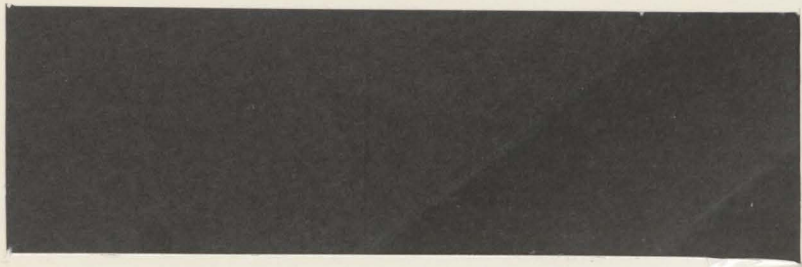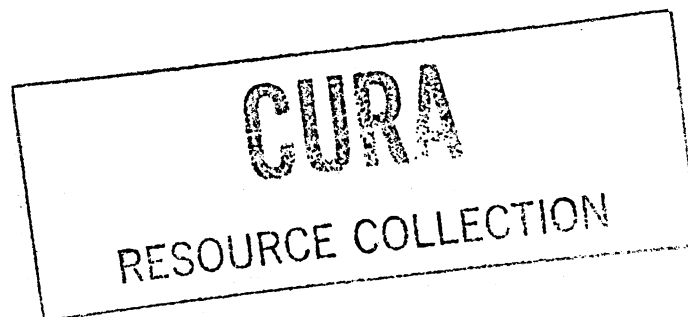# cura

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BY

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THE EXPERIENCE OF SMALLER NONPROFITS

RAISING MONEY FROM MINNESOTA'S

LARGEST FOUNDATIONS

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The Philanthropy Project

The Philanthropy Project is a coalition of over ninety Minnesota non-profit organizations dedicated to increasing the amount of foundation support for disadvantaged constituencies--women, racial minorities and Hispanics, handicapped, elderly, low income, and others. The Project works to accomplish this goal through peer education, grantmaker education, and research.

The Philanthropy Project also publishes a quarterly newsletter which covers developments in funding for the disadvantaged in the local foundation community. The Project has developed for its members a schedule of application deadlines for local foundations and other fundraising information. The Project conducts an annual survey of Minnesota's largest foundations to determine how much of their annual giving is designated for the disadvantaged.

For additional information on these and other programs of the Philanthropy Project, please call Jon Pratt, Director, at (612) 373-7833 or write the Project at 330 Humphrey Center, 301 19th Avenue South, Minneapolis, MN 55455.

INTRODUCTION

Many smaller Minnesota nonprofits have realized that successful fundraising from major foundations depends greatly on personal contacts and experience. For many of these organizations, particularly where one or a few staff must serve all administrative and program needs, such fundraising is somewhere between difficult and impossible. To address this situation some of these nonprofits, with the help of sympathetic foundations, formed the Philanthropy Project in July of 1983.

In the fall of 1984, the Project surveyed its sixty-five members* asking for organizational characteristics and for a summary of each member's experiences with Minnesota's largest forty foundations prior to and during 1983. The following summarizes the forty-two surveys returned.

One-third of the organizations responding had annual budgets below $100,000, the budgets of another third were over $300,000, and the remainder were in between. Approximately one-quarter of the organizations listed "advocacy" as their purpose; that is, they were either a constituency acting on its own behalf like the Minnesota Tenants Union or one group speaking for another such as the Jobs Now Coalition. Another quarter were "traditional services," the YWCA for example. The remaining one-half were "alternative services" which either provided a new service such as the new form of elementary education at the Southside Family School or provided traditional services in new ways as do many community health clinics.

This same distribution of organizations occurred in the division by constituencies. Slightly less than one-quarter were serving "racial

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*Membership has grown to over ninety in the past year.

minorities and/or Hispanics;" another one-quarter "women;" and almost one-half were serving "other disadvantaged" including the elderly, low income, unemployed, the handicapped, and so forth. Two-thirds of the organizations were controlled by the constituencies they serve--usually through direct election of at least a majority of board members.

FUNDRAISING INITIATIVES AND FOUNDATION RESPONSES

Only one organization had two staff assigned to fundraising; all others had a single fundraiser. For almost half of the organizations--seventeen out of forty-two--fundraisers spent from 20 to 33 percent of their time raising money.

Thirty-three of these fundraisers submitted proposals to the foundations covered in this survey. The other nine fundraisers, those who did not submit any proposals to any foundation included in this survey, were dispropor-tionately (six out of nine) from advocacy organizations. Like the rest of the sample, these fundraisers used diverse sources of income including government grants, church and individual donations, special fundraising events, and membership fees (the most common source of funds).

Among those doing foundation fundraising, virtually everyone made use of internally generated information such as annual reports and membership demographics. The difference between those staff spending more and those spending less time fundraising was the extent to which the former more frequently used a wider diversity of external resources and contacts, including the Guide to Minnesota Foundations, the regional foundation collection at the Minneapolis Public Library, printed materials from the foundations, personal contact with foundation staff and/or board members, and regular contact with their fundraising peers. The last two were emphasized as being particularly important. Those using five or more different resources were overwhelmingly--85 percent--from staff spending more than 20 percent of their time fundraising.

The importance of this threshold at around 20 percent of total work time spent fundraising is seen in Table 1--which matches the percent of time spent fundraising and the number of contacts with foundations.

TABLE 1
Contacts with Foundations

	Phone Conversation	Meeting with Staff	Site Visit by Staff	Contact with Board Member
Percent of time spent fundraising				
5-19% N=9 (23%)	39 (18.1%)	18 (16.4%)	11 (15.5%)	2 (15.4%)
20-33% N=17 (42%)	82 (38.2%)	44 (40.0%)	28 (39.4%)	4 (30.8%)
34-100% N=14 (35%)	94 (43.7%)	48 (43.6%)	32 (45.1%)	7 (53.8%)
Totals: N=40 (100%)	215 (100%)	110 (100%)	71 (100%)	13 (100%)

Those spending less than 20 percent of their time raising money were 23 percent of the total number of fundraisers but accounted for only 18 percent of the phone contacts, 16 percent of the meetings with staff, and so on. Those spending more than 33 percent of their time fundraising accounted, in every type, for more contacts than their numbers represented. Those at 20 to 33 percent time fundraising were almost able to hold their own in every type of foundation contact.

Finally, the data indicate a certain diminished efficiency in time spent fundraising. Spending more than 33 percent of one's time fundraising led to more contacts but not to that many more resources used. Also the number of proposals sent out and the total amount raised were related strongly to the amount of time spent fundraising; but these are not indications of greater efficiency. Those spending more than 33 percent of their time fundraising had

73 percent of their proposals funded while those fundraising between 20 to 33 percent of their time had 69 percent of their proposals funded; not a significant difference considering that the latter group received, on average, 64 percent of the amount requested while the former received only 51 percent. Those spending less than 20 percent of their time fundraising seemed to do almost as well as the other two groups when measured by the percent of proposals funded and the average percent of the amount requested that was actually received. The number of cases, however, for which the necessary data were available here was so small that conclusions seem inadvisable. Table 2 summarizes these figures.

TABLE 2
Fundraising Results by Time Spent

Percent of Time Spent Fundraising	Percent of Proposals Funded	Average Percent of Amount Requested That Was Received
5-19% N=3 (14%)	65% N=15 (6%)	48%
20-33% N=10 (45%)	69% N=111 (43%)	64%
34-100% N=9 (41%)	73% N=130 (51%)	51%

Turning to how the foundations responded, the total amount granted was $1.8 million, about half of what was requested. The average grant was $6,400. Almost half of the grants were $1,000 or smaller; six were $50,000 or more,

the largest was over $120,000.

A total of 194 grants was made or almost 70 percent of the proposals reported. Among the foundations funding five or more of these proposals, the range was 27 to 100 percent. Corporate foundations tended to fund, on average, more of the applications submitted to them than private foundations did, by 12 percent. Overall, corporate foundations granted 20 percent more of the amount requested than did private foundations. The size of the average corporate request was $8,671 and the average grant $5,059, while for private foundations the figures were $22,556 and $8,566 respectively. These averages, however, hide the fact that corporate foundations clustered at the extremes of each while private foundations clustered at mid-range. Of the foundations having the highest and lowest percentages of applications funded, four out of five were corporate. Some corporate foundations also chose to fund a fairly high percentage of applications but at a relatively low percentage of the amount requested. Other corporate foundations had high figures for both while still others were low on both indices. This might indicate that corporate foundations are more individualistic than private ones and reflect the decisions of corporate management while private foundations are more influenced by an increasingly professional philanthropic staff. But the survey itself made no attempt to investigate the causes of the differences between corporate and private foundations.

Unexpectedly, the size of the foundation did not seem to affect the percentage of applications funded nor the average percentage of each request funded. There was a major difference, however, in the average size of grant. The larger foundations averaged $8,036 while the smaller averaged $1,951. Also, the smaller foundations were only approached one-third as frequently as the larger ones.

There were several characteristics and activities of organizations that

corresponded to an increased likelihood of foundation support regardless of the type of foundation. Measured by the percentage of proposals received, which were funded, only two foundations funded advocacy organizations at the same or higher levels than they funded alternative or traditional service organizations. Ten foundations seemed to prefer traditional service organizations while seven funded alternative service groups more frequently than either of the other types. The average grant made to each type of organization was $4,796 for advocacy, $5,102 for traditional services and $7,894 for alternative services. Compared to "racial minorities and Hispanics" (RM/H) and "other disadvantaged" (OD), "women's" organizations (W) had 15 and 11 percent more, respectively, of their proposals funded. The average grants for the three constituencies were $6,446 (W), $4,818 (RM/H), and $7,894 (OD).

Neither constituency control nor the size of the applicant organization's budget seemed to make any difference for either the likelihood or average amount of funding. There was a statistical difference here, however, with the percent of the organization's budget coming from foundations. Those organizations that received more than one-third of their budget from foundations were funded 17 percent of the time more frequently than those receiving less than 10 percent of their budget from foundations and the average grant was $8,694 and $4,818 respectively. Also of significance was the effect of prior funding from a particular foundation. The survey collected information about 1983 and "prior to 1983" so there was not much longitudinal data. What there was, however, confirmed that foundations tend to stay with those they have previously supported. There was a higher percentage of applications funded, a larger average grant, and a higher average percent of each request funded for those cases where the foundation had supported the organization prior to 1983.

A frequent question is the effect of initial rejections on subsequent applications. Eight organizations reapplied to foundations where they had been rejected prior to 1983. Ten of these applications were rejected again but fifteen were funded and at an average of $4,500. While, overall, those who had not had any contact prior to 1983 with a foundation received a grant more frequently and in larger amounts than those who had been rejected by the foundation, in more than 50 percent of the relevant cases an initial rejection was followed by funding.

Finally, one of the clearest relationships in the data was that the more types of contacts made for a proposal, the higher the likelihood and level of funding. Proposals that were funded averaged 1.80 (out of a possible 4.00) contacts while those that were not averaged 1.31. But, this relationship was not universal among all organizations. Six out of the thirty-three organizations submitting applications had made as many or more contacts with foundations where the applications were rejected than had those organizations where the applications were funded. Also, here again, the advantage of staff spending more time fundraising was evident. No one spending less than 20 percent of their time raising money was able to make all four types of contacts for an application; on half of their applications these fundraisers had only been able to make one type of contact.

PROFILE OF SUCCESSFUL FUNDRAISING FROM FOUNDATIONS

What are the elements that contribute to success in fundraising from the largest forty foundations in Minnesota? To identify these elements we looked at how organizations compared by two indices. These were:

- percentage of proposals that were funded, and

- percentage of the total amount requested that was granted.

Each index ranged from 0 to 100 percent. Eight organizations clearly clustered at the top on both indices.

CHARACTERISTICS

In this group of eight organizations, constituencies (W-RM-OD) and constituency control were represented in approximately the same distribution as the sample. Only one, however, was an advocacy organization while six were "alternative" and one "traditional" services. Budgets ranged from $163,000 to $2.6 million. The minimum amount of time invested in fundraising was 20 percent; the maximum was 100 percent. The median was 25 percent.

These organizations accounted for 37 percent of the proposals included in this survey. With two exceptions, they relied on foundation grants for at least 40 percent of their budget but at the same time had other sources of funding such as government allocations and/or fees for services.

RESOURCES USED

The resources used by these fundraisers in preparing proposals included foundation directories and printed information from the foundations. All used conversations with peers and personal contact with foundation staff; "word of mouth" was also mentioned frequently. All maintained an organized system of information files on each foundation, personal notes, and other records of

their fundraising activities. Only one of the eight used a professional proposal writer.

For 85 percent of the proposals that these eight organizations submitted, fundraisers had at least one phone conversation with staff; for every three proposals, one or more visits with staff; and for every four proposals, at least one site visit. While these contacts were valuable and sometimes crucial, the most consistent element in obtaining funding was a history of previous funding by the same foundation. From the 120 proposals that were funded among these eight organizations, only eleven were first time funding by a particular foundation. Six of these eleven proposals came from the same organization.

A few organizations and their fundraisers had all of the above characteristics but their rate of success was only average and far below the group of eight. A critical difference between the eight and others may have been the years of experience for the fundraising staff of the former. Some fundraisers in this survey had minimal professional training and most had none. Their knowledge and expertise came from direct "hands on" experience. The length of this experience may be a key to their success. Whether particularly smaller organizations can afford, however, the time it takes to acquire this experience is another question.

RECOMMENDATIONS

This report is not intended to serve as a fundraising workbook. The limited number of cases on which the report is based should also be kept in mind. With these limitations recognized, there are several recommendations which the data suggest. They are made with newer, smaller organizations particularly in mind since it is these that clearly have the most difficulty raising funds from foundations.

1. <u>If foundation grants are planned to represent at least one-third of the organization's budget, then at least one staff person should plan to spend at least 20 percent of time fundraising</u>. It was not unusual for one staff person spending 20 to 30 percent of their time fundraising to be able to secure between $75,000 and $150,000 in foundation grants annually though, in most cases, this was achieved only after several years of experience. Beyond this time "threshold," the total amount of money to be raised becomes the more important consideration when allocating staff time. But 20 percent seems something of a minimum for efficient fundraising.

2. <u>Fundraising should be systematic</u>. The organizations most successful at fundraising all had a system for keeping track of their contacts with foundations. Most foundations do not remind smaller organizations of the foundation's deadlines for applications, staff changes, funding guidelines, and so forth. It is up to the organization to keep track of this information and, generally, the more current the information the more successful the fundraising.

Systematic fundraising also is essential in minimizing disruptions from staff changes. New staff responsible for fundraising can pick up much more quickly when a system is in place on paper

compared to when it is in place only in the previous fundraiser's head.

3. <u>Concentrate fundraising time on sources that can provide specific and up-to-the-minute information</u>. In general, this usually means establishing relationships with individuals who are either experienced fundraisers or foundation staff. Most of the printed information on foundations and fundraising is either generic (like this report!) and/or several years old. A minimal amount of this information--an initial annual report, funding guidelines for the foundation, etc.--is necessary, but once gathered it needs to be supplemented and updated with personal contacts. The most successful fundraisers contacted in this survey all had a network of peers and foundation staff they kept in touch with.

A frequent comment is that many foundations tend to fund persons and not programs. Contacts with foundation staff are important not only for the information they provide but for the relationships that are established.

4. <u>Submit as many proposals as you can follow up on</u>. There is an optimal median between flooding the area with cold proposals and spending months cultivating just one foundation. The data suggest that smaller organizations submit fewer proposals than might be most effective and submit these to the obvious, largest foundations instead of following a more personalized, specialized approach. It is certainly difficult for smaller organizations to spend much time fundraising, but the data here seem to suggest that not to spend the little more time necessary to personalize the organization's fundraising makes this responsibility even more difficult than it need be. If one has to submit "cold" proposals, it might make more sense to submit these to

foundations smaller than the top ten since many of these smaller foundations are used to dealing positively with proposals in this manner.

If an application is rejected and this is taken personally, someone else should probably do the fundraising. When rejections were followed by re-applications, the proposal was funded more frequently than it was rejected.

5. Other sources of funds should be developed simultaneous to foundation fundraising. The organizations that were most successful in raising foundation monies were successful raising other income as well. Organizations most dependent on foundations for support were relatively small and had no other income sources. Depending on foundation grants for continuing, ongoing, operating support is not a strategy for organizational growth. Ironically, cultivating these other sources of income will make foundation fundraising easier as well.

6. Finally, if advocacy is the main purpose of the organization and the organization is constituency-controlled, adding a service component to the organization should be considered if foundation support is part of the long-range funding strategy. Foundations are willing to fund advocacy but in relatively small amounts. Service is much the preferred activity to support. Most advocacy groups are engaged in some form of service to their members; this may be an overlooked fundable activity.

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