

Drowning in Paperwork, Distracted from Purpose

Challenges and Opportunities in Grant Application and Reporting



A report from *Project Streamline*

a collaborative initiative of the
Grants Managers Network

In partnership with
Association of Fundraising Professionals
Association of Small Foundations
Council on Foundations
Forum of Regional Associations of Grantmakers
Foundation Center
Grantmakers for Effective Organizations
National Council of Nonprofit Associations

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Dear Colleagues,

Are nonprofits **drowning in paperwork and distracted from purpose** as a result of grantmakers' application and reporting requirements? Do the same practices that grantmakers use to increase effectiveness end up over-burdening both grantmakers and grantseekers—and diminishing their effectiveness? This research report commissioned by *Project Streamline* addresses these questions by **examining current application and reporting practices and their impact on grantmakers and grantseekers alike**. In short, we found that the current system creates significant burdens on the time, energy and ultimate effectiveness of nonprofit practitioners.

Project Streamline is a collaborative effort of organizations from both sides of the grantmaker/grantseeker divide who are studying grant application and reporting practices, their impact on grantseekers and grantmakers, and the implications for the field. Almost every funder has some type of unique application and reporting process. And most grantmakers believe that their requirements are both reasonable and necessary. But our research reveals that **in our zeal to be thorough, strategic, and effective, we often fail to consider the cumulative impact that thousands of separate requirements have on grantseekers**. The goal of *Project Streamline* is to create a set of principles to inform grantmakers' decisions about their information gathering practices.

This publication is the first step in a larger process to **spark new thinking and discussion**. We believe that in order to address this issue, we need to open an honest dialogue within foundations, among foundations, and between grantmakers and grantseekers.

In the coming months, *Project Streamline* will sponsor conference presentations, roundtables, teleconferences, and other convenings to **gather input and hear stories** of how the findings and recommendations presented in this report come to life in real foundations. Our website, www.projectstreamline.org, has a place for comments and an ongoing blog that we hope will be provocative and inspiring.

Let us know what you think. Maybe our findings will be in line with your own experiences. Maybe you'll have different perspectives and stories to share with us. Maybe our conclusions will anger you. Maybe they will make you jump out of your chair and shout "YES!" Whatever your reaction, we'd like to hear from you.

We look forward to a lively and productive discussion!

Sincerely yours,



Richard Toth

Project Streamline Chair

Director, Office of Proposal Management

Robert Wood Johnson Foundation

An Effectiveness Paradox

A national organization has dozens of foundation funders, each with a distinct application process, different requirements, and its own cycle for funding.

As part of their annual report to a funder, staff from a nonprofit service agency have to categorize their clients according to the funder's specifications, even though the categories are not the same ones that the nonprofit uses.

Three times each year, a family foundation with broad funding guidelines receives 70-80 proposals in the mail. This overwhelms the single staff person, as well as the board members who serve as program officers.

Most grantmakers¹ take their responsibilities to support nonprofit and other public-serving organizations seriously, and spend considerable time thinking about how they can be most effective. Stories of highly productive, warm, and mutually satisfying partnerships between organizations and their funders abound. Yet the grantmaking process is rife with inefficiencies such as those suggested in the above stories, and these inefficiencies mean that everyone is wasting time and money that could be devoted to accomplishing missions.

It is no exaggeration to say that the current system of application and reporting has grantseekers and grantmakers alike drowning in paperwork and distracted from purpose. Indeed, that is the clear finding from our detailed scan of grant application and reporting practices in U.S. foundations today. (See page 6 for a summary of the research methodology.) Such practices may be only a small part of the bigger picture of grantmaking effectiveness, but they threaten to undermine other grantmaking effectiveness efforts by creating barriers to nonprofit success.

These barriers confront the combined third sector (philanthropy and nonprofits) with an effectiveness paradox. Foundations strive to increase their own impact, in part through specialized application and reporting practices. Many feel that they cannot be responsible stewards of philanthropy's resources without requiring significant and customized information from nonprofit organizations. But these individualistic practices—multiplied by thousands of grantmakers—place a heavy burden on organizations seeking funding and hamper their ability to be efficient with time and ultimately effective in their missions. Most foundations don't fully appreciate the extent and consequences of these inefficiencies. But even the rising number of those that grasp the problem struggle with how to solve it.

1. For the purposes of this report, "grantmakers" refers generically to all grantmaking organizations including private and public foundations, corporate giving programs, and grantmaking programs that are part of nonprofit organizations and associations. At times, the words "foundation" and "funder" are also used in a generic sense. For the purposes of this report, grantseeking organizations of all shapes and sizes, from the largest university to the smallest community nonprofit, are referred to as "grantseekers" or "nonprofits."

Compounding the problem is philanthropy's diversity of purpose and operations, which makes standardizing practices across foundations highly difficult. As the saying goes, "If you've seen one foundation, you've seen one foundation." More than 71,000 grantmaking organizations with assets of more than \$550.6 billion operate in the United States.² With so many funders operating in so many unique ways, it is no wonder that efforts to improve practice tend to be localized. Yet we can no longer afford to let fragmentation derail our sector from doing something about these practical obstacles to nonprofit efficiency and effectiveness.

Determined to address the great waste of time and energy caused by inconsistent and inefficient reporting and application procedures, eight organizations representing grantmakers and grantseekers came together to form *Project Streamline*. Project partners include the following organizations:

- Grants Managers Network
- Association of Fundraising Professionals
- Association of Small Foundations
- Council on Foundations
- Forum of Regional Associations of Grantmakers
- Foundation Center
- Grantmakers for Effective Organizations
- National Council of Nonprofit Associations

Together, these diverse partners commissioned a scan of grant application and reporting practices, their impact on grantseekers and grantmakers, and the implications for the field. This report is the result. **Its goal is to spark thinking and dialogue on this topic across a wide range of grantmaking stakeholders of all shapes and sizes.** In the pages that follow, we invite you to:

- Delve into the burdens that application and reporting requirements place on grantmakers and grantseekers
- Explore the evolution of these practices
- Consider some creative solutions
- Review a set of recommended core principles

The eight partner organizations believe that a critical first step in addressing this issue is opening an honest dialogue within foundations, among foundations, and between grantmakers and grantseekers. Over the coming months, *Project Streamline* will sponsor conference presentations, roundtables, teleconferences, and other convenings to gather feedback and learn more about how the recommendations presented in this report can come to life in grantmaking organizations.

2. The Foundation Center, "Highlights of Foundation Yearbook, 2007 Edition," http://foundationcenter.org/gainknowledge/research/pdf/fy2007_highlights.pdf.

Report Methodology

Research for this report was conducted by Kristin Lindsey and Jessica Bearman (Intersector Consulting), using a combination of survey, interviews, focus groups, literature review, and secondary data. The resulting scan explored and mapped the current landscape of information gathering practices, the impact of those practices on foundations and grantseekers, examples of creative approaches to streamlining, and the implications of the findings for philanthropy.

Survey: Approximately 5,000 foundations received an online survey through their professional networks (the Grants Managers Network, Grantmakers for Effective Organizations, the Regional Associations of Grantmakers, the Association of Small Foundations, and the Council on Foundations). In total, 1215 surveys were started and 950 surveys were completed by 858 distinct foundations of all types and sizes, from nearly every state in the country. Foundation staff at many levels responded to the survey, including Trustees (8 percent), CEOs (29 percent), Program Officers (15 percent), and Grants Managers (16 percent). Data in this report—unless otherwise attributed—are drawn from this survey. Anonymous quotes in this report are drawn from focus groups, interviews, or survey comments. A summary of all survey results can be found at www.projectstreamline.org.

Interviews and Focus Groups: Intersector Consulting conducted interviews with 51 foundation representatives, intermediary organizations, and nonprofit organizations. In addition, we convened more than 60 individuals in focus groups held at the Grantmakers for Effective Organizations conference, the Council on Foundations' Community Foundations conference, the Association of Small Foundations conference, and the Association of Fundraising Professionals regional conferences. Three telephone focus groups were held with 11 additional nonprofit organizations from across the country. Information about interviews and focus group participants can be found online at www.projectstreamline.org.

Data from Center for Effective Philanthropy: In support of this project, we commissioned the Center for Effective Philanthropy (CEP) to conduct an extensive review of their data, collected through their Grantee Perception Survey between fall 2003 and spring 2007. Data from 170 foundations are included in this report. CEP also coded 540 relevant suggestions from their grantee surveys. Finally, CEP undertook a set of regression analyses to test the predictive power of four categories of variables on the helpfulness of a grants process to grantees and the amount of time spent by grantees. Data from the Center for Effective Philanthropy are available for review at www.projectstreamline.org.

Literature: In choosing to focus on this circumscribed topic, we intentionally ignored other aspects of the grantmaker/grantseeker relationship that are clearly meaningful. Fortunately, other recent studies, articles, and white papers from Grantmakers for Effective Organizations, the Center for Effective Philanthropy, the Hauser Center for Nonprofit Organizations at Harvard University, and the National Committee for Responsive Philanthropy, among others, have emphasized other aspects of this relationship including: the centrality of the program officer, the urgency of general operating support and increased payout, best practices in developing grantmaking priorities, and the importance of a diverse staff, board, and grantmaking program. A recently published report from the Canadian Wellesley Institute (Toronto, ON) focused on the administrative burdens placed on three community service organizations and reached conclusions very similar to our own. Most of these reports point a finger at burdensome administrative requirements as one of the factors that inhibits foundation and nonprofit effectiveness. For a complete bibliography of resources consulted and cited, see Bibliography, page 39.

Ten Flaws in the System

Grantmakers work hard to develop application and reporting processes that provide the information their boards and staff members need to make decisions about whether to offer funding and to assess whether that funding was used wisely and appropriately. For many grantmakers, the way they gather this information becomes central to their identities and deeply tied to their funding mission. Grantseeking organizations, in turn, recognize that grantmakers need information from them in order to provide funding. Successful grantseekers become quite proficient at writing grant applications, and a large industry of fundraising degree programs, courses, and workshops supports their efforts.

“The administrative burden placed by funders on community nonprofit organizations is so heavy and so unrelenting, and places so many constraints on their ability to operate that it is a wonder they can deliver any services effectively.”

—Lynn Eakin, from *We Can't Afford to do Business This Way*

In short, a system has emerged—a system that is widely accepted and rarely challenged. Yet the cumulative effect of countless carefully wrought Requests for Proposals, grantmaker-specific practices, mission-centered questions, and unique requirements creates a staggering burden on nonprofit grantseekers. Like the organizations described at the beginning of the report, most nonprofit grantseekers must juggle multiple funders, each of which has a distinct set of questions, a separate grantmaking cycle, a different budget form, individual online or hard-copy systems, and page, word or character specifications, not to mention myriad requirements for how demographic data is to be represented, activities evaluated and results reported. Imagine this scenario replicated in thousands of nonprofits responding to thousands of foundations, and it becomes easy to see how the sector's grantmaker-specific practices might interfere with the efficient flow of funding to address community needs.

Nonprofit leaders are beginning to voice their frustrations. In *Daring to Lead 2006*, from CompassPoint and the Meyer Foundation, researchers found that a substantial proportion of nonprofit executive directors are deeply frustrated and fatigued by institutional fundraising, “both the logistics of the process and the influence that funders exert.” This exhaustion contributes to high burn-out and turnover in nonprofit executives.³

Our study found ten ways that the current system of grant application and reporting creates significant burdens on the time, energy, and ultimate effectiveness of nonprofit practitioners.

3. Bell, Moyers and Wolfred, *Daring to Lead 2006*, 13.

1 Enormous Variability

Nonprofits encounter a dizzying range of practice—both within and among funders—when it comes to the types of information they are required to provide.

For example, according to Center for Effective Philanthropy (CEP) data, some foundations require financial information from over 90 percent of their prospective grantees, while others require it of only a small fraction or none at all. Even *within* foundations there is variability. The majority of foundations CEP studied require nonprofits to submit a Letter of Inquiry (LOI) between 34 percent and 55 percent of the time—meaning that even within one foundation, a grantseeker may or may not be asked to submit an LOI.

Similar inconsistencies show up in practices such as having telephone or in-person conversations, receiving a site visit, or providing references. Even the written proposal—a hallmark of organized philanthropy—is not always required. Indeed, while most foundations in the CEP data require it nearly all the time, some require it from as few as 16 percent of their grantees.

ONE FOUNDATION'S APPLICATION REQUIREMENTS

- Letter from board chair
- Resumes of key people responsible for project
- Interim financial statements
- Support letters (if pertinent)
- Annual report (if available)
- Organization chart
- Bylaws
- 3-year income history
- Need for the project
- Target population and how they will be impacted
- Implementation schedule
- Goals, objectives, and action steps
- Other project participants
- Other organizations doing similar work
- Long-term funding strategies
- 3 competitive bids for capital projects
- List of other funding sources and the amount requested of each

Grantseekers find tremendous variability in expectations, communications, timeline and foundation staff availability. Each time a nonprofit engages with a new potential funder, they enter mysterious and unpredictable terrain. As grantseekers try to make sense of this variety and figure out the best way to work with each funder, they are inclined to classify grantmakers into categories. From the grantseeker perspective, four types of funders emerged from our study: the Mystery Foundation, the Fickle Authority, the Neutral Supporter, and the Thinking Partner.

The Mystery Foundation: This foundation's priorities and expectations are extremely hard to interpret. The grantseeker is forced to “search for clues” about what the foundation wants to fund, how best to appeal to the foundation, and what the foundation expects from the nonprofit. “We couldn’t find a phone number,” explained one nonprofit representative, “so we sent our letter of inquiry out into the void. We never heard anything back . . . we don’t even know whether or not they received it.”

IN THEIR OWN WORDS: WHAT NONPROFITS WANT

Personal Contact: “All we want is a five minute conversation—a chance to vet ideas and get direction.”

Questions Answered: “The common line is ‘go to our website and look at our guidelines.’ But 90 percent of the guidelines are so ambiguous that we can’t really make sense of them.”

To be told “NO” before they waste time: “Just as foundations don’t want to receive proposals that don’t fit their mission, nonprofits don’t want to spend time preparing proposals that aren’t going to go anywhere.”

Right-Sized Application and Reporting

Requirements: “Make application requirements at least somewhat proportional to the expected level of funding. There have been times when I’ve had to submit 30+ pages for \$5,000. . . .”

Tested and sensible online systems: “We have to hunt or cheat the system in order to print it out and see the questions—even though I need to do that to gather all the detail I need. All that hunting and clicking takes time.”

Sensible Budget Requests: “Foundations that provide their own budget formats often group line items in different ways, requiring time consuming maneuvering of figures.”

Clear reporting guidelines—from the start: “Some funders don’t provide reporting requirements until well into a grant period. So even if we have an idea of how we plan to evaluate a project, it may not always be congruent with what the funder will ultimately ask for in a report.”

Reporting timelines that correspond with the grant period: “Sometimes, we have to report on the grant before it’s finished. That’s especially problematic when it comes to financial reporting.”

The Fickle Authority: The Fickle Authority changes direction unpredictably—picking up and dropping funding priorities and changing its criteria and expectations, sometimes midstream. Nonprofits shared many stories of such unpredictability, including grantmakers who change long-time funding priorities and information requirements without communicating those changes to grantees.

The Neutral Supporter: Grantseekers appreciate the philosophy of the Neutral Supporter, which sees its role as providing funding and “getting out of the way.” Nonprofits commented that these funders tend to have clear guidelines, often with a pre-proposal screening process, which make efficient use of the grantseeker’s time.

The Thinking Partner: This is the foundation that actively seeks relationships with nonprofits and works with them to develop their proposals and programs. It provides critical thinking support, introductions to other funding prospects, and great flexibility that enables the nonprofits to do their best work. These relationships are characterized by foundation sensitivity to the priorities of the nonprofit and excellent communication. One nonprofit representative described how a foundation program officer worked closely with her for several months, gradually and painstakingly shaping a proposal to be as strong as possible for board review. Although Thinking Partners are often valued by nonprofits, they need to ensure that their advice is sound and does not influence program development in ways that might not be in the best interest of the grantseeking organization.

2 Requirements Aren't "Right-Sized"

We asked foundations whether their requirements varied depending on the size and type of grant requested. The majority (66 percent) don't vary their requirements depending on the *size* of the grant given, while 59 percent don't vary their requirements depending on the *type* of grant given. Nearly three quarters (72.4 percent) also reported that they do not have a streamlined process for previously funded organizations, requiring long-time grantees to apply for repeat grants as though applying for the first time.

Percentage of foundations that don't vary requirements by grant size



Percentage of foundations that don't vary requirements by grant type



Percentage of foundations that don't vary requirements for previously funded organizations



"We're much too small a funder not to be this flexible, plus behaving 'right sized' is itself a mini-grant to any charity."

—Grantmaker

Although most grantmaking processes are officially inflexible, most grantmakers are aware that one size doesn't fit all when it comes to grantmaking. Indeed, a large majority of survey respondents (74.1 percent) indicated that their application and reporting requirements are sometimes, often, or always flexible in practice. According to the comments within our survey, grantmakers regularly accommodate grantseekers when it comes to the format of applications and budget formats. Approximately 20 percent of the foundations noted that they modify their requirements on a case-by-case basis, depending on the needs of the nonprofit.

3 Insufficient Net Grants

Nonprofits don't really receive grants. They receive "net grants"—the total amount of funding *minus* the true cost of getting and managing the grant.⁴ Nonprofits must weigh the possibility of funding against the cost of seeking it. One nonprofit focus group participant explained that she discouraged her staff from pursuing grants of less than \$25,000, because in her experience, they were almost always "ludicrously complicated for nothing much at the end." For many other nonprofits, the cut-off point was \$5,000.

It is difficult to estimate how much time nonprofits spend developing and writing grant applications and reports. A Rand Corporation Case Study of one nonprofit organization calculated that it spent 11 percent of its budget and 44 percent of its organizational time complying with funder requests.⁵ In CEP's data, the average amount of time spent on the grant proposal creation and application/selection process is 27.45 hours per grant, with a median of 20 hours. Reporting and evaluation receive considerably less attention: nonprofits indicate that they spend between an average of 20.48 hours on foundation-required reporting, with a median of 10 hours.

The grant and organization size were not found to be good predictors of the time spent during application and reporting: small and large grants can be equally time consuming, according to CEP's data. In fact, nonprofits in our study reported that smaller foundations can be harder to work with: despite small grants, they often have highly specialized requirements. Staff from one grantseeking university described an experience wherein a single question from a small funder took up to six hours to answer, because it required a detailed "slicing and dicing" of information different from their usual way of analyzing data.

4 Outsourced Burdens

Because the "net grant" is often small, it is particularly problematic when grantseekers are required to do what is essentially the grantmaker's work without compensation. We refer to this phenomenon as *outsourcing the burden*. Although many grantmakers do not want their grant money used for administrative and fundraising purposes, application and reporting often require labor- and time-intensive activities of the grantseeker, activities that frequently can and arguably should be done by grantmakers.

There are two areas, in particular, where grantseekers feel they bear the brunt of the grantmakers' outsourced burden: administrative tasks, particularly during application, and evaluative tasks during reporting.

4. Buechel, Keating, and Miller, *Capital Ideas: Moving from Short-Term Engagement to Long-Term Sustainability*, 24.

5. Lara-Cinisomo and Steinberg, *Meeting Funder Compliance*, 45-47.

Administrative: It is not uncommon for funder guidelines to stipulate that grantseekers send multiple copies of their proposals and accompanying materials, necessitating that they photocopy, collate, and even hole-punch multiple documents. Some foundations require that grantseekers submit application material by mail rather than email, because their board requires paper documents or because it is easier for the foundation to keep track of hard-copy submissions. Most commonly, grantmakers require nonprofits to send copies of their IRS Letter of Determination and other basic due-diligence information, even when the nonprofit has been funded many years in a row or when that information is readily available to the grantmaker online.

Evaluative: In this type of outsourcing, the funder—seeking to measure its overarching impact on the particular field—requires a grantee to conduct a specific kind of program evaluation that may not be appropriate to the grantee’s capacity or needs. Grantees are often asked to speak on panels, submit testimonials, submit photographs or stories, or do other work to help the foundation demonstrate its impact. Although there are many examples of nonprofits and funders collaborating to demonstrate impact in a way that is mutually beneficial and not unduly burdensome on the grantee, there are also many examples where the assessment process involves unfamiliar tools and time-consuming processes, without resulting in a benefit to the grantee.

5 Trust Undermined

Simply put, many nonprofits believe that foundations do not trust them, and they interpret the burdens of application and reporting as evidence of that distrust. Trust emerged as an important theme in nonprofit interviews and focus groups, particularly when fundraisers and executive directors contrasted foundation fundraising with individual donor solicitation. When working with individual donors, nonprofits fundraise through relationships. Donors typically put their faith and money in the organization based on a series of conversations and materials that the organization already has on hand, such as annual reports and brochures. Nonprofits commented that, compared to individuals, foundations are not always worth the effort. The difference, they hypothesized, has to do with trust. According to a development officer from a large, international nonprofit organization, “Sometimes, I feel like program officers look at me as a used car salesman—like I’m smarmy. I wish there were a little more compassion.” And, indeed, foundations do regard development staff with suspicion. As one small foundation representative stated, “We don’t work with fundraisers . . . development staff are salespeople.”

“If it were useful, but burdensome, I would not object. But it does seem to be more paperwork than anything else.”

—Nonprofit Executive

This lack of trust is particularly poignant because research has shown that nonprofits value clear communication and relationships above all else in their interactions with funders. It was obvious from interviews, focus groups, and CEP data that strong communication and a respectful relationship can compensate for other, less satisfactory elements of the grantmaking process. Grantees consider more involvement of foundation staff during the development of grant proposals to be essential to the helpfulness of the process. In contrast, the presence or absence of such activities as a letter of inquiry, a site visit, or a written proposal had a weak influence on the perceived helpfulness of the process. In other words, it almost didn't matter what the grantmaker required—detailed budgets, multiple rewrites, logic models, specific demographic data. As long as the nonprofit staff felt that they had a relationship with the grantmaker and that the grantmaker's priorities and expectations were clearly communicated, they considered the process helpful to their work.

6 Reports on a Shelf

Despite funders' stated desire to use reporting and evaluation for monitoring compliance and measuring impact, results from a 2004 study of funders' attitudes and practices found that only about half of foundations surveyed used results strategically, either to influence future grantmaking or to share with the field.⁶ Our research came to the same conclusion: grantmakers indicated that they use most of what they collect primarily to monitor compliance. Only 27 percent of grantmakers reported that they share information about challenges and lessons learned with others in their field. Other aspects of reporting, such as information about a project's progress, future plans, collaborations, and assessment, are shared less frequently.

“We assume that they feed everything to a giant fiery furnace.”

—Nonprofit Executive

Grantees know that their reports are used by grantmakers primarily as a way of checking compliance and perceive this as further evidence that grantmakers do not trust them, according to our focus group participants. Grantseekers also suspect that many of their reports do not receive much attention. They wonder why they are required to provide such detailed and lengthy reports just to prove that they complied with the grant terms. Underlying these complaints is the sense that “much of the information (grantees) provide is not used and has little or no impact on service, yet gathering this data consumes increasing amounts of time and scarce resources.”⁷ Grantees would like to receive more feedback and interaction around their reports, according to our research and that of CEP. Indeed, about 22 percent of grantee comments about reporting from CEP's Grantee Perception Report data focused on their desire to receive a response to, and feedback on, their submitted reports.

6. Ostrower, *Attitudes and Practices Concerning Effective Philanthropy*, 15.

7. Eakin, *We Can't Afford to do Business This Way*, 3.

7 Fundraising Gymnastics

The most commonly cited effect of the foundation funding system is that nonprofits continually reinvent their programs—at least on paper—in response to foundations’ preference for the “new and different,” and reluctance to pay core operating support. Application and reporting requirements also cause nonprofits to develop strategies that are the opposite of what foundations intend. For example, nonprofits learn to work around grantmaking staff to ensure that their proposal is considered. They devote time and energy to *board mapping*, described by one nonprofit representative as “looking for the second cousin twice removed” who can help the nonprofit avoid the standard hoops and get straight to the funder’s board. Grantmaking staff find it troublesome when a nonprofit organization circumvents the normal application and reporting process in this way, but nonprofits continue to do it because they find that it works.

Complying with foundation preferences encourages other adaptive behavior in grantseekers, according to our interviews and focus group participants:

We hunt for clues. Nonprofits often find it so difficult to figure out what grantmakers really want from them that they resort to hunting for clues—searching through online and print material for hints of true priorities, previous grant recipients, and key buzz words that could strengthen their proposals.

We keep two sets of books (or more). Because foundations often require budgets in a particular format, or ask to see expenses broken down in specific ways, many nonprofit organizations keep multiple versions of their budgets. The potential for errors is heightened every time a budget is translated into a new format.

We keep a typewriter around, just for those applications. Some application forms still contain sections that need to be filled in with a typewriter. Others require a specific number of characters or words. Some online forms must be completed in one sitting because they do not allow the applicant to save and continue at a later time. Other online systems do not allow grantseekers to print and review their responses before submission.

“Having to translate everything into percentages—down to the level of detail like postage . . . that is just a screaming pain, and it can’t possibly be accurate.”

—Nonprofit Fundraiser

8 Due-Diligence Redundancy

Grantmakers want to be sure they are funding legitimate organizations that are not affiliated with terrorist groups. Due-diligence requirements have been heightened since September 11, 2001 in response to the U.S. Patriot Act and other governmental orders. More recently, the Pension Protection Act of 2006 imposed new pre-grant due-diligence requirements for all private foundations and sponsors of donor-advised funds, especially where grants to supporting organizations are concerned. In light of these and other regulations, grantmakers express concern over whether their due diligence is sufficient. Since it is difficult to determine exactly what is needed for due diligence (and since the list regularly changes), grantmakers tend to play it safe at the recommendation of their legal and financial advisors, requiring redundant and often unnecessary documentation from grantseekers. According to one foundation focus group participant, the foundation's auditors give such confusing and contradictory advice that "we just make everyone go through the same process just in case, even though it seems like a waste of time for some of these grants."

"I know that we could stop asking for the IRS letter, and could use a system like GuideStar. However, our auditors ask for the tax letter to be in each file!"

—Grantmaker

For example, the Tax Determination Letter—the original letter from the Internal Revenue Service (IRS), establishing an organization's tax status—does not prove that the organization is still in good standing with the IRS. The only real way for grantmakers to verify an organization's standing is to research the nonprofit before each payment to be sure that the letter has not been rescinded. The IRS suggests that granting organizations either access the Business Master File (a file that is updated monthly) from the IRS, or rely on a third-party (such as GuideStar's Charity Check) to verify that the organization remains in good standing.⁸ However, most grantmakers, often at the insistence of their legal and/or financial counsel, continue to collect the Tax Determination Letter for each grant request.

9 Double-Edged Swords

More than 80 percent of the grantmakers who responded to our survey reported that they have taken steps to make their information gathering practices "more efficient and streamlined for nonprofit applicants." For many (66.7 percent), such streamlining included posting application and reporting guidelines online. For more than half, streamlining entailed adding a screening process, such as a letter of intent or a telephone conversation, to their application process or changing the format of the application. Nearly 39 percent of respondents streamlined by changing the types of information gathered, while 32 percent have reduced the amount of information required.

8. For more information, see "Reliance on BMF Information - Certain Determinations of Public Charity Status," Internal Revenue Service, < <http://www.irs.gov/charities/charitable/article/0,,id=168531,00.html>>.

Streamlining Strategies Adopted by Foundations

Added screening process



59%

Reduced information gathered



32%

Changed information gathered



39%

Changed grant format



53%

Posted requirements online



67%

Began to require or accept common grant application



28%

Many streamlining strategies have turned out to be useful to foundations and their grantees. Yet others, notably online applications and common grant applications, have produced mixed results, creating new issues for grantmakers and grantseekers alike.

“I know that some grantseekers have to somewhat recreate the wheel when applying for annual support. As we move to an online process, the process will be streamlined and will not require grantees to re-enter the same information year after year.”

—Grantmaker

Going Online: As the 20th century has rolled into the 21st, philanthropy has gradually moved online. By all accounts, grantseekers have clamored for online information, application, and reporting. In theory, philanthropy’s increasing reliance on the Web should help all parties. The advantages seem obvious: grantseekers receive ready access to information and grantmakers spend less time fielding calls and sending information in the mail. Some of the more advanced systems enable coordination with grants management software and automatic checks on an organization’s tax status. Grantees can store their financial, board, and historical information, retrieve past proposals and reports, and upload directly and efficiently to the system.

In practice, online grantmaking still has flaws. One of the most serious issues, according to grant-seekers, is that it is harder than ever to have a conversation with a real person; many funders expect that nonprofits will find everything they need online. Additionally, although most funders have websites that describe their missions and funding priorities, nonprofits report that these are often difficult to interpret or contain contradictory information. Funders, in turn, are often frustrated by grantseekers' disregard for online information and reluctance to accept guidelines as they are posted.

Relatively few funders allow grantseekers to submit applications online because the technology can be costly and complicated to implement. Instead, many provide a PDF or Word version of their application form, which can be downloaded and then returned to the foundation via email or through the mail. Some of these downloadable forms allow applicants to add text on their own computers, but many must be rekeyed or even completed using a typewriter. Funders that have experimented with online systems for application and reporting describe technological glitches that make the systems difficult to use, such as problems uploading attachments or systems that do not allow a user to save and return to work-in-progress. Some online systems have word limits or time limits that also frustrate grantees.

Common Grant Application and Reporting: Common grantmaking forms for application and reporting (here, generically referred to as CGAs), which provide a single set of application and/or reporting questions that a substantial number of funders in a region (or funding area) will accept, have seemed like a logical time and resource saving tool for philanthropy. Yet our research found surprisingly little support for common grantmaking forms as a strategy for effective streamlining. CGAs are accepted (or, much less frequently, required) by 34 percent of foundations that responded to our survey.

ARE CGAs MIA?

Unfortunately, like so many things that try to please everyone, common grant applications often fail to please anyone. Comments from funders fell into five somewhat contradictory areas:

It doesn't ask for enough information. We do accept the common grant application but few applicants use it and it requires us to request much supplemental info.

It asks for too much information. We will accept the [common application] but we have never had anyone use it, and our requirements are simpler.

We don't use it, but ours kind of looks like it!

We don't require or accept [CGAs], but our application was modeled after the common application.

We let the nonprofits decide... and they don't use it. We do accept the common grant application form, but many of our applicants do not use it.

We wish we had one! We would very much like to. I think the #1 priority of your project should be educating the foundation community about the types of common grant proposal forms out there and making them more accessible.

CGAs have been created and promoted by many regional associations of grantmakers and other regional or field-of-interest grantmaking groups. Generally, CGAs take shape through an intense and time-consuming process that strives to drill down to the questions and elements that each foundation finds most essential to decision making. According to this research, grantmakers often perceive the end result as too bulky and not strategic enough. Alternately, grantmakers find that the CGAs do not ask enough questions, so they treat them as a basic template to which they add requirements of their own. Other grantmakers will accept CGAs, but prefer that grantseekers respond to their own guidelines.

10 Time Drain for Grantmakers, Too

“It takes us as much time to process a bad proposal as it takes to process a good proposal.”

“What do we do with all this paper?! Sometimes I’m not even sure what we’re looking for.”

“We’d like to get our staff out into the community more, but we just don’t have time.”

Our research suggests that grantmakers, like grantseekers, are poorly served by the current state of application and reporting practice. Even though individual dealings between foundations and nonprofits may often be harmonious and supportive, the overall tenor of the relationship seems to be one of distrust and irritation on both sides. Funders find it difficult to get the “straight story” from nonprofit organizations, and often receive more information or different information than they want. Foundations also struggle with internal inefficiencies, including the amount of time spent tracking down paperwork, fielding calls from confused applicants, and transferring data from proposals and reports to online tracking systems. Staffed foundations spend enormous amounts of time on processes that are often pro-forma, such as approving budget revisions and extension requests—changes that are almost always approved. A report by the Center for Effective Philanthropy concluded that the sum of grantee administrative costs and average foundation administrative costs results in an estimated total administrative cost of 13 percent of every foundation grant dollar.⁹

Furthermore, although many foundations value collaboration and synergy in theory, grantmaking and reporting processes make it very hard for them to work together in practice. Highly individualistic application procedures create challenges when foundations want to use a common form or do joint funding. On the reporting end, the inconsistency of guidelines and metrics makes it very difficult for funders to share with each other data about grantee performance, changes within a field, or their own progress.

Beyond the time that foundations themselves spend on administration, the problems that nonprofits experience are also problems for grantmakers. An inefficient system means less nonprofit time and attention devoted to the mission-based activities that the grantmakers are funding.

9. Buchanan, *Indicators of Effectiveness*, 17.

**GRANTSEEKER FEEDBACK FROM THE CENTER FOR EFFECTIVE PHILANTHROPY'S
GRANTEE PERCEPTION REPORT ©**

Suggestions related to application:

Reduce the elapsed time of the process.

The amount of time between application and the award of funding varies widely between and within foundations, and regularly takes four to six months.

Reduce the amount of time required of the grantee to complete the process.

According to one respondent, "We have never had to jump through so many hoops. . . the application and reporting requirements diverted (and will continue to divert) a great deal of energy from the administration of our regular program."

Clarify the process and the timeline.

Although each individual funder's timeline may be easy to work with, nonprofits struggle with having multiple timelines from multiple funders.

Create a more flexible process and format.

Nonprofits find it difficult to fully explain programs and objectives within narrow confines. Further, they ask that different types and sizes of grants be given different processes.

Create and improve online processes.

Common complaints include the lack of opportunity to stop and review, the difficulty (or impossibility) of uploading attachments, and the challenges around word and character limits.

Suggestions related to reporting:

Provide feedback on submitted results and reports.

Nonprofits resent spending time on reports that they suspect are not read. They desire meaningful feedback, helpful or critical comments, and evidence that the foundation cares about the project outcome.

Reduce the amount of time required of the grantee to complete the process.

Grantees request that reporting be simplified and that quarterly reports (especially) be eliminated.

Clarify process and forms. Grantees are often confused by reporting forms, particularly the financial forms, which may not correspond with their own budget. In addition, they do not always know what the foundation will ask of them until they are well into their grant.

Create more flexible format and forms.

Nonprofits express a desire for more flexible reporting forms that reflect the specific nature of their work.

Provide more assistance from staff. These comments pertain particularly to evaluation of programs, a place where many nonprofits feel that their expertise is very limited.

How Did We Get Here?

“Today’s Problems Come from Yesterday’s ‘Solutions’”¹⁰

This system of grantmaking didn’t arise overnight, nor come from an attempt to frustrate and confuse nonprofit organizations. Foundations and other grantmaking organizations have developed their information gathering practices over time as part of an ongoing effort to be effective and responsible stewards of their funds, address the priorities and concerns of their boards and donors, and make a difference in their chosen focus areas. We learned that many practices that grantseeking organizations find most excruciating—such as the requirement to send multiple copies, word and character limits, questions that seem random or redundant, and rigid budget formats—were originally developed to address specific concerns and frustrations felt by grantmakers.

In this section, we describe five factors that have shaped grantmaking practice and that continue to be significant, although not insurmountable, barriers to substantive change.

Staff time and capacity

More than ninety percent of the country’s 71,000 foundations have assets under \$10 million.¹¹ According to a 2006 Foundation Center study of nearly 21,000 foundations with at least \$1 million in assets or making grants of \$100,000 or more, only about 17% have staff.¹² Foundation boards want their available money to be given as grants, rather than spent on internal administrative tasks. As a result, many foundations are reluctant to invest in their own operations—technology, staff, or infrastructure. This leaves foundation staff and trustees highly taxed with little time to build relationships with nonprofit organizations, rethink their grantmaking process, solicit feedback from grantees, respond to reports and evaluations, or even make copies of documents for the board book. Even when funders have significant staff resources, they often experience a lack of continuity as staff come and go. Paperwork becomes a safeguard against the loss of information.

“Often we work with the same grantees over and over again. I am sure they become annoyed that we ask for a new copy of the 501(c)(3) and other financial documentation for each grant. However, we do so to cut down on staff time for copying and retrieving information.”

—Grantmaker

10. Senge, *The Fifth Discipline: The Art and Practice of the Learning Organization*, 57.

11. Lawrence, Austin, and Mukai, *Foundation Yearbook: Facts and Figures on Private and Community Foundations*, 17.

12. The Foundation Center, “Staffed Foundations by Staff Size Range 2006,” http://foundationcenter.org/findfunders/statistics/pdf/12_fs_fr/2006/staffing/ssize_06.pdf.

Difficulty getting the right information

“It is not always easy to get the information you want,” say grantmakers, “even when nonprofits have every incentive to follow instructions.” Program officers regularly have to track down required materials. Other funders complain that they receive “the kitchen sink” from prospective grantees, who throw unsolicited materials into their grant application packet, *just in case* it might be of interest to the decision-makers. Funders guard against getting incomplete and random information by asking very specific questions, creating application forms with word and character limits, and disqualifying incomplete applications.

“I find it hard to get the info I want. Sometimes I am inundated with unnecessary and unrequested info.... At other times they just send what they want, not what I request.”

—Grantmaker

Grantmakers reported that they have particular trouble interpreting the budgets that they receive from nonprofits and often create strict budget formats and templates to get comparable and interpretable financial information. As one survey respondent commented, “We used to allow agencies to submit the budget in their own format, but it has been so challenging to figure out how some things were calculated, and [we spent so much time] reconfiguring the budget for presentation to our board, that we now require agencies to use our format.” This challenge speaks in part to a lack of financial acumen in nonprofits, which might be best addressed through technical assistance.

Foundation staff also fear that their board might ask a question about a nonprofit applicant that they will not be able to answer. To guard against this possibility, some foundations require that *all* nonprofits provide *all* the information that might be necessary, even though much of it will ultimately not be used.

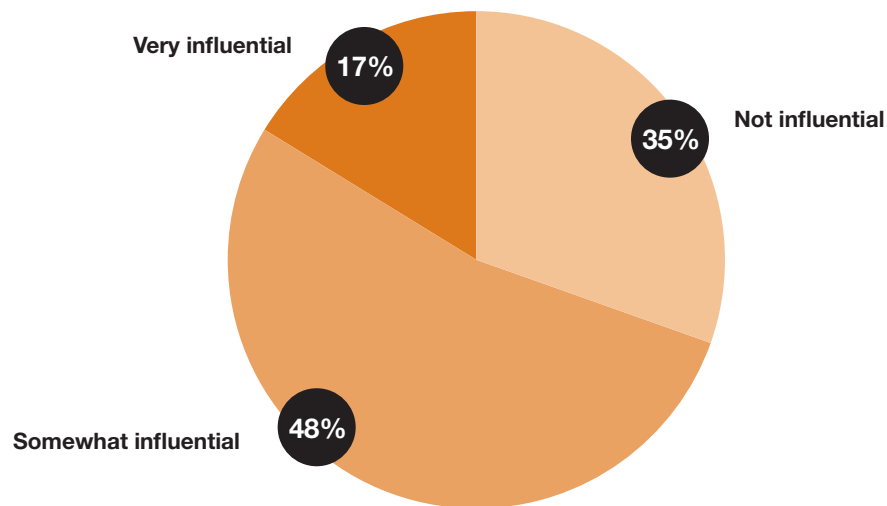
The power of the status quo—tradition, board priorities, and staff roles

Any talk of change in relation to grantmaking ultimately has to contend with a fundamental truth of the industry: there is no deeply felt imperative for grantmakers to change their practice. As Joel Fleishman writes, “A major cause of the various sins committed by foundations—arrogance, discourtesy, inaccessibility, and the others—is their lack of accountability. Most other institutions in America, whether in the civic sector, the for-profit sector, or government, benefit from continuing challenges, criticism, and oversight provided by others to whom they are accountable.”¹³ But not foundations. Nonprofits, disgruntled though they may be, continue to apply for funding. The system, from the perspective of the funder, may seem to work just fine. And changing that system is a lot of work, especially when tradition and board priorities often discourage change.

13. Fleishman, *The Foundation, A Great American Secret: How Private Wealth is Changing the World*, 153.

Tradition (*we have always done it this way*) is a significant driver for some foundations, particularly family foundations, where the intent of the original donor is always a primary consideration. Approximately 65 percent of grantmakers surveyed indicated that tradition was “very influential” or “somewhat influential” to their decision-making about what information to require.

Influence of Tradition on Information Gathering Decisions



Boards of directors were seen as “very influential” or “somewhat influential” to decisions about information gathering by 80 percent of funders who responded to our survey. This is no surprise, as the board of directors is responsible for governing the organization. However, many boards do not experience or see the challenges of grant application and reporting processes, neither from the nonprofit’s perspective, nor from their own back office’s perspective. They see the end result—usually a carefully packaged binder of completed proposals.

“There’s a fine line between making a recommendation to your Board and overstepping your role. It’s hard to get away from the way things have always been done, and it’s hard to communicate about that with people who don’t live in the details.”

—Grantmaker

Buffered as they are, boards are less likely to initiate change in operating procedure, may not be open to suggestions from staff, and may actually be an impediment to change.¹⁴ Staff, too, may be quite comfortable with the status quo. It is hard to imagine many staff jumping at the chance to declare parts of their job function obsolete. Greater efficiency can be threatening. Said one interviewee, “We have laid off half of our staff in the past.”

14. Buechel, Keating, and Miller, *Capital Ideas: Moving from Short-Term Engagement to Long-Term Sustainability*, 20.

The desire to be strategic and measure impact

Foundations and other funders have one primary tool to accomplish their missions: grantmaking. In their efforts to ensure that they are strategic and effective with this tool, some grantmakers create detailed theories of change and descriptions of how they will “move the needle” in the field. Eventually, these concepts show up in the kinds of questions that the grantmaker asks its grantees, both before and after a grant is made. While grantseekers appreciate it when grantmakers have a focused and well-articulated mission and ask targeted questions, they also confess that it is almost always necessary to ‘disguise’ their programs so that they look more like what the grantmaker seems to have in mind.

Grantmakers interested in measuring their progress create measurement tools to aggregate their impact across multiple grants. The outcome is often a set of measures or evaluation strategies that may be unfamiliar, burdensome, or not particularly useful to individual grantee organizations. Grantmakers said they often find that grantees don’t “get” the evaluative measures and terminology of *inputs*, *outputs*, and *outcomes*, requiring grantmaking staff to spend considerable time offering technical assistance. Some foundations, like the Health Foundation of Greater Cincinnati, commit to extensive coaching and even occasional funding to make sure that their grantees collect meaningful data. According to Shelly George, the foundation’s grants manager, this can take a long time: “We had to look at our mission and goals to determine what can be measured, what has already been measured, what data our grantees are already collecting, etc. Trying to coordinate all of this has been a challenge. Sometimes we need to provide extra funding or extensive technical assistance to obtain the information needed to meet our evaluation requirements; it depends on the nonprofit’s capacity.”

A lack of good feedback

“Foundations are notoriously sheltered from the true opinions of their grantees...” write Bolduc, Buchanan, and Buteau in the Stanford Social Innovation Review.¹⁵ Grantmakers do not get—often because they do not seek—good feedback about their grantees’ experiences and suggestions for change. More than 150 foundations have used the Center for Effective Philanthropy’s *Grantee Perception Report*, a rigorous and confidential study of foundation performance that provides comparative feedback. According to our survey, about 41 percent of grantmakers who have changed their information gathering practices commission their own third-party assessments or received feedback directly from their grantees. However, when foundations seek feedback directly from their grantees, the power dynamic between grantmaker and grantee makes it difficult to ensure that the feedback is candid. As a result, most grantmakers are left without real information about their grantees’ experiences.

“Since grantseekers need our money, we rarely see or hear any negative comments about our organization.”

—Grantmaker

15. Bolduc, Buchanan, and Buteau, “Luck of the Draw,” 42.

Creative Approaches

Many funders regularly rethink their processes to increase efficiency for their grantees and their internal operations. As mentioned earlier, eight out of ten grantmakers surveyed reported that they had taken steps to streamline their application and reporting practices. For more than 80 percent, the impetus behind the change was “in-house needs for greater efficiency.” Feedback from grantees—either from the Center for Effective Philanthropy’s *Grantee Perception Report*, or through some other means—also motivated change for approximately half of our survey respondents. Finally, for some grantmakers (24 percent), gaining new knowledge about what pieces of information were legally required prompted practice reevaluation.

This section profiles the strategies of funders who have succeeded in fundamentally changing their application and reporting practices so that they work well for grantees and grantmakers alike. We found three main categories of such creative practice in our research. In each case, grantmakers, whether collectively or individually, have looked for new ways to divide up the responsibilities associated with information gathering, and have, in many cases, assumed more of the administrative burden themselves.

1 Centralized Data Repositories

Some funders establish repositories of basic information so that grantees do not have to send the same information again and again to different grantmakers. Repositories are ideal for storing discrete sets of organizational data—the pieces of information that are needed by every funder and that are requested repeatedly, such as financial data, information about organizational history, and IRS verification forms. Because this information can be accessed by funders (in making grants decisions), and often by the organizations themselves, nonprofits have incentive to keep their records up-to-date.

Repositories are a time- and energy-saver in several ways. Because the nonprofit only has to create their profile once and update it annually, there is less chance of reporting errors. Funders can go into the system and determine the specific data that most interests them. And the repositories free both nonprofits and foundations to focus more attention on building relationships and answering deeper questions about goals and outcomes. Two specific examples—the Cultural Data Project and the Centralized Repository of Information on Non-US Based NGOs—illustrate the potential and challenges of such approaches. Although we focus here on repositories that serve multiple funders, others such as the Ontario-Trillium Foundation’s grantmaker registry, are created by individual foundations to track information about grantees from year to year and to reduce redundancy for those that reapply for funding.

A PROPOSAL FOR BETTER KNOWLEDGE

In the William and Flora Hewlett Foundation's 2007 annual report, Paul Brest, the foundation's President, proposed a system that would include basic organizational and financial information, description of goals and strategies, evidence of impact, and stakeholder and beneficiary reviews of nonprofit organizations. He points out that several major components of such a system already exist, including GuideStar, DonorEdge (which provides strategic, programmatic, organizational, and financial data for 2,500 nonprofits in Kansas City), Keystone (which helps nonprofits gather information from stakeholders) and Great Nonprofits, (which captures the views of an organization's volunteers).

A Demonstrated Track Record: The Cultural Data Project

Approximately 600 arts organizations in Pennsylvania submit basic financial and organizational information once each year through the Cultural Data Project (CDP), a standardized web-based system that automatically customizes the information to suit the requirements of multiple public and private granting agencies. Not only is this information accessible to funders, it is also useful to the nonprofits themselves, who use it to track trends, benchmark against other arts organizations in aggregate, and even develop annual reports. "Our constituents don't think of it as a compliance tool once they learn how to generate their own reports about their activities," said Marian Godfrey, Managing Director of Culture and Civic Initiatives at The Pew Charitable Trusts. "It's been an even better service for nonprofits than we imagined. Now, new funders are coming on board because their grantees see the value in submitting application information through the CDP."

"In addition to creating a streamlined application process for the hundreds of arts and culture organizations throughout Pennsylvania, it is hoped that access to reliable data about the cultural sector will enhance both individual organizational capacity as well as the overall effectiveness of the nonprofit cultural community."

—PA Cultural Data Project (www.pacdp.org)

The Pennsylvania CDP (PACDP) began as a collaboration between funders and arts groups, including the William Penn Foundation, the Greater Philadelphia Cultural Alliance, the Pennsylvania Council on the Arts, The Pittsburgh Foundation, the Heinz Endowments and The Pew Charitable Trusts under the administration of Drexel University. In 2005, the Pew Charitable Trusts began to staff and manage the project, which provides training, a help desk, and data verification. The project has been replicated in Maryland and California and is being considered by numerous other states.

A Repository Under Development: Centralized Repository of Information on Non-US Based NGOs¹⁶

The Council on Foundations, Independent Sector, the Foundation Center and InterAction are exploring the usefulness and practicality of establishing a centralized information repository that could assist U.S. grantmakers in conducting due diligence on potential grantees based outside the United States. Such a centralized repository could be used to determine whether a foreign NGO has been previously determined to be the equivalent of a U.S. public charity. Currently this information is collected independently by each grantmaking organization at considerable time and expense, and NGOs are often asked to provide the same information over and over to multiple potential U.S. donors. A properly managed centralized repository of information on non-U.S. NGOs could make the process of cross-border grantmaking more efficient and less onerous for U.S. funders as well as grant recipients.

What Works in a Repository Approach

Successful repositories for grantmaking information can meet real needs and provide real value. They are ideal for housing discrete data sets of due-diligence information. For funders, the obvious benefit is the efficiency and assurance of having verified information accessible in one place and one format. In the case of international grantmaking, a centralized repository would assure grantmakers that their dollars support reputable organizations, without the need to conduct lengthy verifications of their own. Nonprofits may initially use a repository because their funders require it, but it can ultimately save them time. Well-designed systems, such as the PACDP, can hold additional appeal for nonprofits by making their data available and usable for purposes beyond grantseeking.

Challenges of a Repository Approach

- Repositories are big undertakings, requiring substantial development time (three years of testing in the case of the PACDP), money, and maintenance.
- Trust is critical to their success; they must be developed and maintained by credible players trusted by grantmakers and nonprofits alike.
- To ensure a fair system, all eligible nonprofit organizations and NGOs must have the ability and opportunity to include their data in the repository, must keep their information up-to-date, and must feel that it is worth their while to participate.
- A repository is unlikely to eliminate the need and desire for additional information, which a grantmaker will need to collect on its own. Therefore, having a repository does not necessarily ensure that other aspects of the grantmaking process will be streamlined.

16. Information Age Associates, "Repository of Information on Non-U.S. Based NGOs, Project Status Report – March 2008," <<http://www.iaa.com/NGORepositoryFeasibilityStudyProject.html>>.

2 Common Information Gathering

In this type of approach, grantmakers develop a common information gathering strategy for program or outcome-level information. Common application and reporting platforms can be a collaborative effort of multiple grantmakers, grantees (ideally), and intermediaries, who work together over many months or years to design a set of questions that fulfill each participant's basic needs. The many common application and reporting forms created by regional associations of grantmakers were the result of such a process. More recently, individual foundations or for-profit organizations have experimented with developing online applications and offering the service to other grantmakers and grantseekers, generally for a fee.

These strategies have met with mixed success, but they have potential to create great efficiencies for grantmakers and grantseekers alike. In addition to regional examples from the philanthropic sector, common applications have gained traction in the federal government and higher education, sectors not known for cooperative endeavors. In a blog on the website of the *Stanford Social Innovation Review*, Perla Ni challenged the philanthropic sector to rise to the occasion: "If Reed College and Rensselaer Polytechnic Institute can agree on the same form, I'll bet the Ford Foundation and the Flora Family Foundation can find some common ground."

Here are some examples:

- EMpower, an international funder, suspected that there was a better way to elicit good information from its grantee organizations, most of which were small international NGOs. Over two years, they worked with several similar foundations, including the Global Fund for Children, American Jewish World Service, and the Newfield Foundation, to develop a "harmonized proposal": a common set of questions and budget information that the partners could share. Like other common applications, the harmonized proposal was designed to reduce the burden on shared grantees and allow the foundations to better exchange information, especially about effective grantmaking practices. Collaborators found that the process of developing the harmonized proposal was powerful. According to EMpower's Executive Vice President, Cynthia Steele, "The experience of discussing this work with colleagues and testing a new way of thinking prompted a deeper reflection about each foundation's practices." Currently, the harmonized proposal is being used in full by one organization, while others are testing various parts of it.
- The Rensselaerville Institute, which concentrates on helping nonprofits, foundations, and others define and measure their outcomes, has teamed up with MicroEdge to help foundations connect their grants management software with outcomes, through a set of templates and formats for

application, program and financial analysis, and assessment. These tools, currently in a testing phase with 35 foundations, would have the potential to be used by multiple foundations and grantees and would enable them to share data about due-diligence, proposals, and impact.

- Several efforts are underway to create universal online common grant applications. Some, like the Lawrence Foundation's common grant application¹⁷ or Universal Grants, LLC.'s common grant application¹⁸ are modeled after the common application accepted by colleges and universities. Others, like PhilanTech's PhilanTrack online grants management system,¹⁹ provide opportunities for foundations to customize their approach within a single system and for grantseekers to reuse common information without having to retype it.

What Works in Common Information Gathering

Collective application and reporting processes work when they have clarity of purpose and are beneficial to both grantmakers and grantseekers. Common applications that are additive—*i.e.*, they are actually bulkier and more burdensome than each individual foundation's application—are not likely to be used by foundations or to be helpful to nonprofits. Finally, a common application and reporting process is only useful when it is used by a significant percentage of the grantmaking market, either in a region or in a funding priority area.

“If Reed College and Rensselaer Polytechnic Institute can agree on the same form, I’ll bet the Ford Foundation and the Flora Family Foundation can find some common ground.”

—Perla Ni, Stanford Social Innovation Review Blog

Challenges of Common Information Gathering

In theory, common application and reporting forms make perfect sense. In practice, they are often mired in the competing demands of their stakeholders. It can be difficult for foundations to compromise on key questions that are important to their decision-making or even specific terminologies that they and their grantees have grown accustomed to using. Common applications that include every stakeholder's favorite questions do not necessarily save a grantseeker any time, especially if they are not widely accepted. And finally, unless common application and reporting forms are accepted broadly and enthusiastically, they may not seem like a good gamble for an organization that has only one opportunity to impress a funder.

17. Common Grant Application, <<http://www.commongrantapplication.com>>.

18. Common Grants, <<http://www.commongrants.com>>.

19. PhilanTech, <<http://www.philantech.com>>.

AN EXAMPLE FROM GOVERNMENT: THE FEDERAL DEMONSTRATION PROJECT

The Federal Demonstration Project (FDP) was created twenty years ago to reduce the administrative burden on grantees (university researchers) and federal granting agencies. FDP members—which include 10 federal agencies and more than 90 research institutions—conduct pilots to test the effectiveness of streamlined approaches. After testing, the successful experiments are authorized for use by all federal granting agencies.

The FDP recently developed a standard set of terms and conditions that eliminate many time-intensive and superfluous requirements, allowing grantees to extend timelines and shift budget items without going through lengthy review processes. Other ongoing priorities include developing accurate and meaningful reporting measures, standardizing core information in applications and reports, creating a clearinghouse for audit information, and addressing the costs of compliance requirements.

(http://thefdp.org/About_FDP.html)

3 Taking Back the Burden

Repositories and common information gathering require the coordination, or at least the buy-in, of multiple funders to succeed. Meanwhile, individual foundations are also making substantive changes to their own operations, seeking to fundamentally shift their relationship with nonprofits and upend the usual strategies for application and reporting. Although the funders' methods vary, they share a number of characteristics. In each case, the foundation has made a decision—whether by choice or necessity—to change their approach to application and reporting in order to take back the administrative burdens from nonprofits.

“Our grantees don’t exist to serve us”

In 2006, Wilburforce Foundation affirmed its focus as a place-based funder working in certain priority regions. They realized that if they were to be successful, they needed to build deep and ongoing relationships with grantees—what Associate Director Paul Beaudet, called “a shift from transaction to interaction.” In practice, this shift meant moving away from the foundation’s traditional application and reporting to rely more on personal interactions between program officers and grantees. To the extent that paperwork is requested, it is in the form of consolidated proposals and reports, allowing grantees to look back (report) and forward (apply) with the same document. Program officers have the authority to select from a menu of options the questions that are most meaningful to the project. They also accept off-the-shelf documents, including financials, rather than asking grantees to create customized reports used only by the foundation.

To support this relationship emphasis, the foundation increased its staffing, creating teams of program officers and program associates. Staff are mandated to use extra time and capacity for relationship building. “Someday we’d love to eliminate all the narrative parts of the application and focus exclusively on the partnership,” said Beaudet. “We’re not there yet, but our board feels strongly that our grantees don’t exist to serve us, we exist to serve them.”

“Maybe there’s something important about not knowing what foundations are ‘supposed’ to do”

The Winter Park Health Foundation (WPHF) in Winter Park, Florida, started its life as a hospital. When it became a foundation in 1994, its senior staff hailed from diverse fields, including philanthropy, but none had grantmaking pedigrees. After assessing community needs, they conducted two rounds of grantmaking using an RFP. And two rounds were all it took. According to Winter Park’s CEO, Patty Maddox, “Everyone hated it: staff, board, applicants... everyone!” The following year, they chose a different approach, forming work groups of staff, board, and community members in each of the foundation’s focus areas. Each work group develops measurable goals for the focus area, gains intimate knowledge of relevant nonprofits in the community, and has the authority to fund community efforts that advance its goals.

“When it comes time for something to be written down, we do get a packet of information from the nonprofits for the work group’s decision process and for the foundation’s records—all those due-diligence things like audited financials. But, although those things are important, we don’t feel like we need these things right off the bat as we begin the conversation with the non-profit.”

—Patty Maddox, CEO, Winter Park Health Foundation

The WPHF does not have an application form for unsolicited requests, choosing instead to learn most of what they need to know through interactions and community connections. Maddox explains: “We think it’s important to work with the non-profit to assemble the information most relevant to the work group’s decision process. The focus is on achieving measurable progress toward our goals.” WPHF is especially serious about evaluation, which it considers essential to its effectiveness. The foundation works closely with a third-party evaluator to understand the impact of their funding and to redesign their processes for even greater impact.

“We were going on good faith—they were not in the situation to get paperwork to us”

Two days after Hurricane Katrina devastated New Orleans and parts of Louisiana, the Ms. Foundation for Women threw their usual *modus operandi* out the window. They had no choice. “We needed to do rapid response grantmaking to existing grantees and other organizations,” said Bharathi Sethumadhavan, the Grants and Evaluation Administrator, “But people didn’t have offices or computers. We couldn’t adhere to our usual process.” They formulated a set of questions that would make it as easy as possible to get information, and then conducted phone interviews to gather the basic data on the organization, an understanding of the need, and a sense of how the money would be used. The foundation took responsibility for due-diligence, using IRS information to verify the nonprofits’ 501(c)(3) status and eligibility.

Now, several years out, some of the changes prompted by this crisis funding have stayed with the Ms. Foundation. They continue to use telephone interviews before requiring a proposal, which helps establish relationships and get the funds committed more quickly. They are developing a grantee “extra-net” to make communication with and between grantees more efficient and designing a new website with online application capacity. “Hurricane Katrina demonstrated that we could mobilize quickly,” said Ms. Foundation Communications Manager, Irene Schneeweis. “If we encounter another, similar situation, we’ll be in an even better position to get money to the ground strategically and rapidly.”

“We want to keep their money in their program . . . not in impressing us”

The board members of the Dekko Foundation, a family foundation in Indiana with about \$200 million in assets, share a philosophy that Dee Slater, the foundation’s grants manager, describes as “let’s see how we can lessen the red tape to get the job done.” As a result, staff continually ask themselves the following questions:

- Do we really need it?
- Is there some other way we can get it?
- Have we explained sufficiently to our grantees why we need it?

The foundation requests a three page project summary from nonprofit applicants. The program officer is then responsible for going out and having conversations with the prospective grantee and collecting any additional information needed to make a decision. Although all grants decisions are made within 60-90 days, the foundation also has a streamlined process for small requests of under \$5,000 and for repeat, successful grantees. Although the foundation does not have an online application, they gladly accept applications and reports via email, and encourage grantees to cut and paste information from other sources, as appropriate.

For the board and staff of the Dekko Foundation, there is “great pride in knowing that we are an approachable community resource,” says Ms. Slater, “and our grantees have told us, through the Grantee Perception Report, that we are a relief and a pleasure to work with.”

What Works in Taking Back the Burden

Foundations can take back the burden, in ways both small and large, to the benefit of their nonprofit partners and their own operations. Here are some of the basic strategies that grantmakers use to create effective processes and relationships:

- They take a “zero-based” approach to grantmaking, figuring out what they really need to know in order to make decisions and then adjusting their requirements accordingly.

- They take the time to have conversations with grantseekers, by phone or in person. These conversations can stand in for, or supplement, aspects of the application process. Program officers are empowered to make decisions about what information is needed.
- They reprioritize staff duties (and sometimes add staff) to ensure that relationship building happens.
- They are clear about the kind of funding they want to do—either place-based, like Wilburforce, or issue-focused, or both. This clarity eliminates volumes of ineligible proposals. Some foundations, like the Sobrato Family Foundation in Milpitas, California, use an “eligibility quiz” on their website to help nonprofits determine whether or not it is worth their time to apply.
- They deliberately take some of the administrative burden back onto their own desks. They do not require multiple copies of documents, hole punching, or highly specific formats. Often the foundation takes responsibility for verifying the nonprofit’s 501(c)(3) status, rather than asking for hard copies of the IRS Letter of Determination.
- They ask for feedback from grantees and they take it seriously.

Challenges to Taking Back the Burden

Taking the burden from grantees means putting it somewhere, and many foundations are reluctant to invest in administrative infrastructure required to do a different kind of grantmaking—particularly when they already feel stretched. Other barriers to significant change in foundation practice can be summarized in grantmakers’ own words:

- History and Tradition: “This is how we have always done it.”
- Individualistic nature of philanthropy: “Different foundations have different needs.”
- Fear of missing something: “We might need that piece of information.”
- Staff/Board roles: “It’s hard to go and tell your board that the foundation’s practice has to change.”
- Time and effort required: “It takes time to set up new things and improve practice. Sometimes it’s just easier to go along with an imperfect system.”
- No feedback mechanism (or the feedback isn’t compelling): “We do not solicit concerns from our grantees. Yeah, yeah, I know . . . we probably should.”

Recommendations

What can grantmakers and philanthropy associations do to continue reducing the burden on nonprofits and to free more time and money for mission-based activities?

Our research suggests four core principles that grantmakers can adopt into practice to relieve the burden on nonprofits. Each principle encompasses a range of concrete practices that a grantmaker could implement. Over the next year, *Project Streamline* will engage in a significant process to seek input from grantmaker and grantseeker stakeholders at major conferences and other convenings. This input will guide the development of a set of standards or principles, reflecting the best thinking and experiences of the field.

It is much easier to make sweeping recommendations than actually carry out wholesale change, particularly in a sector as vast and diverse as philanthropy. Change is more likely to be incremental and gradual than revolutionary, and our recommendations for next steps and principles reflect this reality.

Recommendations for Foundations—Four Core Principles

1. Begin from zero. In a zero-based approach to information gathering, grantmakers begin with a rigorous assessment of what kind of information they really need to make decisions. To implement the begin-from-zero approach, grantmakers might:

- a. Begin by asking themselves a set of questions about the information they plan to request of grantseekers: Are we really going to use this? Is there another way we can get it? Have we sufficiently explained to our grantees why we need it?
- b. Separate basic *due-diligence requirements* (organizational documents and financial forms) from program and impact assessment and treat them differently. To what extent can due diligence be conducted by grantmaking staff? To what extent can due diligence be addressed after the foundation has made an initial partnership commitment?

2. Right-size grant expectations. Grantmakers should ensure that the net grant is worthwhile. This means that the effort that grantseekers are asked to expend to get the grant must be *proportionate to the size of the grant, appropriate to the type of grant, and take into consideration any existing relationship* with the grantee. To implement the right-size-grant approach, grantmakers might:

- a. Develop a streamlined application and reporting form for small grants to ensure that grantseekers not expend more time and money on getting the grant than they receive in funding.

- b. Ensure that reporting requirements are congruent with the grant, both in terms of timing and the information gathered. That is, grantees should not be asked to report on their use of funding before the funding period is complete and should be informed, up front, what they will be asked to convey.
- c. Store appropriate grantee information so that repeat grantees can provide updates without resubmitting documents and information that they have previously submitted.

3. Relieve the burden on grantees. There are many ways that funders can reduce the burden that grantseeking places on grantees. By minimizing the amount of time, effort, and money that nonprofits spend getting and administering grants, funders increase the amount of time, effort, and money devoted to mission-based activities. To relieve the burden on grantees, grantmakers might:

- a. Stop outsourcing basic administration. Funders can eliminate requirements such as multiple copies of application and reporting documents. They can phase out forms that cannot be completed on a computer and try to minimize requirements that do not contribute to the substance of the request and are tedious and time-consuming for the applicant.
- b. Take advantage of technology. Grantmakers can accept applications and reports electronically, whether through an online submission system or via email. Funders should conduct usability testing to make sure that their online grantmaking systems work smoothly, upload files without crashing, and allow grantees to cut and paste, save, print, and return to applications or reports in progress.
- c. Use an alternate source (such as GuideStar's Charity Check, IRS Publication 78, or the IRS Business Master File) to verify the public charity status of potential grantees instead of requiring a copy of the IRS Letter of Determination.
- d. When possible, accept common applications/reports and grantee's existing materials, particularly budgets. This will eliminate the foundation-specific "slicing and dicing" that is both time-consuming and a source of budget errors for nonprofits. If foundations feel that their own budget form is essential, they should check to be sure that their requirements are reasonable and can be readily provided by their nonprofit partners.
- e. Streamline processes for seeking project timeline extensions and budget modifications. Grantseekers and grantmakers alike often spend significant amounts of time making and processing requests that are almost always granted (such as requests to extend project timelines and modify budget categories).

f. Consider a two-part grantmaking process that includes a short letter of inquiry or concept paper. Nonprofits expressed that this was a useful time-saving step for them, as long as the letter of inquiry was brief and not a proposal in and of itself. Funders also commented that adding a letter of inquiry reduced their administrative burden and resulted in better, more appropriate final proposals.

g. Pay for specific evaluation measures if they are required. When grantmakers require specific evaluation measures, but do not pay for them, they are essentially outsourcing their evaluation program. Grantmakers can avoid this by making sure that evaluative measures will be useful to the grant recipient, and by accompanying the requirement with additional funding and technical assistance if it seems the program assessment may tax the grantee's resources.

4. Ensure that communications and grantmaking processes are clear and straightforward.

To do this, grantmakers might:

- a. Seek feedback from grantees and applicants, preferably via a third-party evaluator.
- b. Conduct a business process review and objective audit of what information your foundation actually uses to make decisions, how the information is used, where redundancies exist, and where processes can be streamlined or better aligned to increase efficiency for the grantmaker and grantseeker.
- c. Communicate clearly and regularly with grantees. Make sure that web and print materials are accurate and up-to-date, reflect the current priorities of the foundations, and are easy to access and interpret.

Recommendations for Philanthropy Associations

To enable foundations to consider, discuss, and implement the above core recommendations, philanthropy associations, including sector intermediaries and infrastructure organizations, might take the following actions. *Project Streamline* partner organizations²⁰ have agreed to consider the following strategies:

- 1. Clarify due-diligence requirements.** If partners do nothing else, clarifying the legal responsibilities of grantmakers would be an essential step for funders and grantseekers alike. Partners can collaborate with legal and financial groups to develop a well-researched and IRS-endorsed list of required due-diligence information that would apply to all grantmaking to U.S.-based nonprofits/ grantseeking organizations. Foundation advisors, such as lawyers and CPAs, must be supportive of and educated about these requirements, so buy-in and endorsement from the appropriate professional organizations will be important to the success of this strategy.
- 2. Develop clear guidelines for “right sized” application and reporting processes.** Grantmakers do not necessarily know whether their requirements are appropriate to the size or type of grant. They may not have considered strategies for streamlining based on size of grant, type of grant, or relationship with a long-term grantee. A straightforward guide with examples, that is endorsed by the partners of this project, could help to motivate change.
- 3. Create a self-assessment protocol that will help foundations evaluate their information gathering practices.** Partners could develop a process that would allow grantmakers to systematically examine and evaluate their application and reporting requirements.
- 4. Give serious consideration to the potential for a basic due-diligence repository that would house verification of tax status, financial data, information about boards of directors, and other useful information.** Since existing systems already house some of this information, this potential repository would present a good opportunity for collaboration.
- 5. Compile a centralized online resource for standards, case-studies, streamlining strategies, and tools.** A portal for information about streamlined practice could support the project’s ultimate purpose (the promotion of streamlined information gathering during application and reporting). Grantmakers would be able to access principles and best practices, find resources, share their own experiences, and discuss relevant issues.

20. *Project Streamline* partners include the Grants Managers Network in collaboration with the Association of Fundraising Professionals, the Association of Small Foundations, the Council on Foundations, the Forum of Regional Associations of Grantmakers, the Foundation Center, Grantmakers for Effective Organizations, and the National Council of Nonprofit Associations.

What's Next?

“We would prefer to limit the amount of our money spent on reporting on how our money was spent. We prefer to limit the amount of time busy grantees spend raising money and encourage more time achieving their goals.”

—Grantmaker

The combined third sector (philanthropy and nonprofits) faces an effectiveness paradox. Funders, striving to do the best, most responsible, most *diligent* work they can, adopt what seem like sensible requirements in their application and reporting. But when multiplied by thousands of grantmakers, these practices place a heavy burden on grantseekers, hampering their ability to be efficient with their time and effective in their missions.

There are creative ways for funders to reduce the burden on grantseeking organizations while still practicing careful and effective grantmaking. Many of them are already being piloted by a growing number of grantmakers. Our hope is that this report and the recommendations it contains allow grantmakers and grantseekers to step back and assess the current landscape of application and reporting with clear eyes.

Over the next year, project partners will engage grantmakers and grantseekers in an ongoing conversation. Our research convinced us that grantmakers are hungry to talk about their practice and that such conversations can be revealing. Grantseekers, too, have plenty to say about their experiences with funders and the ways in which those experiences have been helpful or detrimental to their work. By coming together in honest dialogue, we can create a stronger and more effective sector. Let's seize this opportunity to rethink grantmaking practices in light of philanthropy's ultimate goal: to help organizations succeed in their mission-based work.

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Project Streamline Partner Organizations





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