



Creating Grant Guidelines

IN THE 2012 (ISSUE 3) ESSENTIALS

Grant guidelines are a great way to communicate your interests and strategies to potential grantees, making it clear what you fund and how to apply.

The clearer you can be in your guidelines, the more likely you'll be to receive grant applications that match your interests. You'll save time screening and responding to proposals that don't fit your goals, and you'll have a consistent lens by which to assess those that do.

Likewise, with grant guidelines in hand, wayward grantseekers will spend less time knocking on the wrong doors. It's not always easy for grantseekers to understand how foundations work or how to access them. By communicating openly, you can build good relationships with potential partners from the start—and quickly help others move on to other funders.

"It's important to remember that our success as grantmakers depends on our grantees' success," says Exponent Philanthropy member Christine Elbel of [The Fleishhacker Foundation](#). "If we can improve our processes, we're contributing to their effectiveness as well as our own."

Keep in mind: Guidelines are just guidelines. If you want to make a grant outside of your stated guidelines, you can certainly do so.

What to Include

In just a page or two, touch on each of the following:

- Foundation mission, vision, and values
- Brief history of the foundation
- Program interests
- Geographic focus
- Grant restrictions
- Grant types and sizes
- How to apply and relevant deadlines
- Who to contact with questions

Mission, vision, and values. What are the goals that guide your giving? How does your

Brief history of the foundation. Help grantseekers understand what motivates you, whether it's a donor's legacy, roots in a particular community, or another event or experience. What aspects of the foundation's history shape its interests today?

Program interests. If not defined in your mission, what are your broad interest areas (e.g., education, social justice)? Have you identified a niche within those areas? Talk with community leaders, nonprofits, or your local community foundation to identify unmet needs and ways your foundation can add value.

Geographic focus. If a geographic focus is not outlined in your mission, now is the time to consider this important point. Foundations with a narrow focus may find geographic limitations to be unnecessary, but others that intend to focus on a particular community or region should be specific about that. Being specific will go a long way toward reducing the number of ineligible grant proposals.

Grant restrictions. This is the place to mention who and what you do *not* fund. Consider:

- **Type of organization**—It is common for foundations to say they only make grants to 501(c)(3) public charities to avoid the additional requirements that may be necessary if funding other organizations. In most cases, it is better to phrase the restriction as giving only to public charities with a 509(a)(1) or (2) designation or governmental agencies, because these are currently the only charitable organizations that require minimal paperwork. Contact us at 888-212-9922 if the 509(a)(1) or (2) designation is new to you.
- **Size of organization**—Believing they will have greater impact when partnering with smaller organizations, some foundations limit their giving to organizations below a particular annual operating budget (e.g., \$2 million).
- **Funding uses**—Some foundations choose not to fund individuals, fundraising drives, religious activities, or litigation, for example. Do particular funding uses not match your goals?
- **Repeat grantees**—Some foundations fund the same organizations year after year; others seek new organizations and programs after a few years or require grantees to take a year off before reapplying for funding. There is no right or wrong approach but, rather, an approach that best fits your overall strategy.
- **Unsolicited proposals**—If your foundation does not fund unsolicited proposals, preferring instead to fund those it identifies, state that clearly. Grant guidelines are helpful nevertheless to educate the grantees you do invite to apply.

When a *foundation* initiates proposals, it takes responsibility for finding those organizations and programs that will fulfill its mission best. This is particularly effective for foundations that have a clear focus and knowledge of the field in which they fund, or the time to gain such knowledge. Although this approach allows funders to better manage the number of proposals they receive, the foundation may miss some excellent ideas. Some foundations do the majority of their grantmaking proactively but allot a small portion of funds for other ideas.

When *grantseekers* initiate proposals, the onus is on the grantseeker to engage with the foundation. Depending on how widely you publicize your guidelines, a grantseeker may or may not know much about your giving. This open-door policy may bring proposals from

organizations outside your usual applicant pool— useful when the foundation is new or funding in a new area of interest.

Grant types. Foundations often tend toward one or two grant types, awarding other types as circumstances warrant. For example, if you're interested in shoring up young organizations in your community, you might offer a series of general operating support grants to stabilize those organizations. If you're interested in expanding affordable housing, you might consider loans, loan guarantees, or another form of program related investment.

Consider the following grant types:

- General operating support—allows a grantee to decide how funds are used, although most foundations and grantees have conversations about expectations and intended outcomes
- Capacity building grant—funds core organizational skills and capabilities, such as leadership, fundraising, and management
- Project support grant—funds a particular program or project
- Scholarship—typically funds individuals for a particular purpose, usually for travel or study, and requires special IRS approval unless a third party selects the grant recipients
- Seed grant—provides start-up funds for a new organization or program
- Challenge/matching grant—provides funds with the expectation (or on the condition) that additional funds are raised from other sources
- Program related investment—a loan, loan guarantee, or other investment that offers a return, either through repayment or return on equity
- Capital grant—funds the purchase or construction of a building, land, or major equipment
- Endowment fund—builds an organization's endowment and helps it achieve financial stability
- Innovation grant—funds projects that experiment with new solutions to social problems; innovation grants are key roles for foundations because few organizations have the same luxury of funding projects perceived to be risky

Grant sizes. Foundations give grants of all sizes, from very small to very large. Consider how grant size fits into your overall grantmaking strategy.

- What are the needs of your community? Will a few large grants have a greater impact than several small ones? If your foundation funds in a new area and/or one with only a few effective organizations, a few large grants may be the right fit.
- What is the best grant size considering the foundation's resources and time? Many small grants may take more time to review, administer, and monitor than a few large ones. In addition, for grantees you intend to fund over time, larger multiyear grants can reduce the administrative burden significantly for you and the grantee organizations.

Note: Large grants to small public charities can actually force or “tip” the public charity into private foundation status—a disservice for most public charities. [Learn how to avoid tipping.](#)

How to apply. Foundations vary in the amount of information they require from grant applicants—some as little as a letter or e-mail. Because the law establishes few requirements for simple grants—other than knowing a grantee's tax status—your foundation has a great deal of flexibility in deciding what to require. Before assuming that more documentation leads to

better grants, consider asking for only what you need to determine if a grant fits your foundation's strategy. Whatever you request, be specific, even down to a page limit.

Depending on how specialized your funding strategy is, you might consider accepting a common grant application used by other foundations in your state or region. Be sure to check if grantees find the local common grant application to be a timesaver. You might also consider accepting applications electronically, via downloadable forms that can be e-mailed to you or via forms that can be completed and submitted online.

Many foundations use a screening process to help the foundation and grantseeker know early on if there is a possible fit. Only those organizations with the possibility of receiving a grant go through the work of submitting a full proposal. For example, you might ask for a letter of inquiry, or one or two pages that include the organization's mission, the dollar amount requested, and a brief description of the program to be funded, the needs to be addressed, and the intended outcomes.

Contact person. Even after grantseekers read your guidelines, they may still have questions. You might welcome e-mails or phone calls to offer advice. Some small foundations even organize events that help grantseekers learn about the foundation's people, interests, and how to apply for funding.

During her time as executive director of Pottruck Family Foundation in California, Exponent Philanthropy member Nancy Wiltsek encouraged potential grantees to call her to discuss projects and proposals.

"Although it may seem inefficient, a short phone conversation saved time for grantseekers and our foundation. We received and processed far fewer proposals that didn't meet our guidelines. In fact, we reduced by half the number of proposals outside our guidelines."

Spreading the Word

Put your guidelines to work by making them easily accessible to grantseekers via one or more of the following sources:

- The foundation's website
- Foundation directories (e.g., Foundation Center, GuideStar, regional association of grantmakers)
- A one- or two-page information sheet (print and electronic)
- A small brochure about the foundation
- An annual report

You can even use your outgoing telephone message to communicate basic requirements and direct applicants to your full guidelines. If an organization seems of particular interest to you, you can also send your guidelines to the organization directly.

"A website has really streamlined things for us as a small foundation," says Exponent Philanthropy member Katy Pugh Smith of [Piedmont Health Care Foundation](#). "We used to mail out a brochure each year to explain our grant guidelines and field many calls with questions about what we fund. Now I simply e-mail the link to our website."

Establishing a website is a particularly effective way to get your guidelines out to potential grantseekers. Websites are also good places to feature a list of your grants during the past year or two (with grant purpose and amounts) and your foundation's annual tax reporting form (your 990 or 990-PF).

If you do not have a website, the Foundation Center offers free Foundation Folders that give you an immediate presence on the Web. Eligible grantmakers receive a custom website that can include program descriptions, application guidelines, grants lists, and other materials you specify and update on an ongoing basis.

Ways to Let The Public Know You Give Grants

Here are some ideas for foundations—new or well-established—looking to expand program areas or grantseeker pools:

- Distribute your mission and guidelines on your website or at local nonprofit events.
- Talk with other foundations that have similar program interests. They can sometimes refer grantees to you.
- Ask if your regional association of grantmakers publishes a directory of funders.
- Notify the [Foundation Center](#) and [GuideStar](#) of your mission, guidelines, and recent grants, and update your entries as necessary.
- Invite nonprofits to meet with you to describe their programs.
- Issue a request for proposals (RFP), which outlines your vision for a project and solicits appropriate organizations to apply. You can mail the RFP to nonprofit organizations in your community or advertise it in a newspaper or online.
- Host “meet the foundation” events that allow potential grantees to learn about your interests and ask questions.

Additional Resources

[Exponent Philanthropy Interview Series](#)

Download podcasts from today's thought leaders, including author Tom Tierney on donor—grantee relationships.

[Sample Documents](#)

Find sample grant guidelines, grant applications, grant agreements, and more in our online library.

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THANK YOU TO ALL OUR SUPPORTERS, ESPECIALLY OUR PLATINUM LEVEL FOUNDATION SUPPORTERS AND CORPORATE PARTNERS.

