



# The Leadership Letter

## Grants: Funding or Folly?

When discussions begin in non-profit organizations about funding, one of the first comments is usually, "Let's get a grant." It appears to be a natural source of funding for our organizations and many of our members have experience working with grants in their professional roles.

In this newsletter, we'll explore the pros and cons of applying for grants and what your organization will need to do in order to successfully navigate the grant making system. We'll also share the perspective of funders who are making those grants. What do they want in grantees? We hope you'll find this information helpful if you decide to move forward in applying for grant funding.

### The Pros of Grant Funding

- 1) Additional funds are available to support particular projects or goals of the organization.
- 2) Submitting an application helps the organization focus its mission and objectives.
- 3) General administrative support may be included in the "indirect cost" category. These are usually administrative costs that are necessary to implement and evaluate the project.
- 4) The grant provides an opportunity to connect and collaborate with both funding organizations and organizations with similar missions in a locale or

community.

- 5) One grant opportunity may lead to the next one as funders and grantees learn about each other.

### The Follies of Grant Funding

- 1) Sufficient thought is not given to how the grant will blend into the overall mission of the organization. Is the project a stand-alone or does it promote the overall goals set by the organization?
- 2) Organizations must treat these grants as "one time money." The grant will end and the organization must plan how to absorb those continuing costs (space, personnel, etc.) that may have been tied to the grant or plan to pull back to levels prior to receipt of the grant. This is particularly important if the grant is large in scope and size.
- 3) If the grant provides significant support for a central mission of the organization, the CEO of the organization or his staff will be in a constant search for funding to maintain the mission. This can be a major stressor for both staff and the Board of Directors.
- 4) Grantors may require specific types of financial audits and these can be a major cost factor.

Read on to find out how to position your organization to be successful.

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# From the Other Side: The Grantmakers' Perspective



## Smarter grantmaking. Stronger Nonprofits. Better Results.

This is the motto of a group called **Grantmakers for Effective Organizations**. They are a membership organization of funders that researches how foundations and funding entities can support strong, effective non-profits through their programs. They have developed four categories for research that apply to their members...goals that will assist them in doing a better job of supporting the non-profit sector.

- ◆ **Strengthen Relationships with Grantees**—"Better solutions take hold when they grow from the community where the change is needed. When we fail to achieve best results, it is often because we aren't connected to our communities and the work of grantees."
- ◆ **Support Nonprofit Resilience**—"The size of many grants, and the strings attached to them, often don't align with the results grantmakers seek. With GEO's support, grantmakers are embracing approaches that fuel nonprofit success—such as providing general operating support, multiyear grants, larger average grants and support for

leadership development and other forms of capacity building, as well as releasing restrictions on grants and caps on overhead."

- ◆ **Learn for Improvement**—"Evaluation enhances grantmaker and grantee performance when information is used to inform real-time improvements to strategy and practice. By adopting a learning for continuous improvement mindset, grantmakers can use evaluation to go beyond proving an intervention has worked to instead focus on understanding why and how performance can be improved."
- ◆ **Collaborate**—Collaboration allows grantmakers to leverage the contributions of multiple players to make more progress toward shared goals. For grantmakers, working collaboratively means deepening relationships with partners and putting a common vision ahead of individual organizations or agendas. Grantmakers can also effectively support grantee collaboration by funding infrastructure that enables these efforts to thrive, connecting people and groups working in common areas and emphasizing long-term learning and impact over short-term gains.

*Source: Grantmakers for Effective Organizations, <http://www.geofunders.org>*

## So what does this self-analysis by funders tell you as a grant applicant?

- 1) **The relationship between the grantee and the grantor is critical, both in terms of empathy for a cause or mission and in ensuring that grant funds are effectively utilized.** These are often relationships that are developed long before any grant applications are put forth.
- 2) **Grants are effective if the persons who are impacted by the projects are included in the development and implementation process.** Doing something "for" someone is not as effective as doing something "with" someone.
- 3) Some of the constraints that are placed on the use of grant funds may be counterproductive. **It's up to you to make the case for longer-term and broader support.**
- 4) **Good and detailed evaluation is key.** Any plan that you put forth should include a detailed, comprehensive evaluation component that can demonstrate the effective use of the grant funds. The goal you set out may not be reached, but you must demonstrate what barriers and obstacles prevented you from reaching those goals.
- 5) **Working together makes all the difference and expands the scope and impact of the grant.** Collaboration can support significant, meaningful grant projects.

# Preparing Your Organization for Success

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Finding a source of potential funding for your organization is just the first step. Having a “good idea” doesn’t translate into money to implement that idea unless your house is in order and your organization has all the components in place to effectively utilize a grant.

We’re assuming that your organization is designated as a 501(c)(3) under the IRS code. This means that you have applied to the IRS to be designated as a “charitable organization” and meet the definition as set out by the Code. If you are approved by the IRS, you will receive a “**determination letter**” that states that you have been recognized as tax-exempt by the United States government. Unless you have that determination letter, you have not been granted tax-exempt status. (An employer identification number is not the same as a tax-exemption.)

This is important because many foundations will not consider a grant proposal unless you provide the determination letter as a part of your grant application. If you are not independently certified, you may be able to partner with an organization that has the designation in order to qualify for grant funding.

If you have met this test, you’re ready to determine if the rest of your “house is in order”. Once you have your idea developed, you will need to convince potential funders that your organization has the ability to carry out the proposed project.

## Questions to Consider

⇒ Does your organization have a

clear mission and vision?

- ⇒ Does your organization have goals and objectives that are incorporated into a strategic plan?
- ⇒ Are your Board members committed and do they contribute financially to the organization to support your cause?
- ⇒ Is your executive team and staff capable of managing this additional project? Are there sufficient policies and procedures in writing to ensure that the organization is operating efficiently and within the scope required of a non-profit organization?
- ⇒ Does your Board assume fiduciary responsibility and oversight of the financial operations of the organization? Are they regularly reviewing the financial reports and assets/investments of the organization?
- ⇒ Will the organization’s accounting system be sufficient to handle the accountability necessary for grant funding?
- ⇒ Is there an audit/financial review process in place that will assist in verifying that all grant funds have been spent per the grant agreement? If these are federal funds, is there capacity to do the specific audit sometimes required for these funds?
- ⇒ Is the organization financially sound? Will the grant enhance the work of the organization? Are you seeking a grant as a “Hail Mary” to make up budget deficits?

- ⇒ Have you developed collaborative relationships with other organizations that can support the work that you are planning?
- ⇒ How will staff be designated to implement the project? Will the project require hiring new staff and are personnel policies and hiring practices sufficient to maintain a legal hiring and dismissal process?
- ⇒ What type of reporting procedures are in place that will assist in documenting grant activities?

## How do We Get Started?

Figuring out how to begin may be one of the most difficult parts of the journey. Here are some tips to get you on your way.

- 1) **Start Small**—Get your feet wet and learn the grant proposal process by choosing a small project that will require a less complicated proposal, maybe a small grant of a few hundred dollars to support a local event.
- 2) **Do Your Research**—Most foundations have a website that will walk you through their requirements to submit a proposal. The site may include the types of proposals they will accept, a timeline for submission, requirements for supporting documents, etc. Try a local foundation first. They are usually the most “friendly” in terms of what type of proposals they will accept.
- 3) **Give It a Try**—You’ll never be successful if you don’t try!

***We're Here to Help!***



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*Promoting Quality Care and Education for  
Young Children and Their Families*

*SECA is a "Voice for Southern Children"*

*This newsletter is written and produced  
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[www.southernearlychildhood.org](http://www.southernearlychildhood.org)

***If you're considering applying for and managing a grant,*** SECA has developed Board training modules that may be helpful as you go through this process.

*Module 1: Association Non-Profit Basics*

*Module 2: Legal Aspects of Non-profit Associations*

*Modules 5 & 6: The Board of Directors*

*Module 8: Non-profit Association Finances &  
Fundraising*

Each one of these modules contains a background document and a Power Point presentation that can be utilized with the Board for a short training session.

You'll find them at

[www.southernearlychildhood.org/leadership](http://www.southernearlychildhood.org/leadership)

## Resources to Help You Find Grants



The **Enoch Pratt Free Library** is one of the oldest free public library systems in the United States. They have some good information about the basics of grant writing. <http://www.prattlibrary.org/search/site.asp?k=nonprofit+grants>



This site includes information about federal grant opportunities and how to become tax exempt. <http://www.usa.gov/Business/Nonprofit.shtml>



leading source of information about philanthropy worldwide. Through data, analysis, and training, it connects people who want to change the world to the resources they need to succeed. The Center maintains the most comprehensive database on U.S. and, increasingly, global grantmakers and their grants — a robust, accessible knowledge bank for the sector." <http://foundationcenter.org/getstarted/nonprofits/>



The **United Way** is a locally oriented organization that makes grants to support projects in

"Established in 1956, the **Foundation Center** is the

communities. Go to the link below and enter your zip code in the box at the top right. The website will direct you to the website of your local United Way.

<http://www.unitedway.org/pages/about-united-way-worldwide/>



The National Council of Nonprofits is a resource and advocate for America's charitable nonprofits. They serve as a central coordinator and mobilizer to help nonprofits achieve greater collective impact in local communities across the country.

<http://www.councilofnonprofits.org/>