

GRANTMAKING 101

Research Resources

2-1-1

www.211.org

2-1-1 is an easy to remember telephone number that connects people with important community services and volunteer opportunities. The implementation of 2-1-1 is being spearheaded by the United Way and comprehensive and specialized information is being compiled by referral agencies in states and local communities.

BBB Wise Giving Alliance

www.give.org

The Alliance provides free online reports on more than 600 national charities that include an evaluation of each charity against the 23 provisions of the voluntary CBBB Standards for Charitable Solicitations.

Charities Review Council

www.smartgivers.org

The Minnesota Charities Review Council seeks to promote informed giving by Minnesota donors. The Council has developed a set of standards for effective, ethical and accountable nonprofit management practices, and offers a list of nonprofits that it has reviewed against those standards.

Charity Navigator

www.charitynavigator.org

Charity Navigator, an independent charity evaluator, works to advance a more efficient and responsive philanthropic marketplace by evaluating the financial health of America's largest charities.

Charity Watch (American Institute of Philanthropy)

www.charitywatch.org

The American Institute of Philanthropy (AIP) is a nationally prominent charity watchdog service whose purpose is to help donors make informed giving decisions.

Fundlink

www.saintpaulfoundation.org OR www.mncommunityfoundation.org

FundLink is the Foundation's flexible online service designed to provide your personal fund information any time you want. It also contains a search option which allows you to research nonprofit organizations.

Guidestar

www.guidestar.org

This web site contains descriptions and financial data on more than 1.7 million nonprofit groups. The information includes a breakdown of each charity's assets, liabilities, revenue, and expenditures, including administrative and fundraising costs. In addition, the site contains IRS Form 990s of many organizations.

Minnesota Attorney General

www.ag.state.mn.us/charities

This website can be used as a guide to Minnesota charities' laws and resources. The Charities Search is a complete listing of name, address, contact person and some information from IRS Form 990 for every nonprofit organization registered to solicit in Minnesota. (NOTE: Many religious nonprofit organizations are exempt from registering with the state or the IRS).

Minnesotahelp.info

www.minnesotahelp.info

MinnesotaHelp.info is an online directory of services designed to help people in Minnesota find human services, information and referrals, financial assistance, and other forms of help. The website allows you to search by keyword, topic or to choose from special topics on the site.

Reliable Data on Social Issues in the Metro Area

Twin Cities Compass

www.tccompass.org

Twin Cities Compass promotes our region's well-being by measuring progress, reporting findings and providing strategies for action. It is led by Wilder Research in partnership with community-serving organizations, funders and volunteers. Twin Cities Compass works to provide unbiased, credible information about how our region is faring; to alert policy makers, community leaders and the public to significant trends that impact our quality of life, to promote coordinated efforts to address them; and to measure and communicate progress. Significant trends include: civic engagement, early childhood, economy and workforce, education, health, housing, public safety and transportation.

The Saint Paul Foundation

www.saintpaulfoundation.org

Learn more about the needs of Greater Saint Paul, including Ramsey, Dakota and Washington counties in Minnesota and how The Saint Paul Foundation is funding the future of this community.

Getting to Know an Organization: Moving Beyond Analysis Paralysis



Nonprofit organizations love to let a potential donor see them in action. There are many ways to do that, including attending an annual meeting, a tour, or an open house. In recent years, many organizations have started hosting regular “get to know us” one-hour breakfast sessions. If you are considering making a significant investment in an organization and want to schedule a site visit, be considerate of the amount of energy and expense the staff will spend on a site visit by letting them know in advance how much time you have available. Typically, site visits shouldn’t last more than an hour.

If you choose to visit an organization, do your homework first

- √ **Define the goal of your site visit.** Will it be an interview format to learn more about the organization and its work, or is a tour, an open house, or a “dog-and-pony show” sufficient for your needs? Or are you looking for specific information about a program or indicated need?
- √ **Familiarize yourself with the organization.** Read the proposal (if applicable) as well as organization brochures, annual reports, budgets and web site. Every nonprofit organization should send you their annual report if requested.
- √ **Define your expectations.** What questions and concerns need to be addressed before you can determine if this organization is a fit with your funding strategy?

Questions to consider

The following questions can be used as a guide to help determine if the program or organization fits your funding focus. Many of them can be answered through your own research or by attending an open house or a tour of the nonprofit. If you are considering a significant investment in an organization, consider answering as many of the following questions in advance as possible. That way, during a site visit, the conversation can focus on the information you truly need to make a final funding decision.

Mission and Vision

- What is the organization’s mission?
- Who does the organization serve and why?
- What are the organization’s short-term and long-term goals?
- What’s the primary strategy to achieve those goals?

Leadership

- How are the key leaders qualified to carry out the mission?
- Do board members, staff and volunteers reflect the clients served?
- Are constituents involved in affecting decisions?

Operations

- How does the organization define success?
- If the program is new, how does the organization know there is a need for it?
- How many clients currently benefit from the program? How many could be served?

Finances

- What is the budget for the program and organization?
- What are the organization's sources of revenue?
- How secure are those revenue sources?
- Does the organization have a cash reserve or endowment?
- What are the fundraising goals for the year and where is the organization in meeting the goal?
- What is the most useful gift a donor could give right now?

When evaluating nonprofits keep in mind the following:

- ❖ There is no single, universal way to evaluate a nonprofit organization.
- ❖ Some organizations work harder than others to establish personal relationships with donors.
- ❖ Financial information and ratios, such as the proportion of program costs to administrative expenses, whether or not there is a mix of funding sources and if the organization has budget reserves are important but are only tools for evaluating a nonprofit. How the organization works toward accomplishing its mission and the effectiveness of its programs are equally important criteria.
- ❖ Size, age, and mission all affect a nonprofit's ability to achieve its goals.



10 Red Flags

1. You are discouraged from visiting the organization.
2. Financial records are unavailable, unintelligible, or generally in disarray.
3. The executive director discourages you from speaking with a board member or a board member discourages you from speaking with an administrator.
4. Fewer than 70% of the board members have made a financial contribution to the organization within the last twelve months.
5. More money is spent on administration and fundraising than on programs and services.
6. The organization has a history of operating in the red.
7. The charity is involved in a serious legal action.
8. There is no strategy for raising other funds or the organization has a narrow mix of funding sources.
9. The organization appears to be engaging in a desperate chase for dollars through activities that are not closely linked to their mission.
10. Your gut tells you something is “off”.

Checking out the competition

You may be aware of more than one nonprofit doing similar work in a particular field. Here are some questions to consider:

- ✓ What are the attributes of other organizations that share the mission and focus of the subject organization?
- ✓ Is this organization one of many because the need is so great?
- ✓ Does it serve a niche market that fits with your funding focus?
- ✓ Have you looked for similar organizations to assess where your dollars are best invested?

Spreading the Wealth v. Focused Funding

Many donors have questions regarding how much to give to a particular organization. Some ask if it's better to give smaller amounts to many organizations (in essence, to "spread around" their gifts) or if it's better to give larger grants to fewer organizations.

The matrix below may help inform you as to how different sized gifts impact organizations depending upon the size of their operating budgets.

	SMALL NONPROFIT	MEDIUM NONPROFIT	LARGE NONPROFIT
Size of operating budget	Under \$1 million	\$1-\$2 million	\$2 million and up
Examples of organizations	Youth Express, MN Women's Consortium, The Family Place, Martin County Historical Society	Hastings Family Service, Park Square Theatre, Animal Ark, Dodge Nature Center, United Way of Northeastern MN	Big Brothers Big Sisters, United Hospital, University of Minnesota, Southeastern MN Community Action Council(SEMCAC)
How unrestricted gifts are used	Organizations that are new or small depend almost entirely on unrestricted gifts to support their work.	Mid-sized agencies are beginning to get contracts to provide services (and/or diversifying their revenue streams) and supplement these contracts with unrestricted gifts.	These are very sophisticated organizations with multiple funding streams. They usually employ a professional development staff. Unrestricted gifts might be used to cover fixed costs or to pilot new programs.
\$100 unrestricted gift	Solid gift for small organizations.	This is a good gift for mid-sized organizations as much of their support is restricted. Unrestricted dollars increase the organization's ability to be flexible in meeting the community's needs.	It becomes more difficult to determine the impact that an individual gift of this size has on a very large organization.
\$1,000 unrestricted gift	A gift of this size can have a very significant impact on their ability provide services, meet their mission and cover basic operating expenses.	Depending on how restricted their other sources of support are gifts of this size may have a significant impact on their ability to provide services, meet their mission and cover basic operating expenses.	This is a very worthwhile gift even for a large organization. This size of gift will put the donor into a category of higher awareness in the cultivation process of the organization.

	SMALL NONPROFIT	MEDIUM NONPROFIT	LARGE NONPROFIT
Size of operating budget	Under \$1 million	\$1-\$2 million	\$2 million and up
\$10,000 unrestricted gift	A gift of this size has multiple implications for the organization. If the organization is very small (\$100,000 or less), you may want to talk with the nonprofit to explore the sustainability of any new programs that may result from the gift. As a lead donor to a small organization you may want to know if other sources of funding are being sought so as not to foster dependency on your gifts.	An organization of this size can effectively use a large unrestricted gift. As a donor, you need to be mindful of creating a dependency on recurring gifts of this size and it may limit their drive to seek other donors.	The organization will identify you as a lead donor and you will become part of a sophisticated process of acknowledgement and cultivation.

Things to Consider:

- The benefit of spreading around your giving is that you can help more organizations. For example, ten \$1,000 gifts support 10 organizations. One \$10,000 gift leaves those other nine without your support. On the other hand, larger gifts are more transformational, may have a bigger impact thus may be more satisfying to the donor.
- On average it costs \$16 to process a gift including sending out a donor acknowledgement letter.
- Unless you request otherwise, you could receive a lot of written information about the organization as a result of your gift including newsletters, annual reports and solicitations to give. Smaller gifts to many organizations will result in an increased opportunity for you to learn about each organization in-depth.
- You can be proactive by culling written materials from multiple organizations and then reviewing them quarterly to prioritize requests as they fit with your giving goals.
- Do you feel pressure to say “yes” to every request that comes your way? If the mission of the organization doesn’t fit your funding focus, it’s OK to let the solicitor know that. If the mission does seem interesting, but you aren’t familiar with the organization, ask for written materials and state that you don’t fulfill requests for donations over the phone. If you feel obligated to give to a friend’s cause, you can do so, but ask the organization not to add you to their solicitation list/ mailing list if you don’t think you will want to fund them in the future.

General Operating v. Restricted: The Debate Continues

Any organization’s dream donor is one who gives a large, unrestricted gift year after year, without waiting to be asked. But is that the best gift to give?

	General Operating	Restricted
Advantages	<ul style="list-style-type: none"> • This is the most needed kind of support for any organization • Large, consistent general operating gifts allow development staff to spend their time pursuing large grants • Most flexibility for the organization • Organization can use dollars on most immediate needs • Generally costs the organization less to solicit general operating gifts • No need for the donor to analyze and prioritize each need of the organization • Gives financial security to the organization • Can be particularly helpful to small or start-up organizations 	<ul style="list-style-type: none"> • The nonprofit can usually generate a report to address tangible outcomes • Donor has more control over use of the dollars • Requires less trust of the overall management of the organization • Many restricted purpose needs end at some point • Because a donor can know where their dollars will go, this may be a more satisfying gift • Donor can make a public statement with their lead, restricted gift (e.g. endowment, capital, etc.)
Disadvantages	<ul style="list-style-type: none"> • Donor must have higher trust level in the general management of the organization • Doesn’t equate to tangibles – may not be as satisfying to give • Is much more difficult to evaluate • Impossible to determine cause and effect – donor can’t know if gift made a specific difference • The organization will always need more – the need never ends 	<ul style="list-style-type: none"> • Less flexible gift for the organization • Although projects may be fully funded – organization may have serious capacity problems due to lack of funding available for core operations • Generally more expensive type of dollars for the nonprofit to raise

Leveraging Resources

Donors can use a variety of tools and methods that increase the impact of their gifts. Some of those tools include:

Employer Matching Gifts

Many employers provide matching gift programs that will match dollar-to-dollar contributions made by their employees. Oftentimes, employers will extend their matching gift program to retirees. Check with your employer to make sure that there are no restrictions on matching gifts to charities from donor advised funds.

Challenge Grants

As a donor, consider talking to the organization about making a grant that could be used as a challenge to inspire other donors. A challenge grant matches the dollars an organization raises. Because many individuals love to get “deals,” a challenge grant might provide the impetus for someone to give for the first time or to give more. In some cases, however, a challenge grant is not appropriate due to the size of a nonprofits donor pool, additional administrative costs associated with tracking, etc.

Volunteering

Most organizations utilize volunteers to supplement program staff. However, if you have a specific skill set that isn't utilized through the organization's traditional volunteer structure, recommend an alternative volunteer role. For some, that might mean mentoring a manager of the organization or committing to help with marketing for a year.

Giving Circles

A giving circle brings people together who share similar values and passions and want to make a greater impact collectively. The fundamental tenet of a giving circle is that pooling assets of time, talent and treasure, in support of shared goals creates a powerful “social investment” tool. Through a giving circle, the giver, the recipient and the entire community benefit from the impact of a combined “gift” of dollars, knowledge and time.

Venture Philanthropy

In recent years, business entrepreneurs have created a new type of giving. These donors, referred to as venture philanthropists, apply the principles and practices of venture capitalism to the nonprofit sector, including long-term partnerships and strategic management assistance to leverage and augment financial investments.



If you run out of dollars before you run out of organizations, consider supplementing your giving with volunteer time.

Additional Resources

Local Research

www.ag.state.mn.us/charities
www.mncn.org
www.smartgivers.org

Guide to Minnesota charities' laws and resources
Information for and about Minnesota nonprofits
Evaluations of nonprofits in Minnesota by Charity Review Council

Local and National Research

www.charitynavigator.org
www.charitywatch.org
www.give.org
www.guidestar.org

Evaluations of nonprofits
Evaluations of nonprofits
Evaluations of nonprofits by Better Business Bureau
Information self-reported by nonprofits to the IRS

Donor Networks

www.bc.edu/research/swri
www.boldergiving.org

www.contributemedia.org
www.givingmagazine.com
www.mcf.org
www.ncfp.org
www.philanthropymagazine.com
www.philanthropy.com
www.philanthropy.iupui.edu
www.resourcegeneration.org

Center on Wealth and Philanthropy- Boston College
Discusses giving potential and provides stories of those in the 50% League (those that give away 50% or more of income or net worth)
Donor-focused giving stories and tips
Donors and benefactors
Source on Minnesota philanthropy
National Center for Family Philanthropy
Profiles of philanthropists, charity events
Chronicle for news and views on giving
Center on Philanthropy at Indiana University
Involves young people with wealth in social change

Local Involvement & Giving

www.handsonwincities.org
www.networkforgood.org
www.onepercentclub.org

www.svpmn.org

Provides a connection to match volunteers to nonprofits
Giving and volunteer matching
People who give 1% or more of net worth or 5% of income, whichever is greater, annually to the charities of their
Social Venture Partners in MN

National Involvement and Giving

www.donorschoose.org
www.idealists.org
www.newprofit.com
www.svpi.org

Teacher-created database of public school needs
Clearinghouse of ideas and resources for change
Non-profit venture philanthropy firm
Social Venture Partners "parent" org. based in Seattle

International Involvement and Giving

www.acumenfund.org

Global nonprofit venture fund

www.globalfundforwomen.org

Foundation that funds women's groups around the world

www.globalgiving.org

International organizations and giving opportunities

www.globalrichlist.com

Calculates your wealth compared to the world

www.greengrants.org

Connects donors to int'l grassroots environmental orgs

www.openworld.com

Innovations in web-delivered, self-sustaining giving

www.sustainablevillage.com

Worldwide technology and renewable energy programs

www.synergos.org

Global Philanthropists Circle

www.universalgiving.org

International organizations and giving opportunities

www.upliftacademy.org

The "viral" spread of good works via the internet

Planning Resources

www.theheritageinstitute.com

Inheritance planning for individuals and families