on the last day of each month, and divide by 12.

The law actually doesn't define payout but something called the distributable amount. As the figure below demonstrates, the foundation calculates the 12-month average fair market value of its endowment and subtracts the value of any charitable use assets. Five percent of that number minus, for instance, an excise tax credit yields the distributable amount. This is the amount that the foundation must "pay out" in qualifying distributions (grants and certain administrative expenses) by the end of the year following the year on which the calculation is based.

There are more technicalities to calculating payouts such as "set-asides," "carryover," and significant penalties for failure to make the required distributions. It's wise to consult legal and financial advisors knowledgeable about private foundation tax law to make sure you comply.

Spending Policy

Although five percent is the *minimum*, you are free to allocate a higher percent of your assets to grantmaking. That's where your spending policy comes in. For this, you'll want to take into account your grantmaking goals. Some foundations prefer to stick with the required 5 percent per year, so they can preserve their principal and have grant funds for the long haul. Others, who want to have a greater impact while they are alive choose to spend out more, even if it means reducing their principal.

A growing number of families are also making the choice of spending down their endowments — planning to grant their resources at a rate where they deliberately exhaust their resources within a certain time period. In fact, about 1 in 5 of the youngest family foundations have chosen to operate with a limited life span, according to the National Center for Family Philanthropy's 2015 Trends report — roughly double the percentage of all family foundations that have chosen that approach.

Even with this trend, the vast majority of family foundations manage their endowments in perpetuity — meaning that they plan on having them last forever.

Many of these groups enjoy investment returns well above the 5 percent requirement during good economic times and are able to pay out a higher percentage. Economic downturns, however, cause varied reactions. Some foundations opt to reduce their payout to preserve principal. Others choose to dip into their principal and increase their payout to help grantees who have been hurt by the tough economy. This shouldn't be just a financial calculation. Families should ask themselves how mission affects the payout decision. You may, for example, decide that it's more important to preserve funding to the organizations you care about than maintaining the foundation's endowment. And since economic ups and downs are inevitable, it's smart to discuss in advance how you'll react when those shifts happen. (See finance chapter for more information on creating your spending policy.)

Creating a grant budget

Typically, foundations divide their budgets by program area, by communities where board members live, or by geographic regions. Your family may choose to divide the funds equally among all areas, designate a larger share for an area that has a special interest to the family, or let the quality of the proposals dictate the size of the grants.

Some families prefer strict rules for dividing the grants budget; others prefer more flexibility. That latter approach works if your board gets along well and knows how to compromise. But some families have members who are competitive or concerned that one family member or branch is getting a larger share of the grantmaking pie. Often, arguments over how to divide the budget aren't so much about the grant allocations as about rivalries between individuals, generations or branches.

You'll also need to set aside a portion for discretionary grants if you have decided to include them in your budget. Discretionary grants, while valuable, should be properly defined and governed. Otherwise they can lead to individual instead of collective grantmaking, thus removing your ability to achieve the foundation's mission and program goals.

A **Merit-Based Approach** to Grant Budgets

The Max M. & Marjorie S. Fisher Foundation in Detroit, Mich., worked for several years to develop a grants budget that supported its mission. The foundation was endowed after Mr. Fisher's death in 2005. The board included five second-generation siblings and their mother, Marjorie Fisher, who took the role of chair. As the group worked through crafting its mission, the topic of how to allocate between four distinct impact areas took center stage. Mrs. Fisher would often share with the board her deeply held belief that they needed to stay true to their core mission—strengthening and empowering children and families in need—and at the same time remain flexible in their approach to each of the specific impact areas they had chosen. After thinking through the various options, the board decided to allocate resources based on the **merit** of the individual proposals and their alignment with agreed upon definitions of success, as opposed to creating a grant budget by percentages. To balance this approach, the foundation created what it calls a strategic grant horizon report to track aggregate totals in each impact area so the board could monitor the balance of grants and its intentions over time.

Other Resources Besides Money

Your foundation is more than just money — and you should consider how you can share other resources with your grantees to help them achieve their missions. Perhaps you have a conference room you can let grantees use for free. Some foundations turn over excess office space to small nonprofits so they can save on rent. Others provide low-interest loans to nonprofits through program-related investments (PRIs). Your foundation may also be ideally suited to bring together grantees or funders—or both—who are working on different aspects of the same issue but who don't know each other. In this way they can share resources and best practices.

Bringing Together Stakeholders

Your name has value. If your foundation invites people to a meeting, they'll likely come. That's what the Irene E. and George A. Davis Foundation, in Springfield, Mass., banked on when it invited stakeholders to a series of meetings to discuss how the community could improve the quality of its early-childhood education programs. The childhood poverty rate in its community was one of the highest in the country, yet there was no blueprint for identifying education issues for children from birth to age 5 and addressing them. The foundation hired a consultant to design and facilitate the meetings. Educators, pre-school providers, health providers, government officials, parents, and many more—were invited to participate. The outcome was a blueprint that now serves as an action plan for the whole community.

Pros and Cons of Discretionary Grants

Some families augment their mission-based grantmaking by giving designated individuals that opportunity to direct gifts from the foundation to nonprofit organizations with the full board approving the grant by consent. These grants — called discretionary grants — are often made available to board members, and sometimes the CEO. Some foundations extend the privilege to others — including family members and professional staff.

Proponents say that discretionary grants are useful tools to:

- Engage family members in the foundation's work when they no longer live in the community it serves;
- Keep board members' personal passions from taking up time on the board's grantmaking agenda;
- Help trustees with wide ideological differences get along better and keep their focus on the core grantmaking on which they can agree;
- Train future trustees in the grantmaking process;
- Respond quickly in times of natural disasters or other emergencies.

But while discretionary grants carry a number of benefits, they can prove troublesome for some families. Critics say that allowing individuals to designate grants turns the foundation's assets into several personal piggybanks and discourages collective and strategic grantmaking. They also contend that these grants:

- Prevent the board from focusing on shared goals;
- Earn less scrutiny for effectiveness and impact compared with other grants;
- Confuse grantees if the grants are made outside the foundation's mission;
- Can open the foundation to legal difficulties around self-dealing if not handled carefully;
- Can become a source of strife as families expand and more people want to participate.

Because of these concerns, some family foundations are not properly equipped to manage a discretionary grantmaking program, according to Alice Buhl, senior consultant to Lansberg, Gersick and Associates and Senior Fellow at the National Center. Buhl, who has worked with countless family foundations, recommends discretionary grants for some family foundations and not others.

"Discretionary grants can be a really good safety valve. They can help families stick to their focus," by allowing individual board members' interests to be handled another way, Buhl said. "But they should be modest. If they take up a big piece of the budget, then you are not focusing your resources on what you said you wanted to be doing — grantmaking together as a family."

Even though discretionary grants typically don't go through the foundation's regular review process, the full board is still legally responsible for approving all discretionary grants made by individual trustees. As a result, it's crucial to have a written policy that is well understood by all trustees. Sometimes preliminary approval of such grants is delegated to one trustee, such as the board chair, or a trusted staff member, so that the grant can be made and ratified later by consent at the full board's next meeting. The person entrusted with this responsibility makes sure the grant complies with the foundation's policy, that the designated nonprofit is a 501(c)3 organization, and that there is no self-dealing associated with the grant. And since your 990PF tax form lists your foundation's grants, you may want to list the discretionary grants separately and note the purpose. This avoids confusing grantseekers if some of these grants fall outside your guidelines.

What is your **"style"** of funding?

Grantmaking families come to this work with preferences and inclinations that will affect their decisions. It's helpful to examine those traits—sometimes called your "style" of funding, before settling on an overall grantmaking strategy. To help you identify these traits, ask your family these questions:

- Are you risk tolerant or risk averse?
- Do you prefer giving large grants or small ones?
- Do you favor multi-year or shorter term grants?
- Prefer solicited or unsolicited proposals?
- Prefer specific types of grants, for example program grants as opposed to operating grants?

In this section, we'll explore some of your options.

Are You Risk Tolerant or Risk Averse?

As your family foundation grows and as your family gains experience, it's more likely to add riskier grants to its portfolio. Early on, you may not be as comfortable with risky grants, such as funding a start-up or a new program in an existing organization with an innovative idea that has a big potential reward but might fail. If you are just getting started with your foundation, it's important for your family to discuss its risk tolerance and craft your grant guidelines accordingly.

It's important to remember that there is risk in all grantmaking. Every foundation makes grants that fail. And every grant that does is a learning opportunity. But it's important to know how much risk you're willing to take — and how you plan to learn from grants that fail to deliver.

Do You Prefer Large Grants or Small Grants?

Practically speaking, making a few large grants is less work than conducting due diligence and tracking a bunch of smaller ones. That's why many new foundations choose to make a smaller number of grants as they are getting started. But while it's easier to manage a smaller pool of grantees, it's not always effective to make big grants. Sometimes, a small, carefully targeted grant can have a big impact, and a large, ill-conceived grant can make little or no difference. There is no one right answer. Ask yourself which is more likely to help you achieve your current goals. And revisit that decision at some point in the future.

Do You Favor Long-Term or Short-Term Grants?

One-year grants are the most common, but many funders also choose to make multi-year grants to provide longer-term support to programs that can't be completed in one year. One approach is not necessarily better than the other. What matters is that the length of the grant fits the goals of the project or program it supports. Sometimes, grantmakers stop funding a project before it has time to take hold. One year may be enough to start a program but not enough to stabilize it. Three years may be reasonable for some programs but a very ambitious one may need five to stabilize.

Short-Term vs. Multi-Year Grants

Some reasons why family foundations may prefer short-term grants include:

- They don't want to commit money to a project before they know how it is progressing.
- They may not have enough money to fund new proposals or meet emergency community needs if their money is already tied up in long-term grants.
- They worry that multi-year grants breed dependency.
- Fewer long-term commitments make it easier for a foundation to weather an economic downturn. If you commit large portions of your grant budget far in advance, you'll have limited funds left to help other grantees who need help in tough times.

Some family foundations prefer multi-year grants. Such grants:

- Give new projects more time to get up and running.
- Recognize that complicated projects need more time to develop.
- Ease grantmakers' workload by reducing the number of grants they have to renew each cycle.
- Allow the foundation to build a portfolio of grantees addressing its mission.
- Give grantseekers a break from having to write as many proposals.
- Allow grantees to make important organizational decisions with more than a one-year time frame.

The Need for **Patience**

Grantmaking often requires more patience and flexibility than you might imagine. Changing the world, or at least having a small impact on it, takes time. Even family foundations as well-endowed as the Gates Foundation have learned that through experience. In fall 2014, when the foundation celebrated the 10th anniversary of its signature global health research initiative, *The Seattle Times* reported in December 2014 that despite an investment of $1 billion, "none of the projects funded under The Gates Foundation's 'Grand Challenges' banner has yet made a significant contribution to saving lives and improving health in the developing world." The paper reported that Bill Gates told a Seattle audience of 1,000: "I was pretty naive about how long that process would take."

He said he knew five years in that it would take another decade for some of the most promising projects to bear fruit. Still, there have been accomplishments, particularly drawing more top scientists into the global health field and new understanding or tools that can have an impact down the road.

Do You Prefer **Solicited** or **Unsolicited Proposals?**

The majority of foundations accept uninvited proposals from grantseekers. But some choose instead to solicit proposals, either by contacting organizations they want to work with or by issuing a Request for Proposals (RFP) from organizations working on a particular problem the board has decided to address. This helps the board members stay focused on the mission and keeps them from having to deal with a pile of misdirected proposals.

Controlling the volume of proposals really helps foundations that are new and/or unstaffed, and leaves you more time to learn about your program areas. The downside is that you might miss out on an excellent program. It also makes it harder for grantseekers, because it reduces the pool of funds for which they can apply. A policy of accepting only solicited approvals also favors organizations that are well known by funders, and hurts smaller or less sophisticated nonprofits that don't have a high profile.

Some foundations stick with solicited proposals when they begin but, after they become more knowledgeable about their focus area, set aside a portion of their funds for unsolicited proposals.

How to How to Handle the **Cocktail Party 'Ask'**

Although you've probably been on the receiving end of countless requests for personal donations, once you have a foundation, you become a much bigger target. So do the other members of your family, regardless of whether they are on the foundation board.

Make it a rule that if you are asked by anyone—whether it's a close personal friend or someone you just met—about the possibility of a foundation grant, your answer is that "all requests must be submitted through the application process, and the foundation board decides collectively." If you don't make any promises, you give grantseekers a level playing field for consideration.

People who know you have a foundation may think of it as your personal piggy bank. Indeed, there are some founders and trustees who treat it that way. But it's important to remember that once you create a foundation, it is a public trust to be run by a board and its resources are no longer yours. You now have legal requirements including due diligence in making grants. If your foundation provides trustees with discretionary grants, those can be another way to fund a favorite nonprofit, with board approval. Of course there's no reason why you can't write a personal check to any nonprofit you'd like to support.

One other caution: It is illegal for a foundation to pay a board member's personal pledge because that is considered self-dealing. If you make a pledge to your alma mater, for example, in your own name, the foundation can't write the check because that would be a benefit to you. If you want to make the donation using your foundation discretionary funds, put the name of the foundation on the pledge form. (For more information on self-dealing see Legal chapter.)

Types of Grants

Grants come in a number of different forms, which offers your foundation considerable flexibility as it works to make an impact with its grantmaking. Depending on your goals, you may decide to focus on only one or two, or offer a mix. To decide which types of grants you want to offer, start by asking **"What do I want to accomplish?"** You can then choose which types of grants are most effective in meeting your goals.

Choices include:

- **General Support** (sometimes called unrestricted or operating support) for operating expenses and overhead.
- **Program/Project** grants support a grantee's programmatic activities to achieve a specific outcome.
- **Capital** (to construct a building, or purchase land, equipment or a facility)
- **Research** and planning grants (often given to universities, medical institutions, or think tanks).
- **Start up** (also called seed grants, to fund a new program or organization)
- **Scholarships** (foundations often provide scholarship money to educational institutions, but the IRS rules strictly regulate these kinds of grants so that the foundation isn't choosing the individuals to receive the awards).
- **Capacity Building** (e.g. to support the organization's internal infrastructure, such as a technology improvements or technical assistance to staff).
- **Endowment** (to create or enlarge an organization's own endowment to help it be more financially stable. The organization may use the interest generated by the endowment for operations, but may not dip into the principle.)
- **Challenge or Matching** (to encourage others to give. The match can be one-for-one or a different ratio.)
- **Emergency** (for immediate relief, such in cases of disasters).
- **Advocacy** (to press for policy changes to solve a problem).
- **Collaborative** (joining forces—and money—with other foundations to fund a particular project).

Project vs. Operating Support

Many foundations focus their grant-making around specific projects that support their mission. Often, funders are attracted to project-based grants because they are easier to define and evaluate.

But many nonprofits lament the fact that foundations don't focus more of their grant making on funding operating support. Foundations that make grants for operating support say this funding helps organizations achieve or maintain financial stability, ensures projects can continue, and allows grantseekers to be honest about what they need instead of creating projects they think foundations will fund.

Some project-based funders recognize that projects can't get done if organizations can't cover their overhead costs. For that reason, some funders tack a small percentage, say 10 to 20 percent, on to each project to cover operating expenses. Some funders who are uncomfortable about giving unrestricted grants pick specific items in the organization's operating budget to fund, such as a portion of a staff position, computer training, and the like.

Your foundation does not have to make this an either-or choice. It can choose to provide a mix of grant types that align with its mission and goals.

Advocacy Grants

The word "advocacy" raises a red flag for some foundations. Because of the IRS rules prohibiting political activity, some foundations think they have to steer away from funding advocacy work. But it is perfectly legal for foundations to support advocacy programs, as long as they follow federal rules.

For some foundations, advocacy grants can make a big impact. For example, the Brindle Foundation in New Mexico began making long-term investments in its state's premier anti-poverty advocacy organization, New Mexico Voices for Children, with the idea that advocacy was crucial in advancing its early-childhood initiatives. With support from Brindle and other grantmakers, NM Voices helped dramatically expand access to the State Children's Health Insurance Program (SCHIP), and raise eligibility levels for child care subsidies, ensuring that 22,000 children and parents just above the poverty level would have decent, affordable health care and child care. The SCHIP expansion alone increased federal and state health care investments by $800 million over five years and greatly increased business activity and jobs in the state.

When consulting your attorneys about advocacy grants, ask what you can do, not what you can't do. To learn more, you can take a free, one-hour online tutorial on the legalities of advocacy grantmaking at www.learnfoundationlaw.org, a site funded by the Gates, Packard, Moore and Hewlett foundations. The site also includes a wealth of other information about legal issues around grantmaking.

Legacy Grants and Naming Opportunities

You may be approached for a capital or endowment campaign gift that comes with the opportunity to put the foundation's name on a building, a room, or some other part of a project. Sometimes the request isn't a building but a new program, such as an institute within a university. Some grantseekers find this an effective way to solicit large gifts, and they also appreciate the chance to leverage the name of one family foundation to show others, in a very public way, who their major supporters are. For families, it's a chance to carry on their philanthropic legacy while helping organizations they believe in.

However, legacy grants can sometimes cause problems for families—and grantees — if they aren't explicit about the long-term consequences of these grants. Some families have found themselves in situations where the recipient organization expects the foundation will continue to fund them far into the future, something that subsequent generations, or even the current one, may not want to do. Conversely, some donors have assumed that having their name on a building means they can be involved in a grantees' operation to the point of interfering in the CEO's and board's leadership. And some families find that, years later, the institution wants to tear down a building or disband an institute that bears the family's name. Because of the unique nature of these grants, it's wise to get a detailed pledge agreement with an organization spelling out what the naming rights entail. Some agreements now specify how long the name will be retained. Some agreements also give families first right of refusal if they want to extend past the expiration date with an additional gift.

What's In a **Name?**

When Lincoln Center decided to launch a fundraising campaign to pay for a major upgrade to Avery Fisher Hall, home of the New York Philharmonic, it faced a unique decision related to its naming rights.

While Fisher gave $10 million to the organization in 1973 to secure naming rights for the facility, the Lincoln Center leadership believed that the upgrade offered an opportunity to secure a much larger naming-rights gift.

To make that happen, it agreed to pay the Fisher family $15 million ($5 million more than it originally pledged). The gamble paid off when Hollywood Mogul David Geffen gave $100 million to secure naming rights to the facility in perpetuity. Meanwhile, Mr. Fisher will be acknowledged in the renovated concert hall's new lobby.

The Process: From Receipt of Grant Applications to Sending Checks

Once you've made the major decisions about mission, focus areas, types of grants and your grant budget, the last step is to settle on a process for gathering proposals and deciding among them.

As you begin this process, it's important to focus on two basic questions:

- How will you attract the proposals you want?
- What information do you need from grantseekers?

Letters of Inquiry

To avoid having to sift through a lot of proposals that miss the mark, some foundations require grantseekers to first submit a Letter of Inquiry (LOI)—a short summary of the project (typically one to two typed pages or a series of short answers to an online questionnaire). An LOI saves grantseekers time too, since they avoid having to prepare a full proposal for a funder who isn't interested. The downside is that a grantseeker may have trouble making a compelling case for the project in such a limited space.

Clear Guidelines Are Critical

One way to ensure you're attracting the right type of proposals is to create a set of clear, written grant guidelines. While this process requires some work up front, it will save you a lot of effort in the long run. By publicizing your goals and sharing information about what you fund and how you fund it, you'll help nonprofits decide whether they fit your requirements before they submit a proposal. It will also cut down on the number of proposals you receive that have no chance of earning funding. This will save your foundation time — and it will help resource-strapped nonprofits target their grant-writing efforts to foundations that are most likely to be receptive to their proposals.

Note, however, that your guidelines will reduce but not eliminate misdirected applications. Inexperienced grantseekers may fail to read the guidelines carefully. Others will read them and try to persuade you their proposals fit your guidelines even when they don't.

Your written guidelines will also serve as a checklist for screening and evaluating proposals that are the best matches for your foundation. And they provide objective criteria for rejecting proposals that don't meet your requirements.

Grantseekers benefit from knowing your foundation's mission and history and the kinds of projects you fund. Grant guidelines typically describe how to apply for a grant and the deadlines for your funding cycle, the range and size of your typical grants, and the length of grants, e.g. one-time only or multiple years. You also may opt to limit the frequency of proposal submissions from a grant-seeker to no more often than every other year.

Guidelines that Attract the Right Grantees

- Use plain, direct language and avoid jargon, trendy terms, and abbreviations known only to insiders.
- Underscore your grantmaking philosophy and goals with statements such as "We give top priority to programs that…" or "We prefer to support organizations that…"
- Include a list of your most recent grants as examples.
- List the types of organizations, programs, and program areas that you will not consider.

Some regional associations of grantmakers have developed a common application form that local grantmakers can use or adapt. A standard form that can be used for multiple grant applications saves time and effort for grantseekers' already stretched staffs. It also means you receive their information in the same format so you can easily compare proposals. To locate your nearest regional association, go to www.givingforum.org.

Respect for Grantees

There is an inevitable power imbalance in grantmaking. Nonprofits can only address societal needs if they have the necessary financial backing of donors. You write the checks, but it is your grantees who do the work to realize your vision. Both sides have a part to play in what should be thought of as a partnership.

One way to show respect for grantees is to listen to them. Be humble and be kind. You may think you know what they need funds for, but don't assume. Ask them. Frank conversations with grantees may be difficult since you hold the purse strings and they don't want to jeopardize their funding. But an open approach in which they feel you truly want to hear their views and consider them as your partners will lead to more effective grantmaking.

You can also seek their input on the mechanics of your grantmaking process. Some foundations conduct periodic grantee perception surveys to find out if their guidelines are clear and their application processes are reasonable. Foundations should send these surveys to all grant applicants, not just those that receive grants. By doing so, they may discover, for example, that they place unnecessary paperwork burdens on nonprofits, take too long to respond, or fail to keep potential grantees informed of their status.

If you do create a survey, you'll receive more honest feedback if you keep the responses anonymous. You can create a simple one using free online survey tools and send it to all applicants in a given year. Nonprofits will appreciate your concern for their needs, and you may find ways to streamline your process to make it easier on you as well as on them.

Consider, too, the size of your grants, and keep your requests of the nonprofits proportional. For example, you might request an interim report midway through the term of a $100,000 grant, but wouldn't want to ask that of an organization that only received $5,000.

Project Streamline—a collaborative initiative of the Grants Management Network and major funders—helps grantmakers get the information they need while reducing the burden of application and reporting practices on grantseekers. Download the publication *Drowning in Paperwork, Distracted from Purpose* and several other resources at www.gmnetwork.org.

Common Grant **Application Requirements**

Foundations typically ask for at least some of these pieces of information in their grant applications:

- One-page cover letter, including a brief description of the project, amount requested and the name of a contact person;
- Proposal narrative (sometimes with a maximum number of pages specified), including such items as an executive summary, a statement of the problem the project is addressing, the total budget, how the project will evaluated, etc.;
- Copies of the most recent tax-exemption letter indicating 501(3)c status;
- Current list of board members and their affiliations;
- List of staff leading the project and their qualifications;
- Financial information, such as most recent audit, organizational budget, etc.;
- Supplemental materials such as annual reports, videos, published articles, etc. (If you don't wish to receive these materials, say so.)

Transparency on the Web: It's a Good Thing

Many foundations have websites on which they post their grant guidelines. Others avoid this, fearing that by being so public, they'll be inundated with grant requests. What they may not realize is that nonprofits can find funders anyway through the databases that compile foundation tax filings (990PFs), and post them on the Internet. The Foundation Center's database, widely used by grantseekers, makes this information searchable by criteria such as location, kinds of grants, etc.

On your own site, you can be specific about what kinds of grants you prefer, what kinds you don't make, and what process grantseekers should use. Grantmakers who are transparent can greatly decrease the number of unwanted proposals. It's also wise to publish a list of the grants you've awarded. This can be a valuable resource for grantseekers to learn how you translate your guidelines into practice.

The Foundation Center, through its Foundation Web Builder service, has built and hosts more than 200 foundation websites—many of them for family foundations. Some sites are as simple as a single page, while others are quite robust and rich with content. Web Builder offers an array of tools — many of them at no cost. To learn more, visit: http://foundationcenter.org/grantmakers/webbuilder. The Foundation Center also has created a resource called Glass Pockets with a tool kit to help foundations improve their overall transparency. Find it at glasspockets.org.

Accepting Applications Online

Allowing grantseekers to apply for funding online is a convenience most of them welcome. After all, web-based grant applications are much less cumbersome and costly than old-school methods that require grant seekers to prepare and ship hard copies of their proposals and then worry about how soon—or if—they will get to you. With most online forms, the recipient gets a receipt notice immediately. Online applications also make it easy for grant seekers to attach supporting materials such as financial statements and project budgets.

See the end of this chapter for information on software programs the make it easy to accept online proposals and track your grants. And be sure to try out your form so you know whether it is easy to use. Some online forms are so unwieldy that they cause nightmares for nonprofit applicants, especially small ones that don't have lots of in-house tech savvy.

Once the Proposals are In: **Final Steps in the Process**

Now that you've decided on the kinds of grants you want to make and have developed guidelines and processes for grant seekers to apply, there are still a few tasks to complete before you actually write checks. They include:

- setting funding cycles;
- screening proposals;
- arranging site visits;
- preparing a board docket;
- deciding which proposals to fund.

Setting Funding Cycles

Funding cycles vary widely. Some foundations make grants quarterly, others once or twice a year, and others accept applications on a rolling schedule. The frequency depends on your board members' schedules and how much effort is required to bring them together. If, for example, your family is spread across the country or if the younger generation has full-time careers and young children, you may choose to hold annual, in-person meetings and meet by conference call the rest of the year. Whichever funding schedule you choose, you'll want to map out a timetable for all the steps in your grantmaking process far in advance to alert board members of important dates.

Timetable for Grant Cycle

- Letter of Inquiry deadline (if you've decided to request LOIs)
- Grant application deadline
- Acknowledgement of receipt of proposal (may be automatic if you use online applications; otherwise, mail one)
- Initial screening meeting
- Notify applicants of the status of proposal
- Complete site visits
- Prepare docket of grants for consideration
- Allocations meeting
- Notify applicants of final decision
- Mail checks
- Receive reports from grantees (such as one month after conclusion of the grant)

Screening Proposals

One thing is certain in your grant-seeking process: you will get more proposals than you can fund. It's wise to have at least two people—trustees or staff—read and discuss the proposals to give all of them a fair hearing. To help the process, your initial screening procedure might include these steps:

- Develop a checklist of criteria to use both for the initial screen and again in the formal review process to help board members focus their thoughts. (see Possible Criteria for Screening Applicants).
- After reading each proposal, put it in one of three stacks: interesting, questionable, or outside the guidelines.
- To learn more about the "questionable" proposals, you might ask more questions of the applicant or contact colleagues who are familiar with the organization and its programs.
- Decide how many proposals you can reasonably fund. If that number is about 10, for example, go through your stack again and choose the 15 or so strongest proposals for final review, knowing that a few won't make the final cut.

Nonprofits whose proposals will not go forward should be notified promptly so they can adjust their fundraising efforts.

Possible Criteria for Screening Applicants

- The purpose of the proposal and its compatibility with the foundation's mission;
- The mission and history of the applicant;
- The community needs served;
- The amount of the grant request and what share other grantmakers are funding;
- Plans to sustain the effort in the future;
- Desired outcomes and how they will be measured;
- The strength of the organization's leadership—staff and board.

Site Visits

While you may learn a lot from reading proposals, having phone conversations with grantseekers' staff and doing background work, there is nothing like getting to know the staff and the work of the organization firsthand. Some board members say site visits are the most rewarding part of their board work. That's why many family foundations often include site visits as a part of the grant application process. Here are other reasons to use site visits:

- To see the neighborhood in which the organization is located;
- To observe programs in action and speak with clients served by the organization;
- To better understand how you can best help the organization, and to broaden your understanding of issue areas you fund;
- To build relationships with grantseekers and to shape thinking about future grants;
- To evaluate how well a grant already awarded is accomplishing the foundation's goals.

Many philanthropic families also find that site visits can be a terrific way to illustrate the importance of the family philanthropy's work, both for board members and for other family members not on the board. If your family and/or your grant making are dispersed geographically, site visits provide a way for individual family members in each of those communities to play an important, hands-on role in the foundation's work regardless of whether they serve on the board.

Best of all may be the opportunity site visits provide for family members with young children. Such visits can help them pass on the charitable impulse. Young board members often say the site visits they went on when they were younger were the best training ground they could have had for the foundation's work.

One challenge with site visits is the natural tendency for a nonprofit to want to present itself in the best light possible. Encourage the staff to be honest and tell you what they really need, not what they think you want to hear. Ask what's working, what's not working, and what has the greatest potential. Then really listen.

Some foundations find it works best to have at least two people go on a visit. But that may not be practical for your foundation. Regardless of who goes, care must be taken to produce an objective report for the board. It's helpful to use a site visit checklist to organize the information.

Sample Site Visit Report Form

Who from the foundation visited:

Date of visit:

Organization:

Amount requested:

Purpose of the request:

1. Is there adequate talent in the leadership (board and staff) to make the program/organization a success?
2. Is there a probability of sustained change from our involvement, either within the organization or in the social problem being addressed?
3. Will our involvement (financial or other) help the organization succeed in gathering additional commitments from others?
4. Is there a better way to help apart from the request as it stands?
5. Does this further our goals (e.g. increasing community-wide and neighborhood participation in meeting social needs)?

Strengths:

Weaknesses:

Recommendations (full funding, partial, none, more?):

Perceptions about the interviewees (were they knowledgeable about the program, etc.?):

Other comments (e.g. atmosphere):

Be careful what you say during site visits. If you sound too encouraging, you may raise the organization's hopes and then cause disappointment when it doesn't receive a grant. It's also good to explain to the organization's leaders that you don't make the decision; that you are there only to gather information to help the full board deliberate.

Preparing a Board Docket

The board docket — typically a compilation of grant proposals, supplemental materials, and board or staff analysis — often elicits groans from those who have to produce one or read one.

For some groups, the docket is often an inches-thick binder sent in advance to each board member to read in preparation for the board meeting where grants will be decided. Others share it in a equally daunting digital file.

But while it might seem daunting — and even a bit boring — the docket is an important piece of your work. As a private foundation, you are required to exercise due diligence in your grantmaking (see the legal chapter). When you are first starting, you may want more information than less. Gradually, as you become more familiar with your funding areas, you may move to a system where there is a brief summary for each grant proposal and possibly a recommendation, either by a staff person, if you have one, or by a board member. The person who conducts a site visit, for example, could also produce a one-page summary so the family can focus on the most important information about a grant proposal.

Technology can help. Some members use laptops or tablets to access the materials during the meeting so they don't have to print anything. But the bottom line is that the board still needs to do its homework before the allocations meeting, which is a challenge for busy people. Talk together about how your board docket can best meet members' needs without sacrificing essential information to make decisions. After you've had some experience with dockets, revisit the subject again to see how else you can make it user friendly.

Critical Questions

When the Hill-Snowdon Foundation first hired professional staff to help manage its operations, the board reviewed a hefty docket and had lengthy discussions about each grant. Gradually, as the board came to rely more on the staff's expertise, it reviewed proposals in less detail and asked for more pointed write-ups. Each grant the staff recommended came with a two-page write-up that briefly stated the organization's goals, progress, and future plans plus the staff's analysis. An additional section called "Critical Questions" helped the board explore not only how the grant would affect the organization but how it furthered the foundation's overall objectives. The trustees then discussed only those grants about which they had questions or which the staff chose to highlight because of their strategic relevance.

Making the **Final Decisions**

It's easy to take a scatter shot approach to funding grants, especially early on. But if your family has done the hard work of coming up with a set of shared values and a mission, you can increase your grantmaking effectiveness by keeping those ideals in mind for all the grants you make. This is what is meant by "strategic philanthropy."

Early on, a foundation's grantmaking is likely to reflect family members' personal interests. But as it evolves and the board strives to be more strategic, decisions start to focus on which grants will have the biggest impact on the societal problems the foundation has chosen to focus on.

Your board must decide whether to award grants on the basis of a majority vote or by consensus. Since one of the goals of a family foundation is to provide a vehicle for working together, this becomes an important question. Often there will be strong feelings about particular grants, especially in multi-generational families with very different views on everything from religion to politics. Focusing on what you can agree on rather than on your differences can help.

Deciding by consensus does not mean you need 100 percent agreement. It means that board members can accept the decision even if it isn't perfect. What you want to avoid is making the meeting just about horse-trading: "I'll support your favorite project if you support mine." Instead, the board should strive to make decisions based on the merits of each proposal, the grant guidelines, and how it furthers the foundation's goals. When one board member feels strongly about a grant that others aren't enthusiastic about, they have the option of supporting the organization personally or, in some cases, through a discretionary grant.

The most important thing for family foundation board members to remember is that the money does not belong to your family. The board members are stewards of a public trust (for which you received a tax deduction), and you are now responsible for using that money to the best of your ability to help society.

Some foundations post their values and mission statements on the wall in the board room or print them at the front of every board docket just to keep them in mind as they decide on grants.

Grant **Agreements**

Many foundations require grantees to sign a grant agreement to make sure there is common understanding. This is a letter that spells out legal requirements and any expectations of the grantee. Agreements may include:

- A brief restatement of the objectives the grantee listed in the proposal;
- Whether you require a final report (or an interim report if it's a large grant);
- Your preferences regarding publicity (such as whether you'd rather the foundation's grant be anonymous);
- Encouragement for the grantee to contact you quickly if they have questions or want to clarify the objectives.

Notifying Grantseekers of Your Decisions

After you've made the decisions, the fun part is sending checks to the organizations you've decided to fund. But it's not fun to say no to the organizations you decided to turn down. A short, boilerplate rejection saves you time, but doesn't really help the grantseekers. They'd much rather have a more informative letter—or even a phone call—telling them specifically why they were not funded and whether they might improve their proposal and resubmit in a future funding cycle. It takes more time to convey a more complete answer, but it's a respectful way to deal with grantseekers who made it through your initial screening but didn't make the final cut. It also helps them prepare for effective applications for future grants.

Evaluation: How do you know if your grants are making an impact?

Assessing the impact of grants is something even large, experienced funders find challenging, especially when they are trying to address large societal problems. Newer foundations start with the basics. For a one-year grant, it's typical to require grantees to send a final report a month or two after the grant period. (Put that requirement in the grant agreement letter.) Often, a year isn't enough to assess whether a program has succeeded or failed, but you can still get a sense of whether it's moving in the right direction.

In essence, you want to know whether a grantee did what they said they would do with your money and what effect that program had on the population they serve. Some foundations keep the reporting very simple by asking for a short letter and some photos, for example. Others have board members check in with grantees by phone or in person. Most foundations, however, develop a standard report form that is either mailed or completed online. Completing these reports take staff time, so be sure your requirements are proportional to the grant. You can ask more of the grantees who received large grants without requiring the same level of detailed reporting from nonprofits who received small grants.

Don't just stick the reports in a file. The whole point of asking for them is to learn from them. Take time at a board meeting to discuss what you can learn from them that can shape your future grantmaking.

Sample Questions for Evaluation Form

- What were your original goals and objectives? Were they achieved? Why or why not?
  (Include, if applicable number of clients served, measurable benefits, etc.)
- Are there any positive outcomes from your grant that were unforeseen?
- Did you encounter unexpected difficulties? Please explain.
- Is funding available for continuation of the program (if applicable)?
- What are the specific plans for continuing the work started/affected by this grant?
- Please attach final budget indicating where our foundation's funds fit in.
- Please attach news articles, photos or other materials about this grant (optional).
- What could we have done to make working with our foundation easier for you?

Other Ways to **Have Impact**

As philanthropy has evolved, some foundations aim to use all of their resources—not just their grant budgets but also their investments—for social good. In **mission-related investing**, a foundation invests its assets in ways that align with its mission and values. Some people call this a double- or triple-bottom line. This requires some change in thinking by boards that might interpret their fiduciary responsibility as solely to maximize investment returns and preserve the endowment for the future.

A number of terms are used to describe these various practices.

"Socially responsible investing," for example, typically refers to screening out companies in one's investment portfolio that are considered harmful or counter to the foundation's values. The idea is that a foundation that funds efforts to protect the environment, for example, shouldn't invest in companies that pollute. The risk is that you may have a harder time generating a market-rate financial return.

Shareholder activism is another approach. Some foundations use their positions as shareholders, through shareholder resolutions and other means, to push companies to adopt more environmentally friendly practices, for example.

Program-Related Investments are also gaining in popularity. A PRI is a loan made to a nonprofit at little or no interest, primarily to support its work and not to yield a profit for the foundation. PRIs enable families to invest in projects that would ordinarily be too financially risky to undertake as an investment such as housing or business development in low-income neighborhoods. If they do not pay back the loan it is considered a grant. Also, the overall percentage of payback is significantly higher than in the for-profit world.

F.B. Heron Foundation **Investment Policy**

The F.B. Heron Foundation has been a leader in mission related investing. Here is an excerpt from the foundation's investment policy. The full policy can be found on its website:

> *"The F.B. Heron Foundation exists solely to serve a public purpose—in our case, making investments that further the ability of people and communities to move out of poverty and thrive…The Heron investment policy thus reflects our intent to balance the social and financial return on all assets, and to select opportunities for deploying capital, whether as grants or as investments, so as to maximize the combination of both kinds of return within each."*

Some Philanthropy **Jargon Defined**

The longer you engage in grantmaking, the more buzz words you are likely to hear. These are some of the common ones that you may or may not be familiar with:

➜ Intuitive Grantmaking

There is both art and a science to effective grantmaking. Gathering metrics and data is important but also has limitations. Kathleen Odne, Executive Director of the Dean & Margaret Lesher Foundation, describes intuitive grantmaking this way: "Intuition is a learned skill. It's the ability to trust your experience and to recognize and react to familiar patterns. It is different than guesses or hunches. It's actually a trained intelligence that's based on past experience."

➜ Adaptive Philanthropy

Adaptive philanthropists strive to follow their strategic direction while remaining flexible in order to respond to changes such as uncertain economic and political situations, or new research and data.

➜ Logic Model

This is a method of mapping out a strategy to show the activities and steps that you plan to take to achieve a particular outcome. Funders sometimes require it of grantseekers as a way to assess the strategy a nonprofit will use to bring about change, and also to evaluate how well the strategy worked. Some foundations have even applied the model to assess their own grantmaking.

➜ Theory of Change

More complex than a logic model, a Theory of Change is a methodology used for both planning and evaluation that starts with the end goal and works backward to map the building blocks—the outcomes, conditions, etc.—needed to achieve that goal.

➜ Collaborative Grantmaking

Some foundations collaborate with others to fund major projects in their communities. For newer foundations, collaborations bring a number of advantages, including networking with and learning from established grantmakers and learning about how to properly navigate the ins and outs of effective grantmaking.

➜ Impact Grantmaking

Definition to come.

How to Get **More Help**

Grant software

A growing number of companies offer grant software to help grant-makers accept and review applications from nonprofits and track their grants, thus reducing the foundation's administrative burden. One way to find software to suit your needs is ask other funders what they use and what they'd recommend. Another source of information is the Consumers Guide to Grants Management Systems. It can be downloaded for free at the Technology Affinity Group's website, www.tagtech.org, or the Grants Managers Network, www.gmnetwork.org.

Consultants

Sometimes when families get stuck in their grant decision-making, or they just need someone to guide them through their first year or two of grantmaking, hiring a consultant can be a big help. This is especially true when you're looking for a neutral voice to help lead important conversations. Often, a good consultant has worked with many families so he or she has a tool box full of ways to help your foundation find fresh ways to approach your grantmaking.

Sometimes families that aren't in agreement on their grantmaking think their problems would be solved if they just had a strategic plan. They think they need a strategic planning consultant to help them develop one. This could be a logical goal, but what the family may need instead is a consultant with an understanding of family dynamics who can help the board communicate and work together in new ways to shape the foundation's grantmaking going forward. Some consultants have experience with both family systems and with strategic planning, but not all strategic planning consultants understand families, something you should probe for when you interview prospective candidates.

Sources for **Finding Consultants**

- Ask other foundations whom they have used successfully in the last few years.
- The National Center for Family Philanthropy can provides names of experienced consultants that other foundations have used successfully.
- Board members or professionals from other family foundations can provide recommendations — or in some cases fill the role of an outside expert.
- Regional associations of grantmakers often make referrals.
- The National Network of Consultants to Grantmakers (www.nncg.org) has a searchable database of its members' experience and expertise.

To learn more about employing consultants, see Managing Your Family Foundation. Also, NCFP's Knowledge Center contains several resources, including a webinar titled "How To Find and Work with a Philanthropic Consultant."

Other Resources for Grantmakers

The National Center for Family Philanthropy not only has an extensive Knowledge Center with sample documents, case studies, etc. for grantmakers, but also has regular webinars that allow you to ask live questions and participate in a forum with other grantmakers. The Knowledge Center also contains transcripts and audio files of all past webinars. ■

—This chapter incorporates earlier work by Deanne Stone