

# Granting wishes

## Grantmaker's starter-kit

Setting up a charitable grantmaking foundation

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# Definitions

## Foundation

The term *foundation* normally refers to an organisation whose primary purpose is *to make grants* to charitable entities in pursuit of its charitable objectives.

Not all foundations make grants to non-profit organisations. *Operating foundations* implement their own programmes. Examples of operating foundations in Singapore include National Kidney Foundation and Singapore International Foundation.

Some foundations may have a combination of grants *and* foundation-administered programmes.

In the rest of this document, the term “foundation” refers to grantmaking foundations, as opposed to operating foundations, and is used interchangeably with the term *grantmaker*.

## Grant

A grant is an award of funds to another organisation to carry out charitable activities.

## Grantmaker

Generally, a grantmaker makes grants from assured sources of income (such as an endowment fund, property or from regular long-term contributions from a one or two main sources).

An *endowment fund* consists of assets, funds or property which are held in perpetuity which produce an annual income flow for a foundation to spend as grants.

Some grantmakers do not have endowment funds, but act as conduits for *pass-through funds* (this is often the case with corporate foundations which rely on a percentage of a company’s annual dividends for their income).

# Getting started

**Why should an individual or institution set up a grantmaking foundation? Why not simply make ad hoc donations?**

**There are five good reasons.**

## **Enduring statement of values**

Serve as a “living memorial”, or tribute, to the values and interests of an individual, family or institution.

## **Systematic giving**

A way to carry out charitable giving systematically and over the long-term (difficult for one-time or sporadic donations to effect lasting social change)

## **Change agent**

As independent entities, grantmakers may have greater flexibility to respond quickly to requests and to provide seed money to stimulate innovation.

## **Institutionalise the giving**

Where an individual or family is frequently asked for funds, having a grantmaking foundation can create a healthier, institutional relationship.

## **Tax advantages**

A grantmaker which has charitable or institution of a public character status may enjoy some tax advantages.

## **Before becoming a grantmaker, consider the financial viability.**

There will be start-up costs, eg, drawing up governing instruments, registration and other legal and financial considerations requiring legal and financial advice, which should be budgeted for.

Over the longer-term, there will be other non-grantmaking expenditures arising from the day-to-day management of the foundation and its assets. These will vary according to the set-up of the foundation but they should be considered in some detail early on in the process.

Ensure that the foundation will have an income stream in terms of amount and liquidity to make it a worthwhile venture. Income would need to be generated on a regularly basis, eg from an endowment fund, or from guaranteed annual contributions. Again, it is important early on in the process to seek legal and financial advice with regard to this matter.

## **Starting small**

Although a small foundation may be limited in the number and size of grants it can make, it can still exercise significant leveraging power by attracting the attention and interest of larger donors.

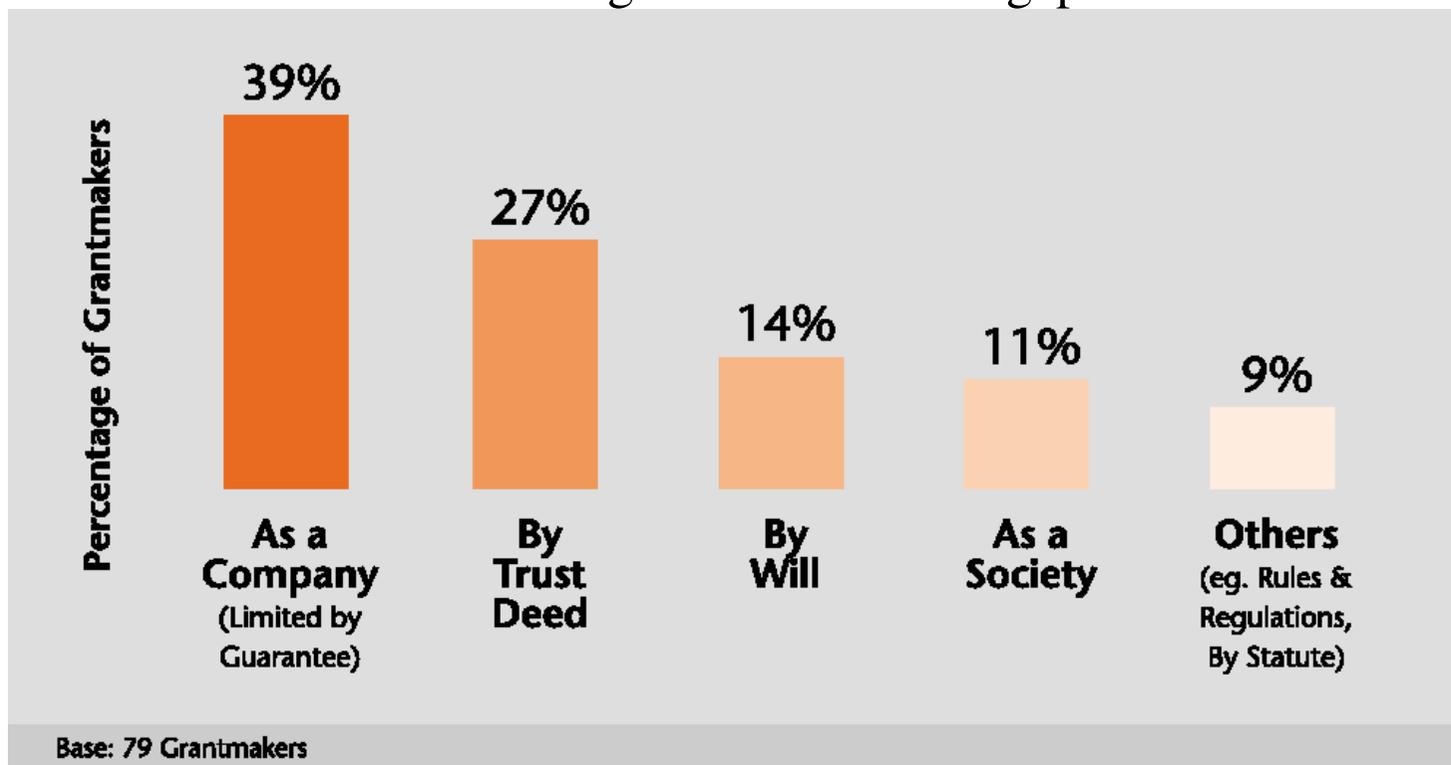
Small foundations are sometimes seen as more approachable by grantseekers, and may also move more quickly to respond to requests and to support new ideas.

A small foundation with a good reputation for making well-considered grants can also use its influence to broker relationships between other funders (public sector and private) to address specific issues.

## Constitution

Grantmakers have been constituted in various ways. Please seek legal advice on which way is suitable for your organisation.

### Formation of grantmakers in Singapore



# Making grants purposefully

**Being an effective grantmaker is more than just about giving away money. It's about careful consideration of how best to allocate money to achieve results that reflect the grantmaker's values and priorities.**

Consider questions like:

- What is / was the intent of the donor(s)?
- What are the foundation's objectives?
- How will the foundation be managed day-to-day?
- What will its grantmaking style be?
- What are the foundation's core values?

The responses to these questions shape the grantmaker's vision, mission and values. Develop these statements, as they form the core framework within which the grantmaking will take place.

## Vision statement

This describes what a better world would look like and conveys hope for the future. "Education for All" or "A World at Peace", are vision statements that are snappy and easily remembered.

Another type of vision statement is the articulation of the founder's personal vision. The vision that the Charles Stewart Mott Foundation in the United States continues to work towards is that of its benefactor, the founder of General Motors: "A world in which each of us is in partnership with the rest of the human race – where each individual's quality of life is connected to the well-being of the community, both locally and globally".

## Mission statement

This reflects the intent and objectives of the donor. It describes the core purpose of the foundation, why it exists, and will often say something about its values. It should clarify a foundation's goals and is more oriented towards "action" than the vision statement. It informs grantseekers what the foundation will fund.

The mission statement is not set in stone. Circumstances change, some problems get solved, while others arise. It is useful to revisit the mission statement every few years to ensure that it continues to be relevant.

NB. A mission statement is much simpler to change than the goals and objects that are outlined in a foundation's governing instrument (eg trust deed). Hence, when drawing up a foundation's charter or trust deed, describe its objectives in broader rather than narrower terms and use the mission as the tool from which to develop strategies.

## Values

Values can be broad, universal statements which reflect a particular world view ("strong communities provide a basis for positive change"), or beliefs ("developing leadership to inspire the potential of others").

Values should also act as ground rules for how a foundation conducts itself in its day-to-day operations.

A foundation which sees itself as playing an active role in the community will put particular value on building relationships with grantees and having open communication.

It may also invest time and resources in visiting grantees and consulting the wider non-profit community to ensure that its programmes are relevant and suitable targeted. Another foundation may see flexibility as a key value in its grantmaking. In practice, this may mean that grantees are encouraged to review grant-funded projects mid-term and to change the direction of the project if necessary.

# Governance

## Board responsibilities

The board is responsible for guarding the vision, determining the foundation's overall mission and purpose, and ensuring its legal and ethical integrity.

Other responsibilities may include the following, depending on factors such as whether the foundation is staffed, whether it raises its own funds, etc:

- Recruit and orient new board members.
- Appoint the CEO (for a staffed foundation).
- Support the management
- Determine, monitor and strengthen the foundation's programmes.
- Provide financial oversight.
- Ensure adequacy of resources (which can range from overseeing investment performance of endowment funds to being actively involved in fundraising).

These responsibilities can be summarised under three main "duties".

Obedience: the foundation's central purposes must guide all decisions. The board must also ensure that the foundation functions according to the "laws of the land", its own bylaws and other policies.



Loyalty: board members must avoid conflicts of interest and the appearance of conflicts of interest. This includes personal conflicts of interest or conflicts with other organisations with which a board member is connected.

Care: board members must exercise due care in all its dealings. This includes oversight of financial matters, attention to issues and raising questions whenever there is something that seems unclear or questionable.

## **Board size and composition**

The ideal size of a board will vary from one foundation to another. The governing instrument of the foundation need not state an exact number of board members, but should ideally set an upper and lower limit.

Scheduling meetings and ensuring attendance of larger boards may prove difficult, although more board members mean a greater division of labour.

Small boards make for easier communication and promote a greater sense of personal involvement, but the workload may be less manageable and the board may lack representation of important opinions.

## **Recruiting board members and advisers**

In some foundations, board membership is determined by the settlor.

Where there are strict limitations listed in the governing instrument regarding board appointments, a foundation may want to consider enlisting non-voting advisers to attend some board meetings to ensure that a diversity of views is represented.

Where a foundation manages its own board appointments, it should ensure that the board is sufficiently representative and diverse to allow the foundation to best achieve its objectives.

A policy aimed at recruiting board members with a range of skills, interests, expertise, perspectives, different age groups and gender, may guard against the situation where a board consists of peers with the same values and viewpoints.

## Family Foundation

In a family foundation, it is good practice to establish policies regarding board eligibility and terms of office, to support current board appointments and also to guard against any future conflicts that may arise among family members. Some issues that family foundations should consider:

- Definition of “family”: are only members of the immediate family eligible to sit on the board? Or does the definition include aunts, uncles, cousins etc? Similarly, are spouses eligible for board membership, and what happens after divorce?
- Board terms and rotation: should board members serve fixed terms? A family foundation may draw on a smaller pool of potential board members, but allowing for rotation by instituting fixed terms also gives the foundation an opportunity to renew itself by bringing in new perspectives and fresh ideas. It also allows underperforming board members to be rotated off the board without much awkwardness.

- Eligibility vs. qualification: should board membership be automatic if a family member is eligible or should they have to show some kind of commitment in order to “earn” it?
- Non-family board members: should the board include non-family members? Here are some considerations:

Family board members only	Non-family board members
Foundation as a family institution, bringing family together	Objective decision making, provide emotional neutrality outside family dynamics / hierarchy
Board can still seek outside views without relinquishing voting rights	Can offer a wider range of knowledge expertise that family members may not have
Maintain private nature of philanthropy by keeping it within the family	More diverse board representing different views from the community

## **Corporate foundation**

In a corporate foundation, the board is usually made up of company officials. It may opt to include independent board members with no affiliation to the company but who may offer a particular perspective, eg the field that the foundation is targeting its grants.

## **The board's role in fundraising**

Some foundations may be in the fortunate position of having a fixed and regular source of income.

Others may look to diversify their funding base by attracting new sources of funding from other donors. The role of board members in fundraising (both directly and by using their contacts and influence to facilitate the process) is an important one. Board members should be encouraged to feel confident and comfortable in this role.

# The grantmaking process

**Before making grants, grantmakers must decide *how* it will make grants.**

Questions to ask include

- What kind of institutions or individuals will it give to?
- What *size* of grants should be made?
- Over what *period of time*
- According to what *criteria*?
- What kind of administrative capacity will the foundation have? This depends eg on how many *applications* will it have to handle, how many *grants* can it administer and monitor .
- Is specialist knowledge needed?

**•Grantmaking management**

- What level of management costs will be appropriate for the foundation, how many staff will it have and will it have its own dedicated office space? This is related to how involved will the board be. Will board members evaluate each grant application, or will the task be delegated to staff? Will board members be expected to perform administrative tasks and monitor grantees?

There are different ways to manage a foundation and the most appropriate choice will vary according to circumstances, eg size of grants budget, geographical scope of grantmaking, grantmaking style (proactive or reactive).

Management	Pros	Cons
<p><b>By donor</b></p>	<ul style="list-style-type: none"> <li>▪Reflects donor’s values and personal touch in management of foundation</li> <li>▪“Hands on” approach, donor very much associated with the cause</li> <li>▪Has influence / leverage among other foundations / donors, government, etc because they are committing money themselves</li> <li>▪Can guarantee flexibility and discretionary funding</li> </ul>	<ul style="list-style-type: none"> <li>▪Need to pay attention to involving additional members of the family (in the case of a family foundation) and board, to ensure their future involvement</li> <li>▪Need to consider how to preserve foundation’s institutional identity rather than as a personal project</li> </ul>

A larger, more mature, grantmaker may have staff positions which include a director (or directors) of grants, individual grant managers and assistants.

In a small foundation a single person may fill all of the functions.

Management	Pros	Cons
<b>By board members</b>	<ul style="list-style-type: none"> <li>▪May nurture sense of values, cooperation etc for philanthropic purpose, consistent with ideals of original donor (in a family foundation)</li> <li>▪May be cost effective where board members share managerial functions</li> </ul>	<ul style="list-style-type: none"> <li>▪Need to ensure that administrative tasks get done, even if board members are volunteering their time, and that board meets sufficiently often</li> </ul>
<b>By administrator</b>	<ul style="list-style-type: none"> <li>▪Part-time or full-time administrator can handle day-to-day business, eg correspondence, initial screening of funding requests, documents for board meetings etc.</li> <li>▪Board members are freed from routine administrative task but can still maintain a hands-on role in foundation</li> <li>▪As main contact point or “gatekeeper” for the foundation, an administrator can ensure streamlining of information and consistency of approach within the foundation and act as institutional “buffer” between grantmaker and grantseeker</li> </ul>	<ul style="list-style-type: none"> <li>▪Board must provide leadership and supervision to administrator</li> </ul>

When deciding how to manage a foundation, cost is one consideration and capacity is another.

Management	Pros	Cons
<p><b>By executive director</b></p>	<ul style="list-style-type: none"> <li>▪ Provides leadership, sets goals and moves the foundation forward in a focused way</li> <li>▪ Full-time commitment to the direction of the foundation.</li> <li>▪ Board's role is reduced to one of overseeing rather than administering the foundation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Need to find the right person to reflect the values and interests of the board</li> <li>▪ Cost</li> </ul>
<p><b>Consultant (hired for specific tasks eg preparing grant recommendations, financial management etc)</b></p>	<ul style="list-style-type: none"> <li>▪ Can contract necessary skills as and when needed</li> <li>▪ Cost effective, as consultant is paid by the hour / day. Foundation does not require office space.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harder for foundation to build profile if there is no permanent contact person, physical office etc.</li> <li>▪ Other work commitments may make it hard for a consultant to respond to applicants and grantees</li> </ul>

One important consideration which should not be overlooked, however, is that of the foundation's values as a grantmaker.

If, for example, a foundation has equal access to education as one of its key values, it must ensure that it carries that value over into its grantmaking and that its programme is designed in a fair, transparent and accessible way.

<b>Management</b>	<b>Pros</b>	<b>Cons</b>
<b>By bank or law firm</b>	<ul style="list-style-type: none"> <li>▪ Provides strong skills in financial management and law etc, professional management</li> <li>▪ Foundation can outsource specialist elements of foundation management while retaining certain functions such as grants selection itself</li> </ul>	<ul style="list-style-type: none"> <li>▪ Takes the foundation one step away from the community it serves</li> </ul>
<b>Shared management</b>	<ul style="list-style-type: none"> <li>▪ Lower costs and administrative expenses where a foundation shares space with another institution (either another foundation, the donor's family business etc)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Must ensure that separate records are maintained (to avoid anything that might be seen as self-dealing)</li> <li>▪ Where support staff are shared across two or more institutions (such as accountant etc), must ensure that appropriate division time / compensation is agreed upon</li> <li>▪ Must ensure that the foundation work is not seen as something secondary to that of the for-profit</li> </ul>

## Grantmaking guidelines

Guidelines state basic information about what the foundation is, what its values are and how it wishes to communicate. Grantmakers should draw up guidelines for grantseekers, for the following reasons:

- In conjunction with a foundation's values, guidelines send an important message to grantseekers about their fairness and openness by explicitly stating what kinds of applications are welcome.
- By outlining what a foundation does and does not fund, guidelines can help prevent applicants from wasting their time (and the foundation's) with inappropriate applications. Guidelines are a way of attracting the right kinds of applications.
- A clear set of guidelines can make it easier to reject applications with a clear rationale and allow more time to evaluate those applications that do qualify

Guidelines should include information that applicants would want to know when deciding whether or not to apply to a foundation. Such information might include:

- Information about the grantmaker, eg mission, values and background
- Funding area and priorities and what the foundation will not consider funding
- Application procedure and requirements, eg who is eligible to apply, when and how to apply (use prescribed application form or can grantseeker just send a proposal?)
- Size and type of grants: an indicative range of grant size and whether grants are made for core support (to support institutional functions of an organisation such as senior management, administration and training) or for project funding, where the grantmaker funds certain specific activities
- Reporting requirements, eg what kind of feedback, level of reporting will be required from the grantee
- Examples of past grants – a brief description of some typical grants.

## Grant applications

There are several formats that a foundation can ask grantseekers to use when applying for funding, such as an application form, a letter or a project proposal. The choice of format will depend on the foundation's grantmaking style and size.

Format	Pros	Cons
<b>Application form</b>	<ul style="list-style-type: none"> <li>▪ Provides standard way to apply</li> <li>▪ Applications can be easily compared</li> <li>▪ Time efficient all round</li> </ul>	<ul style="list-style-type: none"> <li>▪ May limit depth of information</li> <li>▪ May limit creativity</li> </ul>
<b>Letter</b>	<ul style="list-style-type: none"> <li>▪ More appropriate for small foundations that receive fewer applications or prefer the personal touch</li> <li>▪ Easier for small, less-experienced grantseekers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hard to compare one letter with another and to be seen to be fair</li> <li>▪ Harder to apply selection criteria</li> </ul>
<b>Proposal</b>	<ul style="list-style-type: none"> <li>▪ Gives a stronger sense of the grantseeker's organisation and the context in which they operate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Favours strong writing skills</li> <li>▪ More time consuming for applicant and grantmaker</li> </ul>

Whether grantseekers use a one-page letter or a 15-page application form, there are some basic questions that grantmakers should ask grantseekers.

Six key questions a grantmaker should ask:

- Who are you? (Name / contact details)
- What is the problem you want to solve?
- How do you intend to solve the problem?
- What, specifically, are you going to do?
- What will the result be?
- How much is it going to cost? (budget)

A grantmaker can go on to ask supplementary questions to satisfy specific information needs (such as asking for a risk assessment for the project, or for information about the composition of board and staff in an organisation), but the basic information should have been captured in the six basic questions.

Most grantmakers receive more applications for funding than they have the funds to support. How can they choose among applications?

The assessment approach a grantmaker adopts when judging the eligibility and quality of funding requests depends on its resources. At its most thorough, assessment may involve different screening processes carried out at different levels of the organisation. For a smaller foundation, assessment may be a more informal and shorter process.

In both instances, the foundation should ensure that:

- Those involved in the assessment process are clear about what they are looking for in an application and that this coincides with the foundation's main purpose
- The foundation is seen to be consistent, fair and respectful of grantseekers.

## Evaluating applications

A clear set of criteria and a system for applying them can help to ensure that assessors know what they are looking for and can also convey the grantmaker's objectivity.

Each grantmaker will have its own method, based on its resources.

### System

- A points system or ranking mechanism (gives less room for individual judgement but is easier for a number of people to use)
- A general set of principles and basic guidance, leaving more to the individual judgements by assessors.

### How

- Rely only on written information provided on application form / proposal / letter.
- Conduct site visit, or make phone call in addition to above.

### Who

- Use staff to conduct initial screening of applications and board makes final decision (staffed foundation)
- Board screens applications and awards grants.
- Grants committee, consisting of board, staff and independent specialists, makes funding decisions.

### What to look for

The six questions listed earlier provide a good starting point for assessing a funding request.

Application question	Examples of assessment criteria
1. Who are you?	<ul style="list-style-type: none"><li>▪Is the organisation legally constituted?</li><li>▪Does it have a track record? (important for bigger grants)</li></ul>
2. What is the problem you want to solve?	<ul style="list-style-type: none"><li>▪Is there evidence of the need / problem outlined in the proposal?</li><li>▪Is it well understood by the applicant?</li></ul>
3. How do you intend to solve the problem?	<ul style="list-style-type: none"><li>▪Is the solution proposed a realistic and lasting one?</li></ul>
4. What, specifically, are you going to do?	<ul style="list-style-type: none"><li>▪Are the activities proposed feasible and relevant?</li></ul>
5. What will the result be?	<ul style="list-style-type: none"><li>▪Are the aims realistic?</li></ul>
6. How much is it going to cost?	<ul style="list-style-type: none"><li>▪Is the budget realistic?</li><li>▪Is the amount consistent with the kind of funding the organisation has administered in the recent past?</li><li>▪Does the applicant have other sources of funding?</li></ul>

## Monitoring and evaluating grants

Information from monitoring and evaluation can serve two purposes:

- Checking that grants have been properly received and spent.
- Understanding how the foundation is performing as a grantmaker and achieving its objectives.

Monitoring can alert a grantmaker to potential problems during the course of a project, while providing an opportunity for the problem to be rectified before the end of the grant period.

Before monitoring, the grantmaker should have a clear rationale for gathering information and how that information will be used.

The labour and cost implications should also be considered and they should be proportionate to the size and number of grants.

- Some grantmakers choose to visit all its grantees. Others may not have the capacity to do so.
- The least costly method of monitoring, which is used by many grantmakers, is to use a monitoring form. The form lists questions about the progress of the grant for the grantee to complete. With larger grants, a grantmaker may seek more detailed information in the form of a narrative progress report, where grantees respond to open-ended questions or according to a format set out by the foundation

# References

## Setting up a foundation

Association of Charitable Foundations ([www.acf.org.uk](http://www.acf.org.uk))

- UK support organisation for grantmaking trusts and foundations

Association of Small Foundations ([www.smallfoundations.org](http://www.smallfoundations.org))

- US-based association for foundations with few or no staff

Council on Foundations ([www.cof.org](http://www.cof.org))

- US membership organisation for foundations, aimed at promoting knowledge, growth and action in philanthropy

Forum of Regional Associations of Grantmakers  
([www.givingforum.org](http://www.givingforum.org))

- US network of leaders and organisations that support charitable giving

National Center for Family Philanthropy ([www.ncfp.org](http://www.ncfp.org))

- Works to promote philanthropic values, vision, and excellence across generations of donors and donor families (U.S.-based)

## Board governance

BoardSource ([www.boardsource.org](http://www.boardsource.org))

- Seeks to improve the effectiveness of nonprofits by strengthening their boards of directors

The Foundation for Good Governance ([www.governance-works.org](http://www.governance-works.org))

- Independent charity that encourages and influences debate on governance through research

## Grantmaking

Foundation in a Box ([foundationinabox.org](http://foundationinabox.org))

- A resource for foundations and advisers

GrantCraft ([www.granecraft.org](http://www.granecraft.org))

- Practical advice for grantmakers (a project of the Ford Foundation).

## Legal Issues

Ong, Shirley, *Money, Death and You: all you need to know about the transfer of assets through wills, trust CPF, insurance, tax, charities*, SNP International Publishing Pte Ltd, Singapore, 2005

## Community Foundations

Community Foundation Network

([www.communityfoundation.org.uk](http://www.communityfoundation.org.uk))

- UK network supporting over 60 community foundations

Community Foundations of Canada ([community-fdn.ca](http://community-fdn.ca))

- Membership organization for Canada's network of community foundations

Worldwide Initiatives for Grantmaker Support

([www.wingsweb.org](http://www.wingsweb.org))

- Global network seeking to strengthen the infrastructure for philanthropy worldwide

## General information

Alliance Magazine ([www.allavida.org/alliance](http://www.allavida.org/alliance))

- Magazine on global philanthropy and social investment

Synergos ([www.synergos.org](http://www.synergos.org))

- Non-profit organisation to promote global philanthropy.