

THE PHILANTHROPY CENTRE

# Fundamentals of Grant Making

A guide for donors and families



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## MAGNIFY THE IMPACT OF YOUR GIVING

There are many ways to help bring positive change to the lives of others. Making a grant allows you to focus your giving on the issues that you prioritize, while also deepening your involvement with a nonprofit organization and those it serves.

This guide for donors and families outlines the many steps and best practices involved in the grant-making process. Depending on a host of variables, including grant size and length of commitment, you may find that some steps do not apply to you and your giving.

To help you map your way forward, we drew on the expertise of advisors from The Philanthropy Centre at J.P. Morgan and their experience working with families and donors around the world. Their thoughtful advice and innovative ideas have helped families and individuals around the world achieve their philanthropic goals.

## HOW WILL YOU GIVE?

Putting your philanthropic contributions to their best uses does require some intentional planning and time. Following one of these two major approaches to grant making can help focus your efforts. Though, over time, you may find that your giving strategies evolve to include elements of each:

**Open-ended giving**—Many choose this path because they want to be responsive to the changing needs of a community as well as to be open to supporting new issues and causes. This approach also works well when family members have a range of issues and interests to pursue. However, keep in mind that responding to multiple needs may prevent you and your family from seeing your collective impact. You also may be opening yourself up to a great influx of requests.

**Targeted funding**—Donors target specific funding areas (geography, issue, type of organization, etc.) and focus their resources, often finding strong solutions for effecting change. However, it takes time and effort to develop clearly articulated goals and to craft a plan for realizing those goals.

## START BY TAKING INVENTORY

While there are many common paths that funders follow, your journey will uniquely reflect the time, energy, experience and resources (financial and otherwise) that you bring to the endeavor.

To get started—and make the most of all you have to offer—conduct this four-step personal giving audit:

### 1 REVIEW YOUR PAST CHARITABLE GIFTS

Do particular causes or organizations emerge as a common theme of your giving? Were you pleased/displeased with the impact of your gifts? What gifts have meant the most to you? Is there anything you would like to do differently in the future? Your answers to these questions can help you decide your future course of action.

### 2 BE CLEAR ABOUT WHAT MOTIVATES YOU

What moves you? What values are most important to you? What problems do you most wish to help to solve? Taking time to put thoughts on paper can help uncover or refine specific areas of interest.

### 3 PRIORITIZE YOUR INTERESTS

Where have you focused your time and attention in the past? Are these the issues, geographies or populations you want to help in the future? What issues do you closely follow in the news? Are there people or places with whom you feel a special connection? It can also be helpful to note the causes or approaches you do not want to support.

### 4 ENVISION THE FUTURE

What impact do you want to see? If you could fast forward five or 10 years, and your giving could achieve one thing, what might that be?

## LEARN AS YOU GO

Deepening your knowledge of the issues and communities where you plan to concentrate your efforts will help you maximize the effectiveness of your grant making. Among the ways to gather insights and information:

## RESEARCH YOUR CHOSEN ISSUE

Background research can be conducted formally, by hiring a consultant to help you develop an in-depth view of an issue; or informally, via books, periodicals, online searches, podcasts, webcasts and other materials. If informally researching a topic it is helpful to consider your own news sources to ensure you understand various view points, the scope of the issues, etc. Gathering information and developing a more nuanced view of an issue will enable you to:

- Understand the nature of a problem and the needs of the population(s) you seek to serve
- Identify trends and pinpoint opportunities where thoughtful grants may lead to critical change
- Craft a strategic approach to giving

## CONNECT WITH EXPERTS

To identify opportunities for your funding, it helps to become familiar with what others are doing in your interest area—philanthropists, non-governmental organizations (NGOs) and government agencies are often good places to start.

How can you find credible stakeholders? Research leading funders. Search for conferences that cover your issue area, noting the speakers and panelists. Review nonprofit websites to see if they have an advisory board of experts. Explore TED Talks, YouTube and professional networks, such as LinkedIn, for those who specialize in the field.

Increasingly, donors are seeking to incorporate input into their grant-making decisions from those they hope to serve through surveys, conversations and direct connections. Understanding the lived experience of members of a community can help shape effective solutions. Establishing an advisory board can create a powerful and ongoing mechanism for gathering strategic input.

Joining one or more donor networks or affinity groups can also provide opportunities to learn directly from experienced grant makers, subject matter specialists and others. There are any number of regionally focused groups for donors interested in supporting a given geographic area. There are also issue-specific organizations with focused resources and connections that bring together like-minded individuals from across the country or around the world.

## SCAN FOR GAPS

As your knowledge deepens, it will become easier to identify critical, but often less visible, funding needs that can create meaningful outcomes. After a devastating natural disaster, for example, many donors are understandably motivated to fund immediate emergency aid. Meanwhile, critical but longer-term projects, such as infrastructure development to enable economic and social recovery, may go unfunded. As another example, programs hopefully address needs in an equitable manner. If they do not, consider providing support to organizations that directly support the needs of marginalized populations. This can help ensure that your funding efforts get at the heart of an issue. Your background research and conversations with peer philanthropists, intended beneficiaries and specialists can guide you forward.

## DIVERSITY, EQUITY, AND INCLUSION (DEI)

Philanthropy is an ever-evolving field. Consequently, grant-making strategies and processes change over time. Today, a growing number of people and organizations across the social-change ecosystem are incorporating diversity, equity and inclusion (DEI) into their internal and external practices. These concepts may be incorporated throughout the entire grant-making process, from strategy setting to identification of organizations, to due diligence and beyond. They are critical to informing effective, equitable and impactful social change, and require specific attention and thought. You may wish to seek additional guidance on building DEI into your own philanthropic work through reading, attending webinars and events, or consulting specialists.

## PERFORM DUE DILIGENCE

Taking the time to learn about a nonprofit organization before you make a donation greatly increases the likelihood your grant will be used to good purpose. Learn a bit about the organization's history. Get insight into how it developed its approach to effecting change and why. Familiarity will make collaborating with the organization easier once funding begins.

Just one note of caution: You'll want to be sensitive when asking time of the organization to help you learn, given that resources may be limited. Also, keep in mind that a nonprofit's willingness to commit effort and resources to securing a grant will be proportional to the size of the grant as well as the size and experience of the staff.

### TRUST-BASED PHILANTHROPY

Donors have steadily been adjusting their approaches to grant making to ensure nonprofits are:

- Dedicating the majority of their resources to programs (not to securing and managing grants, for example)
- Allocating sufficient tools and resources to succeed in their objectives

On a practical level, this has been done in a variety of ways, including multi-year unrestricted giving, streamlined applications and reporting, and a commitment to building relationships based on transparency, dialogue and mutual learning. Trust-based philanthropy also helps to advance racial and economic equity through broadly supporting collaborative community leaders with the direct experience and insight to inform effective strategies, even if they currently lack a long and formal track record typically sought in grant making. [Learn more here.](#)

## THERE ARE FOUR PRIMARY WAYS TO LEARN ABOUT AN ORGANIZATION:

### 1 REVIEW PUBLICLY AVAILABLE INFORMATION

Search online, starting with the organization's website, where its mission statement, strategic plans, policy documents, audited financial statements, annual reports, biographies of senior leaders and other critical information may be posted.

Also search news coverage on the organization, its leaders and partners, as well as outcomes of its efforts. Follow interesting links and references. The wider the net you cast, the more you'll learn. In the United States, grant makers can also check Charity Navigator, a centralized charity rating organization, or Candid, a source for researching and verifying nonprofits. Currently, there are no similar organizations based in other countries.

### 2 REQUEST PROJECT-SPECIFIC INFORMATION

If you are planning to fund a specific initiative with a major grant, ask the organization to share project-specific budgets, program plans, monitoring and evaluation reports, and project timelines. Depending on the size of your potential gift, you may want to request a conversation with staff, leadership and/or board members to better understand how your gift will help the organization achieve its goals. Often, potential donors send a request for proposal (RFP) after such an initial meeting—provided there is a real intention to provide funding.

### 3 MAKE A SITE VISIT

A site visit may be warranted if you:

- Are seriously considering a significant gift to the organization
- Want your grant to go toward a specific or new project
- Plan to initiate a long-term engagement with the organization

When the circumstances are right, meeting key staff members and visiting onsite programs can give you a fuller picture of how your grant may be utilized. However, be mindful of the organization's time and whether it is appropriate for you to see work in action (e.g., there may be privacy protections to respect with nonprofits serving a vulnerable community).

To make your site visit successful:

- When you ask to visit, help set staff expectations by making clear your timeframe and goals, and by stating where you are in your discovery process
- Give the organization ample time to prepare for your visit
- Arrive well informed about the organization and any grant proposals that already may have been submitted to you
- Prepare a list of questions ahead of your visit. Even better, share the questions in advance with the organization so it's better prepared to answer them during your visit

## 4 CONSULT PEER FUNDERS

Connect with other funders of the organization you're researching, either by joining formal group or networking sessions, or by having casual conversations with like-minded grant makers. While not a conclusive stamp of approval, funding from experienced philanthropists and/or foundations may indicate an organization has passed others' due diligence tests.

### WHAT TO EXAMINE? A SAMPLE CHECKLIST

To guide your information gathering, it may be helpful to create a checklist of key questions you want answered regarding organizations you may wish to support. Below are a range of questions you might ask. Select the ones that are most meaningful to you.

Also keep in mind: It's easy for due-diligence processes to skew toward well-resourced organizations with greater capacity—and away from charities that may be running effective programs but are smaller in size, have limited access to donor networks, or are relatively new, for example.

#### VISION, MISSION AND STRATEGY

How well does the organization demonstrate clarity of purpose?

- Are organizational goals clearly stated and consistently communicated by staff and stakeholders?
- Is there a proven track record of results (for more established organizations)?
- Do funded programs have tangible outcomes?
- Is there deep understanding of the issues/problems being addressed?
- Are operating principles rooted both in theoretical knowledge and relevant field experience?
- Are the needs and interests of targeted populations or communities well considered?
- If you plan to make a restricted gift (i.e., mandate funds be used only for a specific purpose), ask: Will your project be a genuine priority for the organization?

#### POTENTIAL RED FLAG FOR DONORS

The organization appears to have a broad mission or takes on projects outside of its defined purpose

#### OPERATIONS AND ADMINISTRATION

Is the organization well run?

- Are day-to-day operations guided by a well-crafted strategic plan?
- Are current staff and funding sufficient to sustain programs and/or service levels?
- Are internal operations and procedures based on sound business practices?
- Have significant risks been identified and a plan developed to mitigate them?
- Is decision making transparent, and the result of clear and effective processes?
- Does the group collaborate with peer nonprofits or have plans to do so?

#### POTENTIAL RED FLAG FOR DONORS

The organization does not acknowledge or makes light of external factors and/or internal organizational challenges that might affect your project

#### CAPABILITY AND RESULTS

How does the organization measure success?

- What is its standing/reputation with other funders?  
Note: Not all effective organizations receive wide recognition for their efforts
- Are external experts affiliated with its programs?
- How does it evaluate the outcomes of its programs and services?
- What metrics are used to measure results?
- How is data collected and used to make more informed decisions?

#### POTENTIAL RED FLAGS FOR DONORS

- The organization appears to lack strong working knowledge of the best practices being used to implement programs in its field
- The ways in which programs are evaluated or their impact measured are vague or absent

## FINANCES AND FUNDING

Is the organization financially stable?

- Is there a pattern of annual surpluses or deficits?
- Is the financial management system sound and secure?
- Does revenue come from diverse and robust sources?
- Is there a fundraising plan, and if so, how is it being implemented?
- Will your grant, along with other support, provide adequate resources to support your project?

**Note:** Organizations are often able to satisfactorily explain deficits or lack of diverse revenue sources, so if this is a concern you should ask.

### POTENTIAL RED FLAGS FOR DONORS

- Sources of income, budget documents or audit reports are missing, incomplete or inadequate
- The organization is overly reliant on a single revenue source: Withdrawal of those funds could endanger the organization's viability

## LEADERSHIP AND STAFF

Are the right people in place across the organization?

### Leadership team:

- Are strong and skilled leaders running the organization?
- Do leaders have ties to the communities they serve?
- Do they clearly express goals and challenges?
- Do they maintain focus, make tough decisions—and at the same time inspire the staff?
- Are they able to attract and retain staff talent? Other donors?
- Is the organization (overly) reliant on a single visionary leader?
- Is there a succession plan in place for key people?
- As you talk to leadership, board members and other donors: What is the organization's commitment to donor stewardship?

### CEO/Executive Director:

- Do they have a vision for the organization?
- Have they been successful in their own career?
- Do they make a concise and compelling case for the organization's work?

### Board of directors:

- Is the board effective and aligned with the leadership team?
- How diverse is the board? Is board diversity a priority for the organization?
- Are directors visible advocates for the organization?
- Are they actively engaged through their giving?
- Are any professional skill sets lacking on the board?

### Staff:

- Do employees clearly understand the organization's mission and goals?
- Do they have a deep knowledge of the communities they are serving, and are they committed to delivering its programs/ services?
- Are they getting the training and opportunities they need to be successful?

### POTENTIAL RED FLAGS FOR DONORS

- The board size seems too large—or too small—to help the organization efficiently achieve its goals
- Staff biographies and expertise don't necessarily include the skills needed to successfully complete your proposed project
- There is rapid staff transition or turnover—with no adequate explanation for the changes

## A WORD ABOUT OVERHEAD COSTS

Many donors factor in an organization's overhead costs when conducting their due diligence. While it is always worthwhile to understand these costs (and what they represent as a percentage of the budget), there are limits to what they reveal about the scope of an organization or its work. Additionally, organizations may use different accounting methods that you should be aware of when assessing overhead costs. Indeed, some groups can justify higher overhead expenses simply due to the type of services they deliver—while, for another organization, a too-low overhead might actually be cause for concern.

We recommend you do not use overhead as the sole calculation of an organization's impact and effectiveness. Instead, focus on the overall picture of a nonprofit's strategy, finances and impact.

## FORMALIZE YOUR GRANT MAKING

Having a structured process will make it easier to source, receive and review grant requests. It can also help you retain meaningful records that assist you in making decisions for years to come.

### SOURCE FUNDING OPPORTUNITIES

Typically, donors use one of these three approaches to identify potential giving opportunities. Over time, you may come to use all three:

#### Request proposals

Invite organizations in your issue area to apply for a grant. The RFP process will allow you to detail the type and number of projects you're willing to fund, set the ground rules and selection criteria, and develop a targeted timetable. This approach allows for inclusion of organizations that may not have ties to your network.

#### Invite referrals

Alert others to your grant-making plans. Speaking to funders, donor networks and experts in the field can be a useful way to identify projects you might want to fund within issue areas that interest you. Listening to a wide variety of voices can help you form as balanced an opinion as possible.

#### Accept only solicited applications

Developing deep knowledge of an issue area (i.e., taking time to understand the issues for various stakeholder groups) will allow you to identify projects and organizations that you believe can have an impact and create change.

## GRANT GUIDELINES AND PROPOSALS

Developing clear grant guidelines will provide rules of the road for all parties—for nonprofit applicants as well as for you, your giving vehicle (foundation, donor-advised fund or other structure) and others in the sector. Clearly signaling your intentions will lessen the likelihood of receiving unsuitable applications.

Grant guidelines typically include:

- Application instructions: where and how to submit, deadlines, etc.
- Eligibility criteria and funding restrictions, if any (geography, for example)
- Grant selection criteria
- Length of proposed grant cycle
- Potential funding amount and parameters, such as duration (single gift, multi-year, etc.) or other considerations (milestones achieved, etc.)
- Type of support being offered, such as for general operating expenses or unrestricted funding; capital projects; scholarships
- Key questions you want applicants to answer: You can provide a template with set questions regarding budgets, timelines, anticipated outcomes, etc., or you may use an open-form application

Required information you may want all applicants to supply, for example:

- An overview of their organizations, including their annual budgets
- Descriptions of the proposed projects, including population(s) served and anticipated benefits
- Budgets for the projects being proposed
- Lists of current sources of support and potential donor references
- Names of board directors and trustees
- Annual reports and audited financial statements, if available

Keep in mind that required information should be proportionate to grant size and likelihood of funding.



## CREATE A GRANT SELECTION PROCESS

Formalize your grant-giving process, in line with your grant proposal guideline; the due-diligence criteria you deem most important; and your overall philosophy and goals.

First and foremost, families and foundations need to clearly define who the decision makers are and when decisions will be made:

- Those with a more structured and formalized approach may wish to create a grant-making committee as a sub-group of their board of trustees
- Others may require a majority or unanimous approval from decision makers
- Certain families may use family gatherings as an opportunity to discuss and select fund recipients

## DOCUMENT YOUR GRANTS

Once decisions have been made, it can be helpful to memorialize gifts and retain information for your records. Memorializing your gifts can help you (your team/family/foundation) hone your grant-making skills while providing a platform on which the next generation can continue the ethos of your giving. Among the documents to consider saving:

- Proposal and grant agreements
- Grant requirements, including key guidelines that helped you identify and commit to supporting the project in the first place
- Progress, monitoring and evaluation reporting requirements and timeframes

### GRANT AGREEMENTS

Formal grant agreements are not necessary for all grants, but if you have discussed specific deliverables with the nonprofit organization, it is good practice to formally document these in a grant agreement. Grant agreements should include information such as: project details, grant frequency and reporting requirements, among other key previously agreed upon details.

## EVALUATE TO LEARN

Measuring and assessing the impact of your gift(s) is an important part of philanthropy—and is made more efficient and effective if you define your strategy and corresponding goals at the outset. Fully articulating your view of how your gift can have a desired impact will help you pinpoint which outcomes to measure—today, as well as in the future.

Your impact measurements should evolve along with the problem(s) you are addressing. To this end: Keep measurements flexible; leverage what you learn from others as you go; and set aside sufficient time to evaluate your progress. Don't measure just to measure, instead:

- Create a measurement strategy—plan what you want to evaluate and how best to measure your project's impact
- Align reporting requirements with the level of support you are providing—work with your grantee to determine what metrics they are able to implement and what data would be most useful to them

Review, reflect, refine—assess progress toward your desired impact, and use your findings to inform your next round of planning and grant-making decisions.

## LOOK AHEAD

In addition to financial resources and a willingness to help others and the world in which we live, successful philanthropy requires significant commitments of time, a desire to learn and a willingness to listen, attention and detailed planning to make a meaningful and strategic impact. We hope this guide provides you with some useful and tangible steps to move your giving forward in a thoughtful, proactive and equitable way.

## J.P. MORGAN CAN HELP

J.P. Morgan Private Bank is committed to helping you enhance your philanthropic impact by offering advice, thought leadership and learning opportunities as well as grant-making expertise and foundation administration. To learn more, we encourage you to contact your J.P. Morgan team.

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