

PLEASE ROUTE:

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BUILDING COMMUNITY FOUNDATIONS

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GRANTMAKING CONSULTING PROGRAM

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The Editor of Building Community Foundations has consulted on-site with over 150 foundations. Before a visit he receives considerable material from a foundation including the last 10 copies of Board Minutes, annual reports, application materials, etc. During a visit he meets with the foundation Executive Director, Board of Directors, Grants Committee, foundation staff and he gives a critique of the foundation's operation with recommendations for change.

It turns out that many of the recommendations are similar for many of the foundations. This Bulletin shares those recommendations with our readers.

RECOMMENDATIONS FOR THE OPERATION OF COMMUNITY FOUNDATIONS

- ⇒ **Meetings:** Quarterly meetings for the Grants Committee even if there are only limited funds to give out. Quarterly meetings for the Board of Directors. Many foundations hold monthly board meetings and semi annual grants meetings which tends to burn out Board members and miss publicity opportunities for grants given out.
- ⇒ **Committees:** There are three core committees - Grants Committee, Investment Committee, Development/Public Relations Committee. Some foundations have up to 20 committees. It is axiomatic that the more committees and meetings there are the more the staff serves the Board versus serving the community because preparing for, attending and reporting on meetings takes a major part of staff time.
- ⇒ **Staffing:** The minimum staff for a community foundation is two full time persons - an Executive Director who is both the development officer and program officer and an administrative assistant who is the receptionist, bookkeeper and word processor. Many foundations have only a one-person staff and this person tends to become the administrative assistant.

- ⇒ **Administrative Funding:** New community foundations don't grow until they have a staff and they are too small to afford a staff. Thus, there must be an outside funding source to help a staff get established. Businesses, United Way, private foundations and individuals are those outside sources. Another idea is to create a Community Sponsor group consisting of up to 200 significant citizens and businesses who each give \$200, \$500, or \$1,000 a year "to help philanthropy grow in your area."
- ⇒ **Articulation of Foundation Committees:** The Board of Directors can approve a system whereby the Grants Committee acts on its behalf i.e. the actions of the Grants Committee are final and are reported to the Board for confirmation (not approval). This allows more flexibility in giving out grants, speeds up the process, and eliminates the rubber stamp system where the Board always approves what is put before it.
- ⇒ **Staff Discretionary Giving:** Almost all community foundations allow for giving by the Executive Director; up to \$500 grants if the foundation is small all the way up to \$25,000 for larger foundations. There is no need to put a cap on how much total can be given because the Executive Director is aware of budget limitations. Such giving can be called an "Immediate Response Fund" and is very attractive as such to donors.
- ⇒ **Check Signing:** The Executive Director should be able to sign checks up to \$5,000 at smaller foundations and more at larger foundations. This expedites things. If there is a worry, the Board can bond the Executive Director but most foundations do not use bonding.
- ⇒ **Not Favored By Staff:** The Board should allow the Executive Director to be able to turn down requests for funds, which are clearly weak. This is called 'not favored by staff.' This procedure alone accounts for a large reduction in paperwork. The turndowns are reported to the Grants Committee, which can over rule the decision if it disagrees.
- ⇒ **Number of Copies:** Only one copy of a grant request should be required. If more are needed, the foundation can do it. Copies of all documents are not needed. If a large number of requests are denied, extra copies only add to the paper load.
- ⇒ **Application:** Try using a Guideline for Application versus an application blank. This allows the applicant to describe in ones own words and not have to fit a mold set by the foundation.
- ⇒ **Services of the Foundation:** Community foundations should be three things, a source of funds, a source to help people find funds, and a source to help programs succeed. Every community foundation should have on site a funding resource library. This is good marketing. The Foundation Center in New York will often designate the library as a "cooperating collection." Libraries should sponsor management seminars on topics related to running non-profits.
- ⇒ **Special Purpose Funds:** In addition to an immediate response fund mentioned earlier, there could be a *technical assistance* fund to allow non-profits to bring in experts. A *convening fund* pays for lunches

when the foundation convenes professionals to focus on an issue. An *initiative fund* represents a commitment by the Board for the foundation to take the initiative in responding to social issues versus merely waiting for the mail.

There could be a *venture fund* for requests where there is doubt about the outcome but a feeling it is worth a try. This fund makes it OK to have a failure or two. Another, is an *emergency fund* to immediately respond to an agency fire or theft.

- ⇒ **Reaching Out To Youth:** All foundations should have college students as interns, using them to evaluate grantees, to do a profile of the foundation's giving, to offer new ideas. They do not need to be paid. Foundation personnel should offer to teach courses on philanthropy at local colleges.
- ⇒ **Administrative Fees:** Small community foundations should consider a 2% annual fee on all funds. Many foundations charge less and then take money out of the granting fund thinking this is more responsible - it is not. The larger the foundation the smaller the fee it charges.
- ⇒ **Donor Advise Funds:** Make them 'active.' Find out the donor's interests and recommend programs for funding in those areas. Donor advise endowment funds are a mistake. Encourage donors to spend down their funds and then to renew them. Excite the donor but don't lock them in with an endowment that can only spin off 5% a year. A minimum grant from donor advise funds should be \$200.
- ⇒ **Giving The Grant:** Since philanthropic giving is investing in good people with good ideas, checks should be sent to the grantees, not bestowed at a banquet or public gathering. All grants should be announced to the media.

Article of Interest

An Article in the Harvard Business Review has received considerable attention. It is "*Virtuous Capital: What Foundations Can Learn From Venture Capitalists*" March 1997.

A rebuttal to this article has appeared in Foundation News & Commentary November/December 1997. It is titled "If Pigs Had Wings" by Bruce Sievers, Executive Director of the Walter & Elise Haas Fund in San Francisco. He states, "It's sexy to compare grantmaking to venture capitalism. It's also dead wrong."

Comments on Grantmaking Consulting

“Things still have the ‘Somerville-feel’ to them. I only wish I could have spent more time with you, picking your brain. Well, maybe in the future.”

**Chris Schultz, Program Officer
Peoria Area Community Fdn, Illinois**

“You asked me to write a frank assessment of the full day Board meeting which you facilitated. On a scale of 1 to 10, I would put it at least at 8.5. You were extremely good at involving all the board members and really terrific in opening their eyes to the possibilities for a community foundation and in getting them to think ‘outside the box’.”

**Richard R. Bond, President
Community Foundation Serving Greeley & Weld County, Colorado**

“The consulting was exactly what we needed and hoped for. Several of the Board members are still quoting, reminding, and wanting to implement more of Mr. Somerville’s suggestions.”

**Evelyn Evers, Executive Director
La Grange County Community Foundation, Indiana**

“You seemed at real peace with yourself and yet dealt with very heavy subject matters without social commentary or personal opinions...not easy to do in our society today.”

**D. Richard Barder
Member, Board of Directors
Greater Beloit Community Foundation, Wisconsin**

“You have provided us with both improved direction and ideas which can be implemented to facilitate moving forward. The Board is energized and the staff motivated.”

**Roger W. Dewey, Executive Director
St. Croix Foundation for Community Development, Virgin Islands**

On-Site Grantmaking Consulting Visits ~ Three day on-site grantmaking consulting visits are available to community foundations. The only cost is the consultant’s food and lodging if the foundation has assets below \$8 million; and his travel expenses if assets are over \$8 million. His time is funded by The David and Lucile Packard Foundation. Over 150 foundations have participated in this consulting program. For further information call **Bill Somerville** at **(510) 645-1890**

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