Withers Consulting Group

Selecting a Charitable Grant Recipient

WHILE MOST CHARITIES ARE STRIVING TO DO GOOD AND GIVE BACK, SOME NONPROFIT ORGANIZATIONS HANDLE THEIR MONEY MORE EFFECTIVELY THAN OTHERS TO MEET THEIR GOALS. WITH SO MANY DIFFERENT CHARITIES AND WORTHY CAUSES VYING FOR DONORS' ATTENTIONS, IT CAN BE ALL TOO EASY TO SUCCUMB TO GOOD MARKETING STRATEGIES RATHER THAN PROVEN RESULTS. WHEN MAKING DONATIONS AND GRANTS FROM A PRIVATE FOUNDATION, IT IS EXCEEDINGLY IMPORTANT TO PERFORM PROPER DUE DILIGENCE TO ENSURE THAT YOUR DONATION IS BEING USED IN THE WAY YOU INTENDED, AND NOT ON PERIPHERAL OR OPAQUE SPENDING WITHIN THE ORGANIZATION. REVIEW THE FOLLOWING CHECKLIST BEFORE MAKING A GRANT TO ENSURE AN INFORMED DONATION.

START HERE.

Have a conversation with your leadership team and board about the long-term and short-term goals for your foundation and the causes you want to support before talking about specific donations. Read our "Creating a Private Foundation" white paper for more information.

Additionally, when starting to evaluate charities and their efficacy from the lens of a private foundation, you first want to calculate your foundation's Minimum Distribution Requirement for the year and think about what that means for the year's grants. Do you want to give one major grant to a single organization? Several grants to various causes and nonprofits? Or put the entire minimum distribution amount in a Donor Advised Fund and donate, or not, as you see fit throughout the year? Any combination of these options is a possibility and taking the time to discuss your giving style and strategy with your team before diving in will help the process run more smoothly.

TIP: Private Foundations must distribute ***at least*** 5% of their net investment assets in qualifying distributions per year. This is called the "Minimum Distribution Requirement".

ALIGN TO YOUR VALUES.

Next, you will want to make sure that your selected charity's mission aligns to your personal values and the goals you set for your private foundation. Review the following checklist:

1. **READ THE CHARITY'S MISSION STATEMENT ON THEIR WEBSITE.** Does it resonate with you? Is there anything that you take issue with? Make sure that the mission statement for the nonprofit is something that you are willing to stand behind. If it is not, you may want to re-evaluate and find a different charity that supports your intended cause in a manner with which you agree strongly.

2. **REVIEW THE CHARITY'S ANNUAL REPORT, 990 AND OTHER AVAILABLE RESOURCES.** This is a great way to get familiar with the organization before speaking to a staff member. Does anything stand out to you in particular? Brainstorm any follow-up questions that you would like to ask the nonprofit.

3. **SPEAK WITH A KEY STAFF MEMBER AT THE ORGANIZATION TO LEARN MORE ABOUT THEIR CULTURE AND MISSION.** Ask why they got started and about their most impactful moment at the organization thus far. What is the internal culture of the nonprofit like? Is there a high-volume of employee turnover? If so, why? Do the employees at the non-profit donate their own funds to the organization? What nonprofits do they strive to emulate? Who do they see as competitors and how do those programs differ? Questions like these and the follow-up questions they produce can help you get a sense of the ethos of the firm and determine if your values and philosophy align. If you decide to eventually donate to this organization, you will also want to have longer follow-up discussions with the staff about how your specific donation will be used.

4. **FIND OUT WHO SITS ON THE BOARD.** Do some research about each board member. Is there anyone worthy of note or concern?

5. **IDENTIFY OTHER DONORS.** Does the nonprofit primarily crowd-source small donations or do they accept a few major donations a year? Do they have the infrastructure to handle a large donation if they typically accept small grants? If they usually receive very large grants and your gift is on the smaller end, do they actually need the funds, or will the donation be rolled over to the next year?

6. **DO A GOOGLE SEARCH FOR OTHER SOURCES THAT MENTION THE CHARITY.** How are they portrayed in the media and news? Are you comfortable with your name being associated with these headlines?

CHOOSE WISELY.

TIP: CHIP publishes guides around various charitable causes with ideas on what kinds of donations work to help families get the most "bang for their (philanthropic) buck". Their annual giving guide is worth downloading and reading for ideas around how to think about, structure, and maximize the impact of your donations.

TIP: If you have an area of interest but not a specific charity in mind when starting out, these sites are also great places to search for top-rated nonprofits dedicated to a specific cause.

Once you have strategized your giving plan for the year and decided on a charity that aligns with your values and goals, review the charity's metrics and financials – we recommend the website Charity Navigator – but GuideStar, the National Center for Family Philanthropy and the Center for High Impact Philanthropy (CHIP) at the University of Pennsylvania are also fantastic resources.

Charity Navigator collects the legally accountable information that is reported by charities on their IRS Form 990 and compiles this information to generate a "Financial Score" and an "Accountability and Transparency Score". Review the following financial information (all readily available on Charity Navigator) for each charity to make sure you have a good understanding of how the organization works, why it is or isn't successful, and where your donation would be most useful:

1. **HOW MANY YEARS HAVE THEY BEEN OPERATING?** Look at how many years the foundation has been operating and how many people/animals they have helped. Do the numbers make sense? Would you expect a higher number of beneficiaries to be impacted by the nonprofit given the charity's run-time?
2. **WHAT INFORMATION IS REPORTED ON THEIR 990?** Next, check out the "Accountability and Transparency Performance Metrics" section on Charity Navigator. Are there any important metrics that the organization does not make public? Ask the key staff at the nonprofit about why the information is not available and see if they will provide the information upon request.
3. **WHERE ARE THEY SPENDING THEIR MONEY?** Review the Charity Navigator section called "Financial Performance Metrics". How much of the charity's budget is going towards program expenses vs. administrative expenses vs. fundraising expenses? Break out the percentages of your potential donation that will go towards each section. Ideally, a nonprofit should be spending around 90% of their expenses directly on the donation beneficiaries.
4. **HOW MUCH IS COMING IN VS. GOING OUT?** Look at revenue vs. expenses. How much did the organization raise in donations over the year and how much did they spend? Are there any discrepancies? How were the funds raised? Make sure that the charity has the right infrastructure to handle your proposed grant and always request further information if anything seems or feels off.
5. **WHAT'S LEFTOVER?** If an organization received more in contributions than they

spent over the prior year, how did they spend the remainder?

6. **HOW MUCH DO EMPLOYEES MAKE?** CEO compensation is usually listed on a nonprofit 990. If it is not, there is probably a reason why.
7. **HOW DO THEY TRACK PROGRESS AND OUTCOMES?** How has the charity recorded its success over the years? Ask for specific metrics and data collection techniques. Self-reported data should always be questioned.
8. **REVIEW THE "CHARITIES PERFORMING SIMILAR TYPES OF WORK SECTION".** Are there any charities who are outperforming their competitors in this area?

CONCLUSION.

Once you decide on a charity and a grant amount, review the terms with the organization and be sure that they understand your policies and procedures. Assess the following:

1. **HOW WILL THE GRANT'S PROGRESS BE TRACKED?** Would you like to receive monthly progress reports? Quarterly? What would you like the reports to include?
2. **HOW WILL THE DONATION BE RECOGNIZED?** Would you like to be honored by the charity in some way or would you prefer to make an anonymous donation?
3. **WILL YOU GIVE THE SAME GRANT NEXT YEAR?** Explain your grant-making process to the charity. If they perform to a certain level of success, will you guarantee a donation for the following year? Or are grants reviewed yearly despite performance?

Finally, make sure that you record all of the information you collect about a charity in your private foundation's files, including contact information. We recommend saving a template "Grant Review" document that includes the questions listed in this white paper and filling it out for every charity that you review. Even if you decide not to donate to the organization this year, you may want to revisit the file in a future year, and it will be helpful to know why you passed on the charity the first time around.

WORKING WITH WITHERS CONSULTING GROUP →

Withers Consulting Group (WCG) provides assistance and support to families in the development and execution of family meetings, educational programs and broad governance initiatives. From bespoke programs, to facilitation, to individual “event in a box” activities, our consultants can help make your family meetings more productive, fun and memorable.

Email us for more information: info@withersconsulting.com

DISCLAIMER: