

## Applying for Funding from Family Foundations: Results of a Foundation Source Survey

By **Page Snow**, Chief Philanthropic Officer

When we think of private foundations, names such as Gates, Ford, and Rockefeller come first to mind. But those billion-dollar foundations represent a very small segment of the philanthropic sector. Of the more than 90,000 foundations in the United States, fewer than 60 have endowments in excess of \$1 billion. The vast majority, more than 90 percent, have endowments of less than \$10 million. Most of these organizations are family foundations.

Since 1995, the number of nonprofit organizations has soared 50 percent, to more than 1.5 million. And the competition for philanthropic dollars has grown just as dramatically. As the chances of obtaining a grant from the larger foundations dwindle from slim to none, many nonprofits are rethinking their strategy. Instead of applying to the philanthropic behemoths, organizations are searching for more diverse funding streams.

In this environment, nonprofits would be wise to look beyond the largest foundations to the largely untapped reservoir of philanthropic dollars in family foundations. Many of these foundations operate almost invisibly, often providing needed funding in their own hometowns. They don't tend to participate in the same circles that professionally staffed philanthropies do, and there are few associations or annual convocations where you can get to know them. So approaching the smaller foundations requires a specialized strategy, and the rules of the road for large foundations generally don't apply. Foundation Source, a company that provides administration to over 1,200 private foundations, surveyed 120 clients to find out how they would advise applicants in their quests for funding. Here is what they told us.

### How to Think Small

**Think relationships.** When you're cultivating a large foundation, your first step is typically shipping off a well-crafted proposal. However, when you're dealing with a small foundation, the proposal is usually the last step in the cultivation process, not the first. If your new target is family foundations, you may want to hold off on hiring a professional grant writer. Three-quarters of family foundations, 77 percent, said they do not consider unsolicited requests. When asked to list the reasons why not, 72 percent said they "already know who they want to give to;" 37 percent said they "are afraid of being inundated with requests;" 28 percent said they "prefer to be anonymous."

That doesn't mean that family foundations never fund new organizations. They appreciate new ideas (and the survey revealed that 23 percent do accept unsolicited requests). They just need to be approached differently. It's essential to deploy your organization's own board members effectively and provide opportunities for family funders to get to know you in low-pressure

environments. As one client put it, “We give to organizations that we’re involved with.” Another told us, “We have strong personal relationships with our grantees. It’s best if potential grantees get to know us first.” Some 58 percent said that it was very important that, “someone I know and respect is closely involved or has asked me to support the project.”

Bottom line, grantmaking is a relationship-based enterprise for family foundations. As such, your best strategy is to work your contacts. Make sure your board members are actively expanding their networks. Develop campaigns or informal “friendraising” events that allow smaller funders to get to know your organization and board members. Instead of a grant writer, you may want to consider a professional volunteer coordinator who can develop meaningful opportunities for family foundations to get involved in your work.

**Think unrestricted funding.** Finding opportunities to network with family foundations is well worth the effort. Not only are they an alternative to the ferocious competition for grants from larger philanthropies, but many are also willing to provide the holy grail of foundation funding: general operating support. The Foundation Source survey revealed that some 50 percent of family foundation clients said that they provided operating support “most often.”

There are other advantages to approaching family foundations. It’s less expensive to apply to them— in many cases, a short letter works just fine. And they’re not hung up on gaudy presentation packages. When given the choice between two polar options, 80 percent of the survey-takers said that they preferred to receive a “poorly written request that represented the real words of the applicant” to an elegantly crafted proposal written by a professional grant writer.

Should you break through and have a family foundation ask for a written proposal, the Foundation Source survey uncovered a range of other insights that can give nonprofits an edge in having success with smaller foundations.

## Survey Highlights

**Email preferred.** Those who wanted to be contacted preferred that information be sent electronically whenever possible. Fifty-seven percent of those who would welcome inquiries prefer to be contacted via e-mail; only 26 percent want to be contacted via snail-mail. But be careful not to impose “courtesy meetings” that lead nowhere on funders. Only 9 percent of family foundations said they wanted to be contacted in person.

**Stay on point.** Make sure the family foundation supports the kind of program or activity you want funded. Eighty-two percent of clients surveyed said it’s important that the project “falls within our grantmaking guidelines”; 79 percent said it was important that “the project falls within an area of personal interest;” and 64 percent said they reacted negatively if the “request does not reflect an understanding of our foundation’s priorities or guidelines.” The takeaway here is to invest the time to understand a family foundation’s funding priorities. Look at its website. If there isn’t a website, review the foundation’s IRS Form 990-PF for grants it has made previously. One client’s advice: “Do your homework on the foundation’s mission statement and grants philosophy—in advance!” Another’s advice: “Know who you are contacting, and be certain to understand that foundation’s goals. Come prepared.”

**Long? Short?** It’s a toss-up. Family foundations are split on whether they prefer short or long proposals. Fifty percent reacted negatively to a proposal that was “too short with not enough information;” 50 percent reacted negatively to a proposal that was “too long, with too much documentation.” Rather than flip a coin on proposal length, use common sense. Describe the proposal in sufficient detail so that donors clearly see what you aim to do. But be mindful that a

good idea can get lost in the brambles of too much irrelevant information. And follow instructions: If they say they want a one-page narrative description, don't play the shrinking-margins-and-lowering-font-size game to achieve it (or figure a five-pager is really what they're subliminally yearning for). Instead, edit yourself to fit comfortably within the space allowed, and trust the foundation to ask follow-up questions where needed.

**Generic requests?** Think again. Nonprofits often are under pressure to push a lot of proposals out the door to impress their boards. This approach may be a mistake. Fifty-four percent of Foundation Source clients felt negatively toward applicants who delivered a generic proposal that had been sent to several other funders; 42 percent were neutral on the issue; and only 4 percent thought this was a great idea. These figures should give pause to those who have bought into the notion of broadcasting many applications. Sixty-six percent of clients surveyed said that they would prefer that applicants propose one specific project, rather than proposing several different projects. You should know the foundation's priorities and pick one project that is the best fit.

### **What Family Foundations Want to See in Proposals**

The survey highlighted some important factors Foundation Source clients used in making funding decisions:

**Bring Your "A" Game.** While it may seem obvious, small funders, like their big cousins, want to be wowed. Some 92 percent said it was important for an organization to have clear goals, plans, and measures of success; 90 percent said it important to make a strong case for the need for the project; 76 percent said it was important to demonstrate significant expertise in the proposed area of funding; 72 percent said it was important that the organization has a strong reputation; and 64 percent said it was important that the project represents an innovative idea or approach.

**Have partners and an exit plan.** When foundations see other funders contributing to a project and the grantseeker doing so as well, it helps make a more compelling case for support. Knowing that there is a clear funding endgame also increases the chances of success. Although "issues of dependency" are always a consideration, they may be less of a concern for smaller funders. Fewer than half (49 percent) said it was important that the organization invests its own funds in the project; 42 percent said it was important that the organization has mobilized other partners in the design or execution of the project; and 47 percent said it was important that the organization has a plan for gradually reducing foundation funding.

**Put your organization in context.** It's imperative to help family foundations understand how you compare to other nonprofits that operate in the same area of interest as you. Until they are convinced of the potential effectiveness of your proposal, they might well think that there is a better organization to tackle the project. One client put it this way: "Make your case, and make sure you include a narrative description of where your organization fits within the landscape of similar organizations. Identify your niche."

### **What Turns Family Foundations Off**

The survey uncovered some common mistakes that diminish the chances of success with funding requests to Foundation Source clients:

**Pumping up the volume.** Be clear, but tone down soaring rhetoric and acknowledge possible bumps in the road. Ninety-two percent reacted negatively if the project was not described clearly or concretely; 86 percent reacted negatively to hyperbole—puffing up the organization or overambitious goals; 76 percent reacted negatively if proposals weren't frank about risks or challenges.

**Not running spell-check and other miscues.** Good grammar and neatness influence perceptions. Don't forget to pay attention to the smaller details: 74 percent reacted negatively to proposals with typos, misspellings, or grammatical errors.

### Closing Thoughts

**Remember, it's usually part-time philanthropy.** Finally, give small funders plenty of time to review and digest your proposal. Family foundations aren't professionally staffed organizations with three or four annual funding cycles. Oftentimes, it's mom, dad, and offspring making funding decisions around the kitchen table. For these smaller foundations, philanthropy is usually a part-time pursuit, so nonprofits need to be mindful of their busy lifestyle and make themselves available at times and places that are convenient to the family.

### About Foundation Source ([www.foundationsource.com](http://www.foundationsource.com))

Foundation Source is the nation's largest provider of comprehensive support services for private foundations. The company's administrative services, online foundation management tools, and philanthropic advisory services provide a complete outsourced solution, including the creation of new foundations. Our clients supply the vision; we provide everything else.

Now in our second decade, Foundation Source provides its services to more than 1,200 family, corporate, and professionally staffed foundations, of all sizes, nationwide. We work in partnership with wealth management firms, law firms, and accounting firms, as well as directly with individuals and families. Foundation Source is headquartered in Fairfield, Connecticut, with offices in Atlanta, Boston, Chicago, Los Angeles, New York City, Philadelphia, San Francisco, Seattle, South Florida, and Washington, D.C.



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