Foundation Funding

by Phyllis McGrath

As you continue your search for support to carry on your nonprofit organization, one possible source is foundations. But what are foundations? And how does a small nonprofit program or agency approach a foundation? How do successful programs get money from foundations?

In my career, I've worked on both sides of the foundation fence—as someone who was seeking funds, as well as someone who held the purse strings on substantial amounts of foundation money. Based on my experience, many nonprofits begin their pursuit of foundation money from the same starting point:

> *You've heard people talk about charitable foundations, and you've heard that foundations give away money. Just this morning you saw a picture in your local newspaper, of a smiling person presenting a check to the head of a not-for-profit education program. The caption said the check giver represents the local ABC Family Foundation, which you've never thought about, or even heard of.*
>
> *Envious? Of course you are. You, your staff, and your board are concerned about the sustainability of your program and have had many meetings discussing possible solutions.*
>
> *Is it too late to call the ABC Family Foundation and ask if they'll give you money, too? Probably.*
>
> *You shrug your shoulders and think, "Oh well, another missed opportunity."*

You're right, there's a chance that you have missed an opportunity. But you also weren't prepared to take advantage of that opportunity. As you well know if you're reading this guide, raising funds isn't easy, whether you're asking an individual, the government, a company, or a foundation. As with any potential funding source, the keys to successful fundraising from foundations are doing your homework, being prepared, and having patience.

What Is a Foundation?

A charitable foundation is a nonprofit organization. Like your own nonprofit organization, a charitable foundation is recognized by the IRS as a 501(c)(3), but it is a grant-making charity rather than a grant-seeking one.

There are *three broad types* of foundations, all of which may be of interest to you:

- A **family**, or **private**, **foundation** is a nonprofit charitable organization created by an individual or a family, to fulfill their personal philanthropic goals. Usually, the donor who establishes a foundation is a "high wealth" person, but they're not all Rockefellers or Fords. At the annual Family Foundation conference hosted by the Council on Foundations, I meet hundreds of "ordinary people." They might be someone who sold a small business and created a foundation with the proceeds. His or her motivation is two-pronged—a sense of caring about society and a need to minimize the tax impact of the business sale. Another may be someone who made a lot of money during the dot com boom of the mid-1990s and wanted to do good with that money, rather than see it sink back into the stock market. Often, it is someone who simply has a passion for an issue—for example, someone in his or her family may have faced a particular serious illness. So keep in mind that foundations are often created by rather everyday folks.

- A **corporate foundation** is a nonprofit charitable organization created by a for-profit corporation. Many of the largest corporations in the United States have charitable foundations. While many were originally formed so that the corporations could realize a tax benefit, many were also created to carry out the corporation's mission of good citizenship and to build goodwill for the corporation within the community.

  Corporations give both directly and through their foundations. The advantage of making charitable contributions through their foundation is that the contributions are more stable and consistent—better able to weather the ups and downs of the business's success or struggle. The large corporations that have foundations also typically make contributions directly from their operating budgets. In fact, this may be the best source of funds for you, as those contributions tend to be local and somewhat smaller. (See the previous section on direct corporate support.)

- A **community foundation** is also a nonprofit charitable organization. Community foundations are funded by many people and groups to support a wide range of charitable activities in the community—or communities—the foundation serves. The first community foundation was established in Cleveland, in 1914. Today there are more than 660 across the United States.

Learning About Foundations

There are nearly 76,000 foundations operating in the United States.[1] So how does an organization looking for funds find out which of them to contact

1 Source: IRS Business Master File 12/2004 (with modifications by the National Center for Charitable Statistics at the Urban Institute). http://nccsdataweb.urban.org/NCCS/Public/

and which are the best prospects for grants? The answer is simple: **Do your homework**.

The successful fundraiser does his or her best work behind the scenes, long before any contact is made with a foundation. Research, research, research. Know your target. You have to go back to the basics and answer the questions:

- Where?
- What?
- Who?
- When?

Let's begin with the first two—*where* and *what*—and how to explore this information.

Where: The Geography Must Fit Yours

A corporate foundation based in Oregon is not likely to consider giving money to a nonprofit program in Tennessee if the corporation has no business interest there. A community foundation typically only gives in its own or neighboring communities, unless a donor makes a specific request. And family foundations usually make their donations in the location where the family is based. Sure, every so often you come across a family foundation with a distant but powerful cousin living in another part of the country. However, the general rule of thumb is that foundations make grants to nonprofits that are located *where* the foundation is based.

Once you have isolated those based in your state or region, you need to narrow the list down further. That Oregon-based foundation may only fund in one part of the state, or in one city or county.

A good starting place is conducting a search on Google (or another quality search engine). Use terms like "foundations," or "charitable foundations." I recently helped a Connecticut-based client investigate funding possibilities. We typed in "Connecticut Charitable Foundations." Even a simple search such as this can find sources and help develop a long list of initial possibilities.

Collect details as you conduct this research. Find the contact information on the foundation websites you visit. Keep a record of which ones you research—if you find a foundation that meets your initial screen, you'll be going back to it. It may be helpful to develop a spreadsheet like the one on page 4. Start with these columns and add others for additional contact information, networking details (for example, information about the person who helped you initially approach the foundation), and ongoing activities (such as scheduled follow-up meetings). The spreadsheet should become an ongoing list of the foundations you have contacted, those you've rejected, and those you might contact in the future. You may choose, at some point, to go to a more sophisticated fundraising software package, such as Raiser's Edge or one of the many others on the market. Customize any software used to incorporate and continue tracking the information from your initial spreadsheet.

Foundation Tracking Spreadsheet

Foundation	Site	Issues	URL	Rules	Contact	Sent	Reply	Action	Notes
Jones Co.	New Orleans	K–12	www.jones.org	$5–10K quarterly	Jo Jones	3/11/05	No		Friend of Nat Bower
Elm City	Elm City	Intergen-eration	www.elmc.org	5 project pages	Liz Doe	12/4/04	Send more info.	Mailed 1/13/05	Site visit
My family	LA	Minority ed., math, science	www.mfam.org	College-bound urban	B.J. Kim	3/22/05	Request site visit	Met 4/16/06	Interested in named scholars
JackJill	Iowa	Technology	www.jjfound.org	Software	Ed Smith	2/7/05	No		Revise and resubmit
Brown	Missouri	K–12	www.brownf.org	Throughout the South	Ken Lee	3/17/05	Refer to local office	Wait two weeks then call	

What: Finding Matching Interests Between You and a Funder

You've developed a list of foundations that fund in your location. But, sharing a location doesn't mean you share interests. In all my years as a funder, the most annoying e-mails and calls were from nonprofits outside our funding scopes and interests. Those programs were hurting themselves through poor research.

Read the foundation's site *carefully*. Let me repeat that—read the site carefully. If the foundation only funds health care and you are an education nonprofit, you shouldn't bother writing or calling them. If the foundation's instructions say e-mail inquiries only, don't phone them, and if they say call first, don't waste the postage on a letter.

Larger foundations hire staff whose job it is to do the initial screening of incoming letters, calls, and e-mails. One of the corporate foundations I worked for was the charitable arm of a very well-known company. Because the company name was a household word, every morning the mail carts would come rumbling down the hall overflowing with mail. The foundation received more mail than any other department at corporate headquarters. And no one was counting the e-mails and phone calls. Hundreds of requests for money poured in, most from very worthy organizations and causes, and most were never going to get read by a person with grant-making authority or get a dollar from the foundation because they simply didn't meet the funder's basic criteria. Do not let your inquiries find a similar fate.

"How much time do I spend on this part?" is a question you have to ask yourself as you proceed with your research. What I have described so far is basic web surfing and reference work. But there is additional information out there, if you're willing to pay for it:

- You could hire a research firm to do the digging for you—there are many for-profit businesses that do this type of work.
- You could purchase a resource like *Foundation Fundamentals* from the Foundation Center (http://www.fdncenter.org). This book gives you a good basic education in the funding research process, how to use research databases, and good proposal writing.
- You could also purchase one of the packages that provide access to their Foundation Directory Online (http://fconline.fdncenter.org). There are also regionally focused versions of their particular database available.
- For individual states, you can purchase one or more directories. For example, if you are looking for California foundations, you might try the *California Guide to Grants Online,* which provides online profiles of more than 5,000 foundations and corporations. *Foundation DataBooks* are available for California, Iowa, Kentucky, Louisiana, Nebraska, Oklahoma, Oregon, and Washington. For each state, they provide listings of all the grantmaking foundations, all the grants they made in the most recent year, and the purpose of the grants. These resources range from $100 to $175, depending on the length and if there is a CD-ROM version included (http://www.foundationdatabook.com).

- There are free and fee-based sources for narrower geographic listings. For example, if you are in California, CompassPoint (http://www.compasspoint.org) is a free source of information on foundations in Santa Clara and Monterey counties. For $75 a year you could also buy a membership accessing the *Guide to Funders in Southern California* from the Volunteer Center of Orange County (http://www.volunteercenter.org). Do online research to find out if there are more local directories available to you.

Keep in mind that many of these resources can be accessed for free in the reference section of your local public library.

Yet another strategy for getting information is to contact a Regional Association of Grantmakers (RAG). There are RAGs in most states or regions across the country (you can find the ones in your area here: http://www.givingforum.org/ralocator.html). Their sites are often full of useful information.

Who: Do You Know?

"Who" is a key part of the puzzle. Are you a networker? Have you learned from experience that *who* you know, rather than *what* you know, can make all the difference in life? I know, you're going to say "But how could I know someone at a foundation? I don't know these people." Of course you do! They live in your community. At the very least, someone you know knows someone who can be your connection.

Start with your Board of Directors, or any advisory group you have. Give them your list of the foundations that are in your state and have shared interests with your organization. If you can, include the names of the foundations' directors and key staff. One nonprofit board that I serve on circulates this list at every board meeting. Maybe someone plays bridge with the spouse of someone on the list. Or golf. Or lives next door. Or went to college together … you get the picture.

Try the list out on your staff members and on your own circle of friends and acquaintances. Maybe your friend, the real estate agent, sold one of them a house. Or your neighbor, the owner of the local jewelry shop, has a client on the list.

Get out in the community and talk to people. Tell them about your program and how many people you've helped. Give them one or two of the most dramatic success stories you have. And by all means, tell them that your greatest challenge is fundraising.

Why go through this exercise? Well, tell me how far I'd get if I cold-called your office or sent you an e-mail or letter. Unless my first words were "So and so said I should contact you," you're likely to be too busy to reply to me. Either you will toss the message or it will go at the bottom of your in-box. But if I said, "Jill Jones, your dentist, suggested I call," out of courtesy you'll answer me.

Let's go back and take another look at that corporate foundation. We saw that a low-level staff person read all the unaddressed mail. But if you have a name, the letter goes directly to the named person. For example, the letter might say:

Dear Mr. Decker: Paula Spring, my son's kindergarten teacher, thought you might be interested in my program. She's one of your neighbors and she suggested I get in touch with you.

Trust me, that letter will get to Mr. Decker. This is what's called getting your foot in the door.

When: Following the Foundation's Timeline
"When" is a crucial part of your homework. Pay attention to the timelines associated with foundation funding cycles. Many foundations review proposals on a specific schedule. Some do it quarterly, some annually. Whatever their schedule, make sure you have submitted your request well in advance of their deadline. Then give them enough time after that deadline to send you a response.

That brings me to a very important lesson. Don't be impatient. Don't hound the program manager or the foundation head. Do not send a proposal and call three days later to ask whether they received it. And don't call after 10 days to find out whether they liked it. Give them breathing space. Remember that huge cart of mail that is delivered to their offices. Your proposal is the most important thing in your world, but it's not in theirs.

Wait several weeks before calling or e-mailing to see if they received it and if they need any additional information or material. You can ask when you might get a reading at this time, but you shouldn't ask anything more.

How To Construct a Formal Proposal

The basic rules for writing proposals apply whether you are approaching an individual, corporate, or community foundation.

Your proposal must be clear, well organized, free of spelling and grammatical errors, and written in the format requested—i.e., single space, number of pages, etc. It should be sent on stationery that has your organization or program letterhead (preferably with the list of your board of directors down the left hand side). You should also enclose a copy of your 501(c)(3) letter with every proposal as well as any other documentation required by the foundation.

Every proposal should have an executive summary of no more than one page or, at least, a blurb at the top describing the project for which funding is being sought. There are not enough hours in the day or week for a foundation staffer to thoroughly read every word of every proposal they receive, so you have to help them out. In a short executive summary or introduction, cover the following:

- A very brief description of your project
- When your project will begin and how long it will run
- Why they should favor your program over other options

Formatting Guidelines Matter Too

I once issued an RFP (Request for Proposals) specifying that proposals should be three to five pages long. When I received one that was 10 or 20 pages long, it was automatically turned down. As a program manager, I felt that if the requester couldn't follow instructions on submissions, they would probably be difficult to work with if they became a grantee. So pay attention to any formatting requirements and follow them to the letter.

Steps To Getting Started

- First, think about your fundraising. How much money do you need to raise, and for what?
- Decide who will do the work, whether you need money to complete the necessary tasks, and how much time you can allot to fundraising.
- Through online and library research, identify foundations that make grants in your town or city.
- Read the foundation's instructions carefully and put together a clear, concise proposal that incorporates everything requested.
- Do a "who-do-you-know" inventory of board members, staff, and friends before you approach a foundation. If you find someone who knows someone, use that contact.
- Submit materials on time, resist the urge to pester the foundation, and respond promptly when asked for more information or for additional meetings or site visits.
- Establish a high-quality record-keeping system to receive and administer the grants you will be awarded.

- Who the key players will be—identify the sources of clients and volunteers, and who the administrator will be
- How much money you need
- What you're giving them is a highly condensed version of what will follow in the full proposal.

The golden rule of proposal delivery is: don't get *too* fancy. Over the years, I have received proposals that must have cost a fortune to produce. Many colors, heavy paper stock, fancy bindings and covers. Quite frankly, those often went directly into the rejection pile. The money that the organization spent on all that glitz should have been spent on the children they wanted our money to help.

Before you prepare a proposal, read the foundation's site or print materials to determine the size of grants they typically award. You don't want to ask for $100,000 if all their grants are in the $10,000–25,000 range. But they might go for a $35,000 project. Why lose an opportunity to get a big grant because you asked for too little? You can also bundle several projects together if they add up to a grant of an appropriate size.

To most fundraisers, the ideal grant is a multiyear one. A pledge of a specific amount during the next three to five years locks money into the budget, helps with planning, saves manpower, and helps your stress level. A funder will very rarely cancel a multiyear commitment, except in dire situations.

Be specific about how you plan to utilize the money, and over what period of time. If this foundation makes grants for operating expenses, and that's what you're most in need of, ask for it, and provide a detailed budget for your current and anticipated operating expenses. If they want to "own" a part of your program—in other words be able to point proudly to a specific activity or product as theirs—get your staff together and brainstorm ideas.

For example, you could propose that the funder underwrite your newsletter. Or they could host your annual celebration event for clients or volunteers. If they are a technology company, you might want to ask for hardware or software, or training for IT staff. No matter what you ask for in terms of support, you must provide justification. For example, you need the newsletter to communicate with clients, donors, volunteers, and community leaders.

It's very important to determine whether the foundation wants visibility or not. If they do, look for naming opportunities to offer them. You could call the annual picnic the XYZ Bank Picnic, or you could call certain set of students "XYZ Bank Scholars." However, be sure that's what the funder wants—there are many who prefer anonymity. One of my long-time clients, a multi-generation family foundation, refuses to have publicity for its grants, and the founder refuses all honors. Of course, if you want his money, you play by his rules. It's a matter of respecting the donor's wishes.

Meeting With the Foundation

Congratulations! You have passed the first test. A program manager at the foundation has read your proposal and wants to meet with you and perhaps make a site visit.

Be cool! It's very tempting to get overly excited at this point. I worked with a nonprofit that jumped when they got the call. I had to stop them as they began congratulating one another—they were still a long way from approval of a grant.

No matter how busy you are, or what your calendar looks like, set up the appointment with the foundation program manager at his or her convenience. This is important enough for you to be flexible.

Find out the names and positions of the person or persons who will be meeting with you. Learn anything you can about their experience in philanthropy.

If the meeting is to be held at the foundation, be on time. In fact, get there about five minutes early. Do not bring a large team. My rule is one or two people, but I will make one exception—if your organization helps children, by all means bring one to the meeting. Kids are the greatest assets you have. They tug at the heartstrings of adults.

Rehearse what you plan to say and what each of the people you bring with you is to say. Don't read from a script. If you have a PowerPoint presentation, call ahead to be sure the foundation has any equipment you will need. If you have handouts, bring extras just in case you get a larger audience than you anticipated. Plan to talk for no more than 20 minutes. If the funder has allotted an hour for your meeting, you should spend five minutes on introductions and pleasantries, then make your 20-minute presentation, and then answer questions and talk for the remaining time. If the funder interrupts your presentation, don't get flustered. Keep track of where you were in your remarks. At the end of the hour, prepare to leave.

If the foundation folks visit your site, you should also plan carefully. Find out how many are coming and who they are. Send them clear travel and parking directions. Find out how much time they can give you.

Bring the visitors into your office and spend 10-15 minutes giving them the lay of the land. Introduce them to staff as you pass them. Sit them down and go over the highlights of your program. If you have a videotape about your program, you can show it to them if it is short. Then take them out to see the program in action. Have them observe the volunteers, clients, and staff. Let them chat with whomever they want, but stand by in case you need to help with the answer to a question. At the end of the tour, find a quiet place to answer any final questions, reinforce the points you want them to leave with, and ask them what the next step is. Also ask them when you might expect to hear some news from them. Conclude the visit within the time they allotted.

Should We Pursue Multiple Foundation Sources?

A question many nonprofits ask is whether they can approach several foundations simultaneously. The answer is a definite "yes." If you didn't, it would take you much too long to raise the money you need. The proposal process is typically a long one—from identifying targets to getting the final approval or rejection, the process typically takes months. You don't have that much time to spare if you have to begin all over again. Funders assume you are not giving them an exclusive and, in fact, may ask you who else you're soliciting. Often they are open to partnering, although corporate foundations will want right of first refusal for particular partners because they won't, or can't, team with a competitor.

Self-Assessment Questions

- Do we understand what a foundation is and what the different types of foundations are?
- Can we make a well-documented case to a foundation convincing them that our project is important and that we are the best organization to accomplish the objective?
- Have we spent enough time at the library (or online) doing research on the foundation?
- Have we thought of everyone we know who might know someone at a foundation?
- Do we keep records of who we've contacted, when we contacted them, and what their response was?
- Do we listen and follow instructions on proposal specifics?

Within a week of the visit—whether to your site or theirs—send a short thank-you note. In it, you should again (very briefly) reinforce your key points.

Then, you wait …. If they ask for more input, provide it. If not, wait until after the date you've been told they will take action. If you've heard nothing a week after that date, then you can ask them about your status.

"Congratulations, You're Getting the Grant!"

Shortly after the foundation has adjourned its board meeting, you get a call from your contact there. Having been a funder, I can tell you that the people who are to get "yes" calls get them right away. Making the "no" calls is not a pleasant task, and program managers may delay making them (or may even send the news by mail).

But, your proposal and your hard work have earned the "yes" phone call. Your diligence, your research, and your attention to detail have paid off. After the call, you will receive written confirmation of the foundation's decision, sometimes with the first check enclosed! You should send an official thank-you to the foundation, asking them whether they have any additional requirements of you going forward, and also asking them whether they want public recognition for their gift. If so, you should work with them on a press release or event to announce the grant. Most foundations prefer that press releases go out on the nonprofit's letterhead rather than their own, but they can often provide assistance with the writing.

If it is appropriate to plan an event to announce the grant (such as a press conference), you should work with the foundation on arrangements. You want the highest representation from the foundation, so you need to coordinate a date and time. You need a plan for inviting, and then hosting, any media people who attend.

Lastly, you begin the process of handling the funds and setting the proposed work in motion. Set up a procedure for providing all required reports to the foundation, including any financial reports they may require, and for keeping them informed on the overall progress of the program. Your *new* goal is to make them so proud of awarding the grant, and so pleased with the outcomes, that they do it again the next time you ask.

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