

## DEVELOPING A FUNDRAISING PLAN: FOUNDATIONS

### Background

Foundations are nonprofit organizations created specifically to fund charitable causes. Foundations are an important funding source for fledgling nonprofit organizations and new programs within established nonprofits because many prefer to support new, innovative initiatives. That being said, foundations provide only 9.8 percent of the \$200 billion donated annually by private sources to nonprofit organizations.

As with every other sector of the economy, the economic downturn of the past few years has affected foundation giving. Foundations invest their endowments in the stock market and must distribute a certain percentage of their earnings. By and large, their earnings have suffered dramatically because of declining stock values.

Foundations have responded in several ways:

- Many foundations are attempting to minimize cuts to grantmaking by concentrating the necessary cuts on operating budgets (e.g., staff layoffs, hiring freezes, travel limitations).
- Some foundations have used reserve funds to maintain or increase their grantmaking levels because the economic downturn has created an even greater need for the programs offered by their grantees.
- Some foundations are reducing the number of organizations they support and keeping that support level, while others have made cuts across the board to every grant.
- Others are limiting new giving.

One encouraging piece of data is a survey showing that in spite of the fact that the assets of community foundations dropped by 1 percent in 2001, their grants increased by 18 percent, totaling \$2.6 billion in grants awarded.

Clearly, it is a difficult climate for grant seekers, so it is more important than ever for you to:

- Highlight parallels between your proposal and a foundation's giving priorities because foundations are adhering even more rigidly to their giving guidelines
- Focus on programs that demonstrate solid return on investment
- Develop and nurture relationships with the staff and board members of foundations
- Obtain guidance and feedback on funding priorities from foundation officials to ensure your proposal meets their qualifications

### The Basics

There are four major types of foundations:

1. *Independent foundations* are endowments established by gifts from individuals or families. Some are professionally staffed organizations with independent boards such as The Robert Wood Johnson Foundation. These larger foundations have professional

staffs that act as liaisons to current and prospective grantees, review proposals and make funding recommendations to the foundation's board. The board makes final funding decisions. There are also small family foundations that do not have program staff. Instead, members of the family review requests and make contribution decisions. Independent foundations may have specific giving guidelines based on topic, geographical location and type of grant, or they may take a very broad approach to contributions.

2. *Community foundations* represent the interests and resources of several donors rather than one family. Community foundations actively fundraise from donors to raise additional funds to augment their grantmaking abilities. Grantmaking is limited to a specific geographic area. Community foundations make funding decisions in two ways. First, similar to professionally staffed independent foundations, staff members review proposals and make recommendations to the board, which, in turn, makes the final funding decisions. Second, many community foundations have "donor-advised" or "donor-directed" funds for which the foundation handles the administrative duties but the donor exercises sole discretion over funding decisions. For instance, an individual may donate money to a community foundation for a specific purpose. The foundation will be responsible for managing the proposals and distributing the money, but the individual donor will have final say in who is awarded the grant. Donor-advised funds are growing in popularity.
3. *Corporate foundations* receive their funding from a single company. These foundations may be endowed by or receive annual gifts from the company. The board tends to be composed primarily of the company's executives. Some operate similarly to independent foundations in that they have grant guidelines that drive their grantmaking efforts and a professional staff. Others are giving arms for the company's charitable efforts. Most tend to restrict giving to geographic areas in which the parent company has facilities, and many focus their giving to issues that complement the parent company's interests (e.g., Johnson & Johnson and children). Corporate foundations do not make all of a company's charitable contributions; many contributions are made directly by company executives and come directly from corporate funds.
4. *Operating foundations* are private groups that use their funds to conduct their own programs and do not award grants to other organizations. Because they are listed alongside other types of foundations in research directories, it is important for grant seekers to understand that these foundations typically do not entertain outside proposals.

### **Tip: Target Health Conversion Foundations**

Health conversion foundations are foundations that are created by the proceeds from the sale of a not-for-profit organization to a private entity. Conversion foundations began appearing 30 years ago, and their numbers have increased dramatically in the last decade because of the growing trend of for-profit health care companies acquiring not-for-profit hospitals. Because many have been created by the sale of hospitals, they tend to focus much, if not all, of their grantmaking on health care issues. Grantees should be sure to research the giving potential of any health conversion foundations in their community. For a listing of health conversion foundations, please see Grantmakers in Health's report at [www.gih.org/usr\\_doc/2003\\_Conversion\\_Report.pdf](http://www.gih.org/usr_doc/2003_Conversion_Report.pdf).

The major advantages to pursuing foundation grants are:

- Because the IRS requires foundations to disclose information about their organization and activities, foundations are the simplest funding source to research.
- Size of gifts can be significant.
- Grant writing is the most inexpensive form of fundraising because there are few direct costs and existing programmatic staff can develop proposals.
- Foundation support provides credibility to an organization's efforts.
- Most require less reporting than government grants.

The major disadvantages to pursuing foundation grants are:

- Many have narrowly defined scopes of giving.
- Many limit grant renewal opportunities.
- Grant seekers have little ability to influence a foundation's decision-making process because they are private organizations.
- The application and review process can be lengthy.
- Many restrict the ways in which funds can be used (e.g., funding may not cover general operating expenses).

### **Know Your Audience**

As mentioned previously, in this difficult and competitive fundraising environment, it is more important than ever to understand what motivates a prospective donor. Here, we will highlight who the decision-makers are and their criteria for awarding grants.

- *Board of directors or trustees* typically make the final decisions regarding grant awards. The composition of boards will vary greatly from members of an individual family to community and business leaders. Having relationships with board members can help you better understand the foundation's giving interests and ensure that your proposal receives attention. It is important to understand that board members of professionally-staffed foundations rely on the expertise of the staff to make

recommendations; therefore, you should not view a relationship with a board member as a shortcut to receiving funding.

- *Foundation staff* act as liaisons between the board and grant seekers. Staff members can be incredibly important allies to a grant seeker. They can help refine a proposal to better meet grant criteria, ensure a proposal receives attention, and make the recommendation to the board for funding a project. Larger foundations often have program officers who have significant substantive expertise in the field. At some foundations, certain senior staff members may have the ability to award smaller grants from a discretionary fund. These awards do not need board approval. Other foundations solely have administrative staff who also can provide important insights into that foundation's decision-making process. Regardless of how close a relationship you may have with a board member, it is wise for a grant seeker to develop a relationship with staff and avoid creating tension by appearing "to go over their heads" to a board member.

In some cases, foundations act like individual or corporate donors. For example, some families set up family foundations to act as the vehicle for their charitable giving, but each family member serves on the board and exercises sole discretion over a certain amount of the gifts awarded. In this case, you may approach a single family member as you would approach an individual prospect (see the Meeting the Match: Major Individual Donors section). Board members of many corporate foundations are corporate executives. In these cases, it may make sense for a grant seeker to understand the mindset of the corporate executive (see the Meeting the Match: Corporate Funding section).

### **Targeting Prospects**

The good news is that foundations are the simplest type of prospect to research. Below, we provide the step-by-step process for developing and refining a prospect list:

#### ***Step 1: Compile a list of foundations that may be interested in supporting CKF.***

At this stage, include every possible foundation that:

- Has supported your work in the past
- You have established or can establish a close personal link with
- Awards grants in your geographic area
- Awards grants in your general topic areas (e.g., health, children, families, minorities, outreach)

The first step in developing this list is visiting the Foundation Center, a nonprofit information clearinghouse that disseminates information on foundation giving. The Foundation Center publishes a variety of directories that are excellent resources for developing and refining prospect lists (see the Resources section for a partial listing of available directories). Using these directories, you can search for information about funders interested in health and children's issues in your geographic area (see Appendix L: The Foundation Directory Entry Example on pp. xvi). These directories are available

online for free or for a small fee at one of more than 200 cooperating collections around the country (see the Foundation Center Web site at [www.fdncenter.org](http://www.fdncenter.org) for locations). The Web site also serves as a gateway to individual grantmakers' Web sites and provides educational resources on fundraising.

Another way to add to and refine your list is to look at the donors to similar nonprofit organizations or projects in your area. Many organizations will list major donors in their annual reports, on project materials and in programs for their fundraising events.

***Step 2: Research the foundations' giving interests in order to pare down your list to a more manageable size.***

For each foundation, you will want to gain a better understanding of whether it will be a good match by researching:

- Subject area – Narrow down the interests of the foundation further than the general subjects of health care and children's issues by looking at its materials and grant listings. For example, foundations interested solely in biomedical research would not be a good fit, while those interested in issues pertaining to access to preventive services or programs that focus on early childhood development may be a better match.
- Type of support (e.g., general operating funds, program, research)
- Population – Does the foundation focus on programs that serve a specific population?
- Types of recipients (i.e., history of supporting organizations similar to yours)
- Range of grant sizes (e.g., high, low, average)
- Geographic limits to funding
- Interest level in funding new organizations – Foundations that award grants to the same organizations year after year are probably not good prospects.
- People (i.e., board and staff members)
- Proposal requirements and deadlines
- Funding cycles – Some foundations will shift the focus of their funding at different points in the year.

The Foundation Prospect Worksheet (see Appendix J on p. xiii) provides a rubric in which to gather the information you find on each prospective foundation. Also, the Grant Match Worksheet (see Appendix S on p. xxv) provides a list of grant and organizational characteristics to consider before applying for a grant.

The following list identifies sources of information for a grant seeker. Please note that these sources of information may be a bit dated, so it is important to have a conversation with a promising funder to make sure its interests have not changed since the publishing of the materials. Resources for finding information on foundations include:

- *Foundation Center* ([www.fdncenter.org](http://www.fdncenter.org)) – Founded in 1956, the Foundation Center is the nation's leading authority on philanthropy and is dedicated to serving grant seekers, grantmakers, researchers, policy-makers, the media and the general public. It provides access to information and services through its Web site, print and electronic

publications, five library/learning centers, and a national network of Cooperating Collections.

- *Grantmakers in Health* – GIH provides a listing of health conversion foundations online at [www.gih.org/usr\\_doc/2003\\_Conversion\\_Report.pdf](http://www.gih.org/usr_doc/2003_Conversion_Report.pdf).
- *990-PF's* – These are the tax forms that private foundations file with the IRS. For smaller foundations, this may be the only source of information available. You can view 990-PFs online (searchable by funder) at the Foundation Center ([www.fdncenter.org](http://www.fdncenter.org)) or at Guidestar ([www.guidestar.org](http://www.guidestar.org)). (See Appendix K: Sample 990-PF Form on p. xiv.)
- *Foundations' Web sites* – A foundation's Web site contains valuable information. Be sure to look at any online press releases, since they will contain the most current information about giving priorities.
- *Annual reports and other printed materials* – Foundations often publish materials that detail their giving interests and grants awarded.
- *Guidelines* – Many foundations will publish their giving guidelines.
- *Newspapers* – Check your local paper for stories about the foundation or its key staff and board members.
- *Personal network* – Tap into your network of coalition members, board members, business partners, etc., to find connections to and information on the foundation. Other grantees may be willing to trade information with you as well.
- *Foundation board and staff members* – Board and staff members can provide you with the most detailed and up-to-date information on a foundation's future direction in grantmaking.

**Step 3: Refine your list.**

Because your fundraising time and resources are limited, you will need to refine your list further. Rank your narrowed-down list of prospects based on your relationship to them.

TIER	Relationship	Examples
1	Direct Affiliation	Board members, coalition members, corporate partners, previous donors, staff, volunteers
2	Indirect Affiliation	Prospects that have direct relationships with members of Tier 1
3	General Interest	Donors who have demonstrated interest in your issue because they contributed to similar groups
4	Geographic	Donors who have demonstrated interest because they contributed to groups in your area

Clearly, the ideal donor has sufficient resources, an interest in the subject and your community, and a connection to your organization. Based on the information you gathered through networking, determine the level of personal connection each prospect has to your organization. If your connection to a prospect is not in Tier 1, you should circulate the potential funder's name and, if available, the names of its board and key staff members to members of Tier 1 to see if there are any relationships upon which you

can build. If you have a prospect that has the ability to give a significant amount of money and an interest in your issue, but, in spite of networking, you cannot find a connection to it, do not completely rule it out. You will need to assess whether the potential grant amount merits the additional time it will take you to gain access. In the Meeting the Match sections, you will learn how to make the initial contact with funders, including ones with whom you have no personal connection.

Because foundations often have defined funding cycles with application deadlines, you may revise your list to ensure that you do not lose out on a good opportunity simply because you missed the deadline.

## **Successful Strategy: Foundation Funding**

### Illinois Maternal & Child Health Coalition *Covering Kids & Families Illinois*

One strategy that *Covering Kids & Families Illinois* employed to meet its match requirement was to raise new funds through local Chicago foundations. The Illinois Maternal & Child Health Coalition is a member of the Donors Forum of Chicago, an association of Chicago-area grantmakers. The Donors Forum of Chicago promotes effective and responsive philanthropy through education programs, workshops, publications, research projects and a library. With more than 180 grantmaking members and 1,000 nonprofit partners, the Donors Forum is committed to promoting and encouraging active relationships between grantmakers, nonprofits and the community-at-large. Grantmakers who give grants in the health care arena have a Health Affinity Group that meets periodically. The Illinois statewide grantee focused its efforts on reaching out to this group of donors.

The grantee contacted the chairperson of the Health Affinity Group and explained The Robert Wood Johnson Foundation's matching grant requirement. Being a current donor to the Illinois Maternal & Child Health Coalition, the chairperson of the Health Affinity Group volunteered to call a meeting of the group so the grantee could present the *Covering Kids & Families* project to its members. Representatives from five different foundations attended the meeting.

The presentation began with an overview of the Illinois Maternal & Child Health Coalition followed by a review of the SCHIP and Medicaid programs in Illinois. Emphasizing the success of the past three years of RWJF funding, the grantee then described its plans for the next four years of *Covering Kids & Families*. After two hours and many questions from the grantors, the meeting ended.

As a follow-up, the grantee called each individual grantor to discuss the possibility of funding and the guidelines. In the end, three foundations that sent representatives to the presentation donated funds toward the Illinois match grant. In addition, another grantor that did not attend the meeting called the grantee a few weeks later and offered to provide a grant of \$125,000. The donor had heard about the presentation and felt that its dollars were best spent by having them matched by The Robert Wood Johnson Foundation. In total, the Illinois *Covering Kids & Families* grantee raised \$200,000 the first year and \$85,000 the second year from local Chicago foundations. The grantee plans to work with new foundations and has a goal of raising approximately \$100,000 a year from these sources to sustain its work.

## MEETING THE MATCH: FOUNDATIONS

### Background

It is easy for a passionate grant seeker to be a bit biased when it comes to his or her project. You think yours is the most important project and feel that everyone should agree. If this is the case, you should take a minute to put yourself in a foundation program officer or board member's position. Needs are greater than ever, funds available for awards have decreased, your staff size has been trimmed, and you receive many more proposals than you could possibly fund. Foundations look for funding requests that:

- Rigidly adhere to the foundation's giving priorities (Grantees should highlight how their CKF project falls squarely within the guidelines.)
- Fall within the range of grant awards
- Provide a funder with confidence that the program is sustainable over time
- Demonstrate that the grant seeker is focused on return on investment of foundation dollars and is prepared to rigorously evaluate outcomes
- Describe a CKF project that will feasibly address a significant problem
- Come from organizations with which the foundation has some relationship so it feels confident about your abilities to use foundation dollars effectively

Another consideration for CKF grantees is whether a potential funder prefers to have some sort of "ownership" over a project. Having received the RWJF grant gives CKF grantees tremendous credibility in the eyes of potential funders. But while some foundations will find contributing matching funds appealing, others will not complete funding projects that other funders have initiated. In the case of the latter, you will need to carefully consider how to pitch your project. For example, you may frame the project as an expansion of your current activities.

### Preparing Your Approach

If you have a personal connection, call your contact and discuss possible opportunities for funding or for guidance on how to approach the potential funder. In some cases, your contact will be able to move the process along, and in others, they will only be able to get you in the door.

If you do not have a personal connection to a potential funder, it is better to make a cold call than to send an unsolicited grant request. Contact the funder and ask to speak to a project manager, preferably the one who manages health-related projects, to discuss funding opportunities.

*Regardless of how you get connected to the funder, whether it is through your personal connection or a cold call, make sure you are prepared before making the call or setting up a meeting.*

Once you have determined the appropriate person to contact regarding funding opportunities, follow these steps to approach them and make the ask.

### ***Step 1: Review research.***

Funders will want to see that you have done the necessary background research on them when you call.

### **Step 2: Prepare.**

Be prepared to do the following during your first contact:

- Raise awareness of your organization.
- Outline how your CKF project is a good match for the funder.
- Gather additional information to guide you in your cultivation effort and proposal development.
- Set up a face-to-face meeting.

### ***Step 3: Rehearse.***

You will have a limited amount of time to state your case and ask questions. Be prepared to have an in-depth discussion about the program (review the [Preparing Your Approach](#) section). Based on your research, tailor your discussion to the grantmaker's interests.

Specifically, consider the following issues:

- Program – Decide if you will be pitching the entire program or a specific CKF project.
- Grant size – Determine how much you will be asking for from this donor in the event that they ask you during the initial conversation.

### ***Step 4: Make the call.***

When calling:

- Introduce yourself and your organization.
- Mention any personal connection you have with the foundation.
- Provide some background information on CKF.
- Ask questions you have about the funder's guidelines and interests as well as the proposal process.
- Ask for a face-to-face meeting.
- Ask if you can submit a proposal if the funder prefers to review a proposal or letter of intent prior to meeting with a prospective grantee, and be specific about your project and the amount of support you will be requesting.

### ***Step 5: Listen!***

Funders will often give you guidance on how to be a successful grant seeker—all you need to do is ask. Information that may be gleaned includes:

- How to refine your proposal so that it better meets the funder's interests
- The funder's requirements and review procedures
- Additional funding prospects

***Step 6: Be persistent.***

If your first call is not returned, keep trying.

***Step 7: Send a letter.***

A letter of intent should only be sent if you are unable to reach anyone on the phone after repeated attempts.

**Meeting**

The goals of meeting with a potential funder are:

- Building interest in supporting your project
- Being invited to submit a proposal
- Receiving guidance on the proposal or next steps

Be prepared for the meeting by repeating the steps you took to prepare for the phone call. Sometimes, funders will give you an opportunity to make a presentation about your project. At other times, funders will guide the process by asking a series of questions. Be prepared for either.

You should open the conversation with a discussion of the merits of your project and how it connects to the interests of the funder. Then, using the information you have gathered from your research, confirm the interests of the funder; the funding request process, including format of the proposal (e.g., letter, application or formal proposal); and the details to be included in the formal request.

In addition, you should consider who, if anyone, will attend the meeting with you. The main consideration is that each attendee should have a specific role to play at the meeting. For example, you may bring the person who is your connection to the funder. Such a person could offer you credibility while helping to elicit advice. You do not want to bring too many people or you may overwhelm the funder and miss an important opportunity for an in-depth conversation.

Do not let the meeting end before you have an opportunity to clarify next steps. Ultimately, the goal is to be invited to submit a proposal.

**Proposals**

In the current funding environment, it is important to make your proposal match the foundation's interests and guidelines. While you may already have developed a standard

proposal (see the Elements of a Proposal section), take time to tailor the proposal to each foundation. Some foundation staff will even work with you in refining a proposal prior to its official submission. When preparing proposals for submission, be sure to:

- Adjust proposal language to match the foundation's interests and terminology.
- Draw parallels between your program and the foundation's interests.
- Make sure that you are following guidelines and any verbal instructions.
- Submit the proposal prior to the official deadline.
- Send the proposal by regular mail unless otherwise instructed. (Foundation staff are not impressed by costly overnight postage or messengers.)

Funders in several states or regions have worked together to adopt a standardized format for funding requests as a time-saving measure for both grant seeker and grantmaker. You should check to see if such a format exists in your region. If so, check to see that the funder you are approaching accepts the common grant application. Information about areas that have adopted common grant applications can be found at the following Web sites:

- Associated Grantmakers of Massachusetts ([www.agmconnect.org](http://www.agmconnect.org))
- Association of Baltimore Area Grantmakers ([www.abagmd.org](http://www.abagmd.org))
- Connecticut Council for Philanthropy ([www.ctphilanthropy.org](http://www.ctphilanthropy.org))
- Council of Michigan Foundations ([www.cmif.org](http://www.cmif.org))
- Delaware Valley Grantmakers ([www.dvg.org](http://www.dvg.org))
- Donors Forum of Chicago ([www.donorsforum.org](http://www.donorsforum.org))
- Minnesota Common Grant Application Form ([www.mcf.org/mcf/grant/applicat.htm](http://www.mcf.org/mcf/grant/applicat.htm))
- National Network of Grantmakers ([www.nng.org/resources/cga.htm](http://www.nng.org/resources/cga.htm))
- New York/New Jersey Area Common Application Form ([www.nyrag.org/usr\\_doc/34420.pdf](http://www.nyrag.org/usr_doc/34420.pdf))
- Rochester Grantmakers Forum ([www.grantmakers.org](http://www.grantmakers.org))
- Washington Regional Association of Grantmakers (Washington, D.C.) ([www.washingtongrantmakers.org](http://www.washingtongrantmakers.org))
- Wisconsin Common Application Form ([www.dfwonline.org/resources-grantapp.asp](http://www.dfwonline.org/resources-grantapp.asp))

## **Follow-up**

After your meeting, send a thank you note promptly. If the funder has requested a proposal or any other information, include it with the thank you note. If it will take you some time to gather the information requested, immediately send a thank you note referencing your plans to follow up on any specific requests or suggestions the funder made.

Once you have submitted your request, wait seven to 10 business days. If you have not heard from the funder, call to ensure your materials were received and ask if you can answer any questions. You may suggest a site visit if appropriate. This serves to keep the dialogue going and allows the funder to see your work first hand.

As the review process continues, touch base with the funder to provide updates on your efforts and check the status of the request. You will have to use your judgment about how frequently to call. You may also consider using any contacts that may have a relationship with the foundation's board members. If you have been working with staff, be sure to let them know if you or your network will be contacting a board member.

Include the funder on your mailing list for progress reports, newsletters and press materials.

## **Stewardship**

Once a funder commits to funding a program, it becomes invested in its success. By continuing to build upon your relationship with the funder over the course of the grant, you:

- Increase your chances that the funder will renew the grant
- Position your organization for new funding opportunities from the funder
- Expand the network of people you can ask to utilize their personal contacts to assist your fundraising efforts

The first step is to thank the funder for its support. You should choose several options from this list:

- Call to thank the individuals who are responsible for the grant.
- Send a personal thank you note.
- Inform the person who helped you make the connection so they also can thank the funder.
- Issue a press release with language that is reviewed and approved by the funder.
- Include mention of the funder in communication materials (e.g., newsletter, annual report).
- Fulfill any acknowledgement offers discussed during your conversations, such as mention on program materials.

The next step is to fulfill any reporting requirements in a thorough and timely manner. Regardless of whether a funder requires any formal reports, maintain a dialogue about the progress of the program. From your conversations with the funder, you will have a sense of the amount and type of information in which it is interested. For example, some funders may be interested in the numbers of children and families helped by the program, while others may have a greater interest in the details of the program and lessons learned from evaluation. Some funders may enjoy being on the recipient list for press releases, while others may prefer periodic calls or letters summarizing your progress.

Most importantly, be a good steward of the investment. Use the funds as described in your proposal. If there are any significant programmatic changes, be sure to inform the funder.