

Right-Sizing Your Requirements.

Foundations are diligent stewards—taking their responsibilities to support nonprofits seriously and striving to invest their dollars and time wisely. To this end, many foundations develop specialized applications and report forms to gather significant amounts of information from grant applicants and recipients.

These well-intentioned practices, however, multiplied by dozens of foundations, place a heavy burden on grantseekers and grantees. A single nonprofit can spend thousands of dollars applying for and fulfilling the requirements for an individual grant, reducing the value of the grant by the true cost of fundraising and grants management.

In these economic times, as resources are tightening while the demand for nonprofit services grows, reducing a nonprofit's administrative burden is one way to make more resources available for programs and services—and right-sizing is a great way to do so.

What Is Right-Sizing?

Right-sizing means tailoring what you require of grantseekers and grantees to apply for and report on grants so that the requirements are proportionate to the size of grant, appropriate to the type of grant, and

reflective of any existing relationship with the grantee.

In short, right-sizing considers the notion of “net grants”—the grant dollars received after subtracting the cost of applying for and managing the grant. Does applying for a grant from your foundation result in a positive net grant for the grantee?

Project Streamline, a national effort to support grantmakers as they reduce paperwork and associated costs for themselves and their grantees, reports the following about today's grantmaking practices:

- Only 28% of foundations vary their requirements for previously funded organizations.
- Only 34% of foundations vary their requirements by grant size.
- Only 41% of foundations vary their requirements by grant type.

How can you right-size your grant applications and reports yet still get the information you need to make decisions and assess your impact? Read on for 10 suggestions from Project Streamline and ASF members.

The Association of Small Foundations (ASF) serves foundations that operate with few or no staff—the largest segment of the U.S. philanthropic sector and a vibrant force for giving throughout the nation and beyond. Our members encompass a broad cross section of philanthropic leaders, including donors, trustees, and staff from more than 3,000 foundations. By providing them with opportunities to meet with and learn from one another, access print and online resources, and gain information and inspiration, ASF helps them accomplish more with less time and effort. ASF also represents the collective voice of foundation leaders in legislative and regulatory arenas and in other venues where philanthropy is discussed.

Ten Ways to Right-Size

- Identify the information that is essential for your foundation to make a grant decision and request only that information in your grant application. Consider how you will use the information.
- Develop different versions of your application tailored to the types of funding you offer, such as project support, general operating support, and capital project funding.
- Set page limits or ranges as part of your grant application to make clear the scope and depth of information you are seeking for different sizes and types of grants.
- Develop a streamlined application and report form for small grants to ensure the grant is worthwhile. Does applying for a small grant from your foundation result in a positive net grant?
- Test your streamlined applications with existing grantees and ask for feedback. Chances are they will offer ideas you haven't considered.
- Ask grantseekers to submit applications electronically and allow them to link to online information about their organizations, such as mission statements and program descriptions, instead of mailing you those documents.
- Allow grantseekers to submit financial information in original, off-the-shelf formats rather than require reformatting. Nonprofits spend a huge amount of time tailoring financial data to the individual needs of different funders.
- Align reporting requirements to the size and type of grant. Instead of asking for

a written report, consider inviting key grantees to talk about their projects or their organizations over coffee or lunch.

- For renewal grants, make reporting on the previous grant part of the process to apply for subsequent funding.
- Store grantee information in an Excel file, database, or grants management system. Then ask organizations you've supported in the past to submit updates only, without resubmitting documents and information they've already sent you.

Be sure to take stock! After a year, ask if right-sizing has benefitted grantseekers and your foundation. Have net grants remained positive and even increased as a result of your streamlining? Is your foundation making decisions more efficiently?

ASF Members Who Right-Size

ASF members are streamlining their grant applications and reports—starting with a key question: What information do we really need to make a grant decision and evaluate our impact? Although the answer differs for each foundation, many are finding ways to reduce administrative burdens for themselves and their grantees.

Zell Family Foundation in Massachusetts created a streamlined application process for its small grants program. Operating every other year, the program offers grants up to \$5,000 for general operations, programs, or other organizational needs. The streamlined “by invitation only” application includes a two-page concept letter, budget information in an as-is format, and financial statements. “The small organizations appreciate the shorter format and relatively quick turnaround time,” says Trustee Amy Zell Ellsworth, “and our board appreciates the

more limited amount of information to review.”

To ease the administrative burden on key grantees during the recession, **The Jackson Foundation** in Texas streamlined its application for the previously funded organizations most aligned with its mission. The foundation eliminated several questions that asked for overlapping information and reduced the amount of information required for evaluation. Says Executive Director Carol Deason, “During this tough year, we wanted to make it simpler for these groups to apply for funding—especially for general operations.”

In late 2008, **The Faye McBeath Foundation** in Wisconsin created a streamlined grant application and reporting process to swiftly meet critical needs. According to Executive Director Scott Gelzer, “The foundation reshaped and slimmed down the area’s

common application form to reflect a focus on food, shelter, and basic income. From the time the application went out the first week of December to the time we made grant decisions was a little over 3 weeks. Most groups had their checks before December 31 and several credited this effort to ensuring services during the holidays.”

Additional Resources

Sample Documents See what other ASF members require in their grant applications and reports. www.smallfoundations.org/Samples

Project Streamline Find additional tips on streamlining and more on what is minimally required by law. www.projectstreamline.org

Legally Speaking: What Are the Minimum Requirements to Make a Grant?

Foundations and their advisors often mistakenly assume that federal and state laws require foundations to request a host of information from grantseekers in order to make grants. In reality, the law requires very little.

What is *not* required. Audited financials, IRS 990s, budgets, notarized financial statements, and lists of boards of directors—all commonly requested of grant applicants—are not required by law.

What is required. Foundations are responsible for making grants to qualified organizations for charitable purposes. As such, some foundations are right-sizing their small grant programs down to the essentials of verifying tax status and requiring a signed grant agreement. That’s it!

Even the paper version of the IRS letter of determination that many foundations ask for each year is not a legal requirement. ASF suggests you ask for the letter of determination once—when you perform due diligence on potential grantees. In subsequent years, use an online source such as Charity Check (www.guidestar.org) or IRS Publication 78 (www.irs.gov) to verify that grantees remain in good standing. Not only do you save grantees’ time, but you get more up-to-date information by checking the tax status yourself.

What information do *you* need to make a grant decision? As you consider ways to right-size your grant applications, keep in mind the minimum legal requirements.