

Building Community Foundation

Bulletin #17

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Grantmaking Consulting Program

Sponsored by: The Philanthropic Ventures Foundation, Bill Somerville, President

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100 FOUNDATIONS LATER

Findings From Consulting On Grantmaking

This bulletin is a continuation of Bulletin 16 which listed twelve findings and recommendations.

We are pleased to announce that the Packard Foundation has refunded the grantmaking consulting program. On-site visits are available to community foundations just getting started as well as established foundations. The asset range of foundations receiving consulting has been \$0 to \$220 million.

The cost for consulting is hotel and meals for foundations below \$8 million in assets and hotel, meals and travel for others. Packard covers the consultant's time.

Bill Somerville has just returned from two weeks in Gaza where he visited 45 non governmental organizations representing a donor wanting to do grassroots grantmaking in an international setting.

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- There seems to be no rule of thumb regarding how large the staff of a community foundation should be. Size runs from 5.5 people at a foundation with \$6 million in assets to thirty or more people at larger foundations, all the way down to zero staff. The basic staff consists of two full time people, an executive director who handles development and program work and an assistant who is the receptionist, word processor and bookkeeper. Some foundations make do with two people up to \$20 million in assets. The tendency is to add additional staff members prematurely and have more then the foundation can afford and actually needs.
 - Foundations would be well advised to consider using interns to supplement the staff. Such people are college students, retired persons, volunteers. They are not paid but are given meaningful work with adequate supervision. They work a minimum of one half day a week for six weeks but can give almost full time if their schedule permits. Foundations need to be doing more to involve young people in philanthropy and internships are a way of doing this. Interns have been used to run scholarship programs, visit grantees for evaluations, review applications, and handle special projects.

- Community foundations tend to limit their versatility by creating restrictions in giving that don't exist in law. The best example is 501(c)(3) status. Many foundations say they won't fund unless the applicant is a 501(c)(3) organization. This is not required by law; it is an in-house rule. The law states that foundations can only fund charitable things. If they wish, foundations can fund new projects that don't yet have 501(c)(3) status; they can fund individuals, they can fund good people doing charitable programs regardless of 501(c)(3) status. Nevertheless, most of what foundations fund will have the 501(c)(3) status.
- Most foundations print their literature such that it can't be read by the target audience, i.e. older persons. Almost all annual reports have small print, especially under pictures. Older people cannot read such print nor can they read printing on glossy paper where there is a glare. Likewise, a background color over a white page with black print, can't be read. If we are trying to market to older persons, we need to give more thought to effectiveness.
- For the most part, small community foundations charge too little for their administrative fees on the money they hold. Regarding donor advise and other foundation funds, 2% of principal per year is fair and reasonable. The money is taken quarterly at .5% of the highest balance in the quarter. Some small foundations charge a sliding fee as if they were a large bank, others charge 1% or less. Large foundations sometimes charge nothing because they can live on float. Administrative fees should be charged to all assets of the foundation; this is what the foundation lives on. It is far better to be honest and have an adequate fee then to pretend the fee is low and then take money from the grantmaking budget by giving oneself an "operating grant."
- Additional administrative money can come from creating a Community Sponsors group wherein members give \$200, \$500 or \$1,000 a year "to help the foundation grow." The people are advocates for the foundation and hopefully have put it in their Wills. It's better to have significant citizens involved this way then to have a large Board which tries to include all potential donors. Thus the Board can be a workable size and there can be 200 Community Sponsors.
- Community foundations are not imaginative enough in making themselves known in the community. They tend to rely on the media and annual reports. Other ideas include creating a "Guide to Funders in the _____ Area," with the notation "Produced as a public service by the _____ Community Foundation." Such a guide would list all local foundations and corporate givers. At first, the guide might be only a page or two, but as it creates a new philanthropic awareness for donors and applicants it will grow. Another publication to consider is a "Directory of Non-Profit Programs in the _____ Area." Again, "Produced as a public service by the _____ Community Foundation." If the United Way hasn't already produced such a directory, it is a good way for a foundation to create public awareness of the human service sector and to market itself.
- It's lonely out there as a foundation executive. You have to be careful what you say and how you say it. People primarily want something from you. You are answering to two publics - donors and applicants. All this leads to the question "How does one get better at the craft of grantmaking?" Foundation executives should give more consideration to visiting a colleague and observing another foundation's operations, to inviting third party persons to observe and

evaluate your operations, to having specialized executive training. Attending conferences is helpful but it does not replace the above.

- Many community foundations are created to serve a small geographic area and as they grow they are reluctant to increase their giving area. This is unfortunate because philanthropy is a giving business, not a “me first” undertaking. There needs to be a way for Boards of Directors to objectively assess the pros and cons of enlarging the giving area of a foundation. For example, if a donor gives money to a foundation of a given geographical area, should one assume that such money is only for that area and not a future enlarged area? There are cases where community foundations have come to opposite conclusions on such a question.
- There seems to be a dearth of sharing of information on the investment of community foundation funds. Many foundations hire investment professionals with oversight by an investment committee of the Board. Many foundations tackle the investment decisions themselves through the Investment Committee. Sometimes a large amount of Board time is used for investment decisions even after the Investment Committee worked on the issue. Interestingly, in spite of all the attention, some investment issues are still not addressed. For example, donors with donor advise funds usually want such funds in fixed income investments yet many foundations still pool everything together.
- In a desire to be thorough and careful, many foundations overload themselves in process. This is in addition to the paperwork overload. Foundations spend an amazing amount of time on mission statements which after they are written, are tucked away. Reports abound in Community Foundations on every topic imaginable and they take considerable staff time to produce but interestingly other foundations without all the reports seem to get along just as well. The giving process is often over analyzed in an effort to anticipate every contingency and then materials to the public get too wordy and often convoluted, i.e. they are hard to understand.

Summary of Recommendations

- Lighten up, enjoy the giving process. Don't turn it into a bureaucratic maze with endless meetings.
- Don't try to anticipate everything that could ever happen in running a foundation. Let things happen and trust your judgment and then make course corrections.
- Save trees. Don't let yourself get swamped in paper. You really can lessen the paper load if you try.
- Get out of the office more. Find grassroots people doing good work and fund them.
- Keep it simple. Don't let process become the product.
- Be willing to take risks, don't fear failure.
- Remember, the bottom line is good grantmaking.

Comments On Grantmaking Consulting

"The consulting experience was one of the highlights of our foundation's early growth. We will be five years old next month and are just learning how to be good grantmakers.....I could see light bulbs going on all around our board table as it was beginning to sink in to our governors just what freedom and flexibility they have with the grants process!"

**Alan Ronk, Executive Director
The Foundation for Roanoke Valley**

"It was the healthiest thing we have ever done."

**George Baxter, Executive Director
Community Foundation of Greater Tampa**

"Mr. Somerville was intuitive, insightful, appropriately challenging and honest. The entire Board of Directors was pleased with his candid evaluation and suggestions. He left us with much to think about, many ideas for change, and inspiration to move forward with improvements."

**Bonnie Marsh, Executive Director
Bay Area Community Foundation, Michigan**

"Bill Somerville did a wonderful job. He met with donors, grantees, board members and staff and provided an insight and innovative ideas for all. Bill exudes energy, enthusiasm and a wealth of knowledge. We are pleased to have had the benefit of his visit and critique."

**J. Mac Bennett, Executive Director
Central Carolina Community Foundation**

"Without exception, the response to Bill's visit has been overwhelmingly positive. His vision and enthusiasm energized not only our Board but everyone he met with during his visit. He opened our eyes to the many innovative ways we can make a difference through thoughtful grantmaking."

**Mary Witten, President
Foundation for the Tri-State Community, Inc.**

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