PHILANTHROPY
Australia

An Introductory Guide to Grantmaking

Vanessa Meachen

Promoting Giving

Supported by

The Westpac Foundation
Supporting our communities

Philanthropy Australia is the national peak body for philanthropy and is a not-for-profit membership organisation. Our Members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and to encourage others to become philanthropists.

Our vision:	A giving and caring nation.
Our mission:	To represent, grow and inspire an effective and robust philanthropic sector for the community.
Philanthropy:	The planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community.
Philanthropic sector:	Trusts, foundations, organisations, families and individuals who engage in philanthropy.

Email: info@philanthropy.org.au

Websites: www.philanthropy.org.au
www.philanthropywiki.org.au

© Philanthropy Australia Inc. 2010

ISBN: 978-0-9807927-0-6

Additional copies of An Introductory Guide to Grantmaking are available as a free download from our website.

An Introductory Guide to Grantmaking

Vanessa Meachen
Philanthropy Australia
2010

Acknowledgments: Philanthropy Australia and the author gratefully acknowledge the support provided by the Westpac Foundation.

Disclaimer: This booklet has been prepared as a general introductory guide. It is not advice, and must not be relied upon as advice. It contains generalisations and statements that are not necessarily comprehensive, complete or up-to-date. Some statements in the booklet are subject to legal uncertainty.

An Introductory Guide to Grantmaking
Contents

Introduction 3
How to use this guide 4
Philanthropy in Australia 5
Types of Foundation 6
The Grantmaker's Role 7
Formulating a Grantmaking Strategy 9
The Grantmaking Cycle 12
Administrative Processes 15
Assessing Applications 16
Communication and Knowledge Tools 26
Acquittal and Evaluation 33
Further Resources 36

Published by Philanthropy Australia

©2010 Philanthropy Australia

ISBN 978-0-9807927-0-6
November 2010

Introduction

Philanthropy in Australia has grown enormously since the year 2000, due to a combination of factors including tax incentives, new philanthropic structures and (for part of that time) a burgeoning economy. The community is also far more aware of the concept of philanthropy.

One result of this surge in both interest and practice is the demand for knowledge and expertise in this relatively fledgling discipline. However, there are few materials available written for Australian foundations, which tend to be smaller and less well-staffed than their overseas counterparts, and who also have more professional development opportunities available to them. This Guide aspires to redress that balance by covering the very basics of grantmaking in an accessible manner.

Who is this Guide for?

This Guide is written expressly for people who are new to grantmaking and are involved directly with the process of assessing applications and making grants. Even if your foundation does not accept unsolicited applications, there will be something of value here for you to use in your assessment of organisations and the grantmaking process.

The vast majority of independent philanthropic foundations in Australia have very few paid staff or none at all, meaning that the everyday work of the foundation is primarily carried out by a single staff member or an active board member. That person must have basic knowledge of a broad range of topics, including community/social needs, government policies and legislation around philanthropy, and not-for-profit operations. They must also simultaneously be a specialist, expert in their foundation's policies and mission, and in the specific area(s) in which it funds.

Most people using this Guide will be working with existing foundation policies and guidelines, so this document will not cover the setting of policy and guidelines in detail. *A Guide to Giving for Australians* (Vanessa Meachen, 2006) covers the question of establishing a personal giving strategy, but does not address revising or establishing guidelines and policymaking for existing trusts in any detail.

While the role of trustees is touched upon in this Guide, it does not specifically detail the duties and responsibilities of trustees or governing boards. Those roles are covered extensively in the *Trustee Handbook: roles and duties of trustees of charitable trusts and foundations in Australia* (David Ward, 2008), a free publication available for download from Philanthropy Australia's website.

How to use this Guide

You can download and print this Guide in part or in full, for your personal non-commercial use or for non-commercial use within your organisation. If you wish to use any part of this Guide in any other publication (including any online publication) we ask that you include attribution to Philanthropy Australia.

The Guide is organised into five chapters; most include a checklist or chart to keep handy as an aid to your work.

1. Philanthropy in Australia
2. The Grantmaker's Role
3. Assessing Applications and/or Organisations
4. Communications and Knowledge Tools
5. Evaluation

Together these cover the basics of grantmaking, most of which is common to all types of foundation. There may be other roles or procedures which will not be covered by the Guide or which are peculiar to your own organisation. There may also be situations you will run into which are outside the scope of this Guide. The Further Resources section in the back includes information on other resources to assist you, and we will also highlight specific resources throughout the Guide where they are particularly appropriate.

About us

Philanthropy Australia is the peak body for philanthropy in Australia and is a not-for-profit membership organisation first incorporated in 1977.

Philanthropy Australia defines philanthropy as:

The planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community.

Author Vanessa Meachen has been at Philanthropy Australia since 1998. She is responsible for Philanthropy Australia's grantseeker workshops as well as for resourcing Philanthropy Australia's Members via research and information products. Vanessa has previously written A Guide to Giving for Australians and A Grantseeker's Guide to Trusts and Foundations, both available for download from Philanthropy Australia.

Philanthropy in Australia

Unlike the rest of the Western world, the size and scope of organised philanthropy in Australia is difficult to gauge, as there are no public reporting requirements for grantmakers. We are therefore unable to make accurate estimates of the number and size of foundations and of their giving, although there are certain facts we can glean.

- Philanthropy in Australia emerged from an English tradition and for the most part is still governed by English concepts of charity law, based on the 1601 Statute of Elizabeth, which are not necessarily easily adapted to the modern context.
- Comparisons to the American tradition of philanthropy are made frequently but often do not take into account various factors including: the dates of Western settlement in each country, the different tax systems and philanthropic structures available, the respective attitudes of each population towards tax and government, and the difference in the social welfare systems of each country.
- The majority of foundations in Australia were established within the last century. We estimate there are approximately 5000 grantmaking trusts and foundations in Australia.
- There is a common belief that there are more foundations in Victoria than there are in other states, which does have some historical basis. The state of Victoria had extra tax incentives under the Administration and Probate Act 1915, until death duties were abolished in Victoria in 1976. This led to a large number of will trusts being established in Victoria during those decades. However NSW is rapidly catching up to Victoria in terms of foundation numbers, due to the establishment of PAFs (see below).
- In 2001 the Prescribed Private Fund (PPF) structure was introduced, which led to a wave of foundation creation. The structure was modified and became the Private Ancillary Fund (PAF) in 2009. These particular trusts are audited by the Australian Taxation Office (ATO) and for the first time we have a statistical snapshot of at least part of the Australian philanthropic sector. At the time of writing there are over 800 PAFs which collectively distributed $129 million in 2007-08, an increase of 10% over the previous year.

The development of geographically-based community foundations, and the expansion of organised corporate philanthropy in Australia have been other factors in the development of our philanthropic culture. Rapid wealth creation and a conducive taxation environment have also led to an expansion of philanthropy and a more widespread public recognition of the related concepts. Giving in Australia has been growing steadily in real terms every year since figures were first collected in 1988.

Types of Foundation

The majority of trusts in Australia will fall under one of the following legal structures[1]:

Testamentary or Will trusts

These are the oldest form of existing trusts in Australia and until the advent of the Prescribed Private Fund were also the most common. They are established by the will of the benefactor and therefore do not come into operation until after his or her death. Will trusts are eligible to attain income tax exemption as a Tax Concession Charity but donations to them are not tax deductible. They must fund the charitable purposes specified in the will.

Private Charitable Trusts

Private charitable trusts are generally established by a living donor via trust deed with a charitable purpose. Donations to this type of trust are not tax deductible, and they must only fund the charitable purposes specified in the trust deed.

Private Ancillary Funds

Private Ancillary Funds are a relatively new form of trust, first established as the Prescribed Private Fund (PPF) in 2001 and reconfigured as the Private Ancillary Fund (PAF) in 2009. PAFs are Deductible Gift Recipients, and some are charitable while others are Income Tax Exempt Funds (ITEFs). PAFs are subject to a minimum distribution requirement and cannot distribute to another ancillary fund under any circumstances. They must lodge an annual income tax return and comply with the PAF Guidelines..

Ancillary Funds (also known as Public Ancillary Funds)

These are established by deed for the support of charitable organisations. They are Deductible Gift Recipients and the public must contribute to both the capital and the control of the fund. This means that there is a legal requirement to fundraise, and also that the fund must be controlled by a committee, the majority of whom fall within the ATO definition of 'Responsible Persons'. The majority of Community Foundations use the Public Ancillary Fund structure. Many charities have also established Ancillary Funds as a fundraising mechanism for their own organisations.

[1] This is an overview only. For a more detailed explanation of each of these structures, see *Trustee Handbook: Roles and duties of trustees of charitable trusts and foundations in Australia* by David Ward, available for download from Philanthropy Australia.

The Grantmaker's Role

One of the main challenges of working in a foundation is that there is little in the way of professional training, or even universally accepted benchmarks and procedures. Almost everyone working in a foundation, whether as staff member or trustee, was originally trained to do something else. There is also no consistency in the backgrounds of people working in foundations, as they may come from almost any previous field; law, accountancy, education, academia, social work, public service and many others.

Given this range of backgrounds it's difficult to ascertain exactly what skills and knowledge a grantmaker should possess. The complexity is further increased by the number of roles which a grantmaker may need to take on at some stage of the proceedings. When reading and assessing a single application you may be acting as a detective (reading between the lines and checking the facts), a subject expert (providing opinion on the value of a project within its particular context), an interpreter (taking the application and translating it into the format and language the trustees are comfortable with) and an advocate (making a case for funding this application to the trustees).

Skills, knowledge and attributes which are valuable for grantmaking work include:

- Knowledge of your foundation's funding strategy and how it might fit in to a wider context
- Knowledge of the fields funded by your foundation
- Understanding of the needs, constraints and challenges of the not-for-profit sector
- Understanding of how not-for-profit organisations operate
- Ability to take in and synthesise a large amount of information and distill it into its essentials
- Ability to clearly communicate with a number of people and organisations, who may differ widely in knowledge, educational level, sophistication and communication ability

All these skills will develop as you continue along your path as a grantmaker. In particular your knowledge will increase in breadth and depth through the research you conduct and the relationships you develop, as well as simply through reading a large number of applications.

You'll also face a number of challenges while doing this work. Here are some examples:

- **Necessity of being both a specialist and a generalist**
  Grantmaking means that you need to be both a specialist in the field in which you are funding, and a generalist who knows about the crossovers between that field and the others it may influence (or be influenced by). You may also need to know about other funding arrangements for that field (such as government, sponsorship, fee-for-service) and about other programs in place.

- **Lack of an accepted set of standards or best practice**
  Grantmaking is an inexact science and it is difficult to work out how well a particular foundation is performing or how it might improve its performance. There is little agreement between foundations on the "best way" to achieve their goals, and there is so much diversity in missions, staffing levels, legal requirements, everyday operations and philosophical underpinnings that few foundations will share the same way of doing anything. The old saying is that "When you've seen one foundation, you've seen one foundation".

- **Pace of work**
  Most Australian foundations have no staff, and those that do have far smaller staffs than their US counterparts. It can be difficult to investigate grantseeking organisations at the level of depth required when you are operating to a schedule or have an overwhelming volume of applications to deal with.
- **Grantmaking is risky and results are difficult to measure or assess**
  The nature of the problems philanthropy seeks to address (eg. the life expectancy gap for Indigenous Australians; young disabled people in nursing homes) is far larger than can be tackled by a single foundation – or even by all of them together. Information about these issues is often sparse or contradictory, and they will often overlap and be influenced by other problems. Most of the problems which foundations deal with are difficult because the solutions involve trying to change opinions, attitudes or behaviours (not to mention government policy and/or funding) - a slow process, which often requires years or even decades to achieve marked progress and which may be judged as a failure at any point during that time.
- **Objectivity is hard to achieve.**
  The information grantseekers present you will not be unbiased as they will naturally want to present themselves in the best possible light. Ascertaining which organisation is the best one for the job is near impossible, as you cannot investigate all organisations which are working in a particular field, and not all organisations have the capacity, time, skills or knowledge to apply for a grant. Conversely, there are always criteria by which applications are assessed, or variables which influence granting decisions, which cannot be provided to the grantseeker or explained to the unsuccessful applicant. Often feedback cannot be provided because a staff member may not be aware of the board's reasons for rejecting an application, or because the foundation doesn't want to risk raising the expectations of the grantseeker unnecessarily. There are also applications which may be given preferential treatment because of the opinions or preferences of trustees, or rejected because of bad reports from referees.

Given all these challenges, it's important to remember that you are not alone. There is no accepted professional path to grantmaking, and therefore everyone in the field has been in the same position as you at some stage. Given the variables, even experienced grantmakers struggle with the challenges of the sector. Furthermore, all foundations are in a constant state of growth and change, and all staff and trustees are learning from experience.

There is no universally accepted 'right' way to make grants. Ultimately there is a great deal of diversity in the way the philanthropic sector operates and this is a challenge but also a great strength.

Formulating a Grantmaking Strategy

If you are giving away your own money, or in your role as trustee or staff member of a foundation, making grants on behalf of others, it's likely you will already have some ideas on the table about what causes, groups and areas you plan to assist with your grantmaking. If you want further guidance in establishing a definitive policy , you can investigate the tips for developing giving strategies in Philanthropy Australia's free downloadable publication *A Guide to Giving for Australians*.

A good start to devising a grantmaking strategy is by listing the following:

- Foundation's mission and focus for giving
- Legal responsibilities (based on the legal structure used and the wording of the Will/Deed)
- Practical considerations (the size and reliability of income for distribution, the staff or trustee time, expertise and resources available)
- External considerations (such as the need to be seen as a leader, the need to remain private, the desire to use your funding as "leverage" for the grant recipients to raise more)

This will help you formulate some ideas about your giving. The first decision the Foundation's trustees and staff make will probably be to choose to be either responsive or pro-active in their grantmaking, depending on what they want to achieve.

Responsive Grantmaking

A foundation choosing the responsive style determines its criteria for funding (often quite broad, e.g. addressing disadvantage in Victoria) and then invites the community to submit applications based on those criteria. The applications are then assessed on their own merit and the most appropriate are selected to receive funding.

Advantages of the responsive style:

- A good way to get to know a variety of community organisations
- Less pre-application research required
- Enables you to be truly responsive to what community organisations need

Disadvantages of the responsive style:

- Usually means a large volume of applications and therefore more resources spent on responding to them

Proactive grantmaking

Proactive grantmaking involves a foundation identifying its objectives – generally quite specific objectives (e.g. to reduce the rate of illiteracy in Indigenous communities) – and taking its own steps in identifying organisations and potential projects to fund. Generally the foundation does not accept unsolicited applications, and many foundations which choose the pro-active role do not allow their contact details to be made public.

Advantages of the proactive style:

- Generally requires less administrative expense and staff time
- Enables a foundation to develop deeper relationships with a smaller number of organisations

Disadvantages of the proactive style:

- By not accepting submissions you may miss out on appropriate projects or on getting to know suitable organisations which are not known to you
- Generally requires intensive research and considerable knowledge of the area(s) being funded

There is no single approach which is right for all foundations. The important thing is for each foundation to make a decision about the way it chooses to fund, and to be clear about the reasons for doing so.

Whether you elect to be responsive or pro-active, your grantmaking strategy should include a formal policy to provide clear direction for trustees and staff to base decisions on. This is a good idea even if you do not intend to accept applications.

If you do wish to invite applications, the policy can be adapted to create grant guidelines for applicants, whether unsolicited applications are accepted or whether selected applicants are invited to make a submission. Even those organisations which are pre-selected by the grantmaker will appreciate some guidance as to the structure of their project or proposal.

The Grantmaking Cycle

Grantmaking decisions must be guided by the objectives and limitations set out in the Will or trust deed, and there will also be requirements based on the foundation's structure. For example, foundations which are Deductible Gift Recipients (DGRs), such as Public Ancillary Funds, will be limited to funding other organisations which have DGR status. The rules are different for different foundations and it's important to know what your foundation's legal requirements are and how you can confirm the eligibility of potential recipients.[2]

The path you follow through the grantmaking cycle will depend on how the work is organised in your particular foundation. At the time of writing many foundations are going through growing pains as the pace of life changes. Even as recently as a decade ago, many established foundations were able to conduct their business in a fairly private manner; government wasn't especially interested in them, the media didn't know about them, and while grantseekers wanted to know about them, the interest was more easily managed. A decade ago the information seeking skills of grantseekers were perhaps less developed, the sector was less professional, and the internet hadn't yet influenced our perceptions and expectations of the availability of information and our ability to ferret it out.

Expectations have also changed over the past decade because of new structures such as Private Ancillary Funds (formerly Prescribed Private Funds), as well as increased government and public awareness of the philanthropic sector, and also because the internet and associated communication tools are changing the way the world operates.

Here is one typical path with 11 steps through the grantmaking process. A checklist of administrative processes is also included on page 15.

Step 1. Source Potential Recipients

When it comes to sourcing potential recipients for your grants, there are two main options – A) you can call for applications or B) investigate potential funding partners yourself.

A. If you accept applications:

If it is your foundation's plan to accept funding applications, you can call for submissions a number of ways:

- Place an entry in The Australian Directory of Philanthropy
- Put a notice on your website about your grants
- Place a newspaper advertisement
- Promote your grants on websites or publications that offer resources for grantseekers, e.g. OurCommunity.com.au
- Ask other grantmakers to pass submissions on to you

In some cases the applicants that reach you, or the projects they are applying for, will not be suitable and further methods (or different methods) of advertising your grants will need to be employed. The method you choose may also be influenced by the type of organisation you are targeting. For instance, if you prefer to fund only new or fledgling organisations, finding them and determining their potential may be difficult and will require more networking and research time. If you wish to fund underprivileged, marginalised or very small groups, they may not have the time and monetary resources to research you, or the expertise to provide you with good quality applications, even if their projects are worthy. In these cases you might need to actively seek out and help these groups to present their case to you.

[2] For more information on this see A Guide to Giving and Trustee Handbook.

B) If you don't accept applications:

You may wish to avoid a formal application process and an influx of submissions and research potential grant recipients yourself. It may sound appealing to limit applications to those you solicit, but be aware that while you save time in responding to unsolicited applications, you need to invest time and skills in undertaking the necessary research to make sound decisions. You may also miss out on some excellent projects, or on discovering some organisations which would be ideal for your purposes.

You may wish to source suggestions for projects or organisations to fund from other foundations which do have a formal application process, and have undertaken due diligence in researching and assessing their applications. Many foundations receive more applications than they can fund, and most are willing to work with other foundations to see more of these supported. You may wish to contact other foundations or networks of funders and ask if they can pass on some of their unfunded applications directly – in which case they should ensure that they ask the permission of applicants, perhaps on the application form or cover sheet – or you can offer to co-fund some of the projects they are funding.

If you would like to concentrate some or all of your funding to a particular geographic region, a community foundation operating in that area will likely be a good source of information and proposals, as well as local knowledge about the organisations and needs in the area.

However how you source and select organisations to fund, you will most likely want to ask them for a proposal on how they would spend your grant. This may take the form of a description of a specific project they have planned or a more general proposal on how they might address a specific problem in society.

(If you don't accept applications you can skip to step 5)

Step 2. Acknowledge receipt of proposals

It is extremely helpful to grantseekers to let them know you have received their application. The easiest way to acknowledge that proposals have been received is via email; however if you don't use email you may prefer to use a pro forma acknowledgement form , which you supply along with your guidelines or application form. Applicants fill in their postal or fax details on the proforma, which saves you time when returning it to them via fax or post, to indicate that the application has been received.

This can also be a good time to request further information from organisations if they have not supplied everything you have requested - particularly if they have not provided you with vital basics such as audited financials or evidence of charitable/DGR status.

Step 3. Record applications

It is good practice to make note of every application you receive. Again, how you keep a record of the proposals and the decisions made for each will depend on several factors, including the number of submissions received, the amount of time and resources you have to devote to this, and your technological capabilities. There are several software programs available for grantmakers, ranging from very sophisticated to relatively simple. Some more information on these is available in the section on assessing applications.

Step 4. Initial review of proposals; shortlist; cull unsuitable proposals.

This involves scanning the applications with an eye to their alignment with your guidelines and mission, and deleting those which are obviously outside your foundation's guidelines.

Step 5. Further review and shortlist

This step involves reading each application and assessing it against your main criteria in order to develop a shortlist. Here's where you begin to put them into some kind of order, and to cut out those proposals which you feel are probably a lower priority, even though they may technically fit guidelines. This is also the point at which you may wish to consult other tools or external sources in order to help you make decisions.

For more detailed information on assessing applications see Chapter Three.

Step 6. Site visits

Visiting your short-listed potential grant recipients and seeing first hand where and how the work will be done may be time-consuming but can be useful not just in assessing a particular organisation and project, but also in your own professional development as a grantmaking professional.

The main purpose of a site visit is to gather information to assist you in making your recommendation/decision. A suggested agenda for the site visit will ensure you speak to the CEO or the person who will be in charge of running or implementing the project, see the premises or facilities where the work will take place, speak to other staff members who may be involved, and ask any questions you may have about the organisation and the project.

Step 7. Preparation of papers

The preparation of papers presenting shortlisted proposals and recommendations for funding to the Board will vary according to the operations of your particular foundation and the personal preferences of your Board. A suggested structure is included in Chapter 4.

Step 8. Trustees meeting; final decisions

For staff putting forward recommendations for granting, it is worth considering that the Trustees may not agree with your recommendations, and if that is the case it is important not to take it personally. The decision and therefore the responsibility is theirs; your job is to provide them with the information upon which they can make a well-informed decision.

Step 9. Offer of grant, grant agreement, cheque signed and sent

It is customary for grantmaking foundations to issue a grant agreement with the awarding of a grant, which specifies the requirements attached to the grant, eg. how the money is to be spent, within what timeframe, and any reporting requirements.

The issue of a grant agreement can sometimes be problematic if certain conditions in the agreement jar with the ATO definition of what constitutes a gift and may accordingly be subject to GST. There is yet to be a definitive ruling on when a grant from a philanthropic trust is counted as a gift, although at the time of writing (May 2010) the ATO has indicated that a re-examination of this issue will be part of its Compliance Plan for not-for-profit organisations. The most relevant information at the time of writing is contained in the Tax Ruling GSTR 2000/11 and in the Charities Consultative Committee Resolved Issues Document on the ATO website[3].

Step 10. Communications during the grant period

The grant agreement usually specifies when monies and reporting requirements are expected, and any other required communications. It is to be expected that both parties will keep one another updated of anything that changes during the grant period which will have a material effect on the project's delivery.

Consider how much involvement you want to have with the organisation running the project. Some foundations will be happy to make a grant and receive a report on completion of the project. Others may find to regular projects updates to be useful, for example having brief quarterly updates on the progress of a project, and making any directional or strategic changes needed, could avert problems and maximise the effectiveness of the grant.

Step 11. Acquittal and evaluation

Many foundations wish to undertake evaluations of their grants, to determine the efficacy of their grantmaking practice and the impact of their funding. Some may ask the recipient organisation to undertake an evaluation or build it into the grant itself, and others may employ an outside person to do an evaluation of the project.

The level of evaluation you require from your grant recipients will be largely dependent what you wish to achieve from the exercise. It will also depend upon the size and scope of the grant, and the capacity of the organisation delivering the project. It is unlikely that you will wish to properly evaluate every grant made unless your foundation makes just a small number of large grants Often, evaluating a sample selection of a particular type of grants (eg. small grants) or program areas (eg. education grants) can be a useful strategy.

For foundations asking for a substantial evaluation, it's important to understand that such reporting can be quite a burden on the organisation receiving the grant. Either staff time must be diverted from regular duties to recording and analysing data and writing up the results, or an external evaluator must be contracted to carry the work out. Either way, this is a cost to the organisation. A grantmaker which demands a rigorous evaluation should be prepared to pay for it.

See Chapter 5 for more about evaluations.

[3] http://www.ato.gov.au/nonprofit/content.asp?doc=/content/16250.htm&page=26#P1986_205914

Checklist: Administrative Processes

Sample Administrative Processes for a staffed foundation which receives applications

1. Receive application.
- Date stamp and note receipt in your records or grants management system

2. Acknowledge applications received
- Email, post or fax a standard form letter of acknowledgment
- Request further information (if needed)

3. Cull unsuitable applications
- Does the application match your guidelines and align with your mission?
- Is the request for an amount you can supply?
- Is the organisation legally eligible?
- Are all required attachments included?

4. Notify the rejected applicants
- Email or post a standard letter of declination.

5. Develop a shortlist according to your funding policy – ask:
- Would this grant further the foundation's objectives?
- Is there sufficient evidence that the applicant organisation has the resources – including time, knowledge, people, skills, and infrastructure - to achieve what it intends?
- Is there sufficient evidence that this work should be done – is the need proved?
- Are the costs realistic?
- How much risk is entailed in this application for your foundation and how much risk are you prepared to take?

6. Check background information
- Fact checking
- Sight any DGR or TCC documentation
- Contact Referees and/or request information from other grantmakers

7. Request any further information from the grantseeker
- Questions related to submission – or general discussion
- Site visit – if possible or necessary

8. Write summary and/or recommendation for presentation to Trustees
- Make a case for or against each of your short-listed applications
- Be prepared for any questions your Trustees may ask.

9. Decision made by Trustees

10. Notification of declination or success of submission
- Email or post notification letters to remaining applicants.
- Do you provide feedback?

11. Draw up grant agreement
- Specify timeline and what the grant is to be used for
- Clarify any communication or reporting requirements

12. Administer the grant
- Send cheque or deposit, file receipt and signed grant agreement.

Assessing Applications

This section discusses the assessment of applications (and applicants) in order to make informed granting decisions. It covers assessment of the grant application itself, whether solicited or unsolicited, and other methods of gathering information about an organisation or proposed project.

The application or proposal is your primary tool for assessment. Any application will be reflective of the applicant organisation to some degree, but they can sometimes be deceptive and may even put some worthy organisations at a disadvantage.

Remember that the application itself is not what you are funding; you are funding the work which the application describes. Don't be swayed by fancy designs or extensive documentation, or conversely, be put off by simple or unsophisticated applications.

A good application may characterise all the qualities actually contained in the applicant organisation, or it may reflect use of a professional grant writer with extensive experience in making applications to philanthropic organisations. Similarly, a muddled or unclear application may indicate that an organisation doesn't really know what it's doing, but it could also mask a worthy volunteer-run, grassroots or start-up organisation, which may have very passionate and dedicated people who are highly effective at delivering on their stated goals but not very good at communication. Either way, while the proposal is very important it may not tell the whole story.

Internal factors governing assessment

Whether a project is an appropriate match for your funding will depend not just on the applicant organisation and the project's own merits, but also on how well it fits with your foundation's mission. This means that at a minimum you need to be aware of your foundation's guidelines and what it can and cannot legally fund.

Anyone assessing grant applications, trustee or staff member, needs to be aware of:

- Your foundation's mission, so that you are very clear about what the foundation is ultimately trying to achieve.
- Anything considered a "deal breaker" by your foundation trustees – a situation, attitude or issue which throws up red flags and makes the trustees very unlikely to fund the project. These will vary between foundations and are generally not explicit in guidelines; sometimes they are related to an internal policy of the foundation. Some "deal breakers" include:
    - A large budget deficit (threatening the organisation's continued existence)
    - Lack of project or organisation sustainability
    - Obvious prejudice in the organisation's operations (e.g. homophobia or religious bias)
- Similarly, you should be aware of "deal makers" – any favourable factors which are not necessarily explicit in guidelines but are part of formal or informal policy, such as:
    - The project will take place in a geographic region of special significance to the foundation
    - The applicant is a small grass-roots organisation with strong community links needing capacity building to fulfill its potential
    - The project has been referred on by a trustee or associate of your foundation

Deal makers and deal breakers will vary from foundation to foundation. Sometimes they are stated in internal documentation; others will be implicit and only come to be understood over time.

Assessing Applications (cont)

You'll probably fall into a method of getting through the volume of applications which sits your own personal style and that of your foundation. You may choose to read proposals gradually as they come in, or to put them aside and read them all at once; several staff or board members may share responsibility, or there may be one dedicated person to review them all.

It's a good idea to acknowledge the receipt of all proposals promptly with a form letter, to clarify your timeline and what communications, if any, applicants can expect from you and to avoid the possibility that they may follow up with phone calls asking for an update on their application..

1. *Initial cull*

Many grantmakers like to do an initial scan of each proposal which allows them to cull any applications which are obviously inappropriate; for example, those that are outside the guidelines or where the applicant organisation does not have the required tax status.

When an application is rejected for a single, immovable reason such as being outside guidelines, you can respond immediately with a form rejection letter which explicitly states that the proposal was outside guidelines and therefore cannot be considered. This will help to educate the grant applicant and should also prevent the same application being resubmitted in the next funding round.

It's better to be honest up-front about the grantseeker's chances, in a timely fashion, so they don't waste time and effort on applications which have no chance of success.

2. *Detailed review*

Your second read-through will allow you to identify and shortlist proposals which you feel are good prospects for your foundation to fund. Make notes as you read, and note any special circumstances relating to a proposal – for instance, it may have been referred to you by another foundation or it may be a special interest of a trustee.

The very basics you need to know in order to analyse an application are:

- What is the issue the organisation is trying to address, and what is currently being done about it, including policy and activities of government and other organisations?
- What activities or items does the organisation propose to spend your grant monies on?
- Is there a genuine need for this work to be done, and is there some evidence that it will make a positive difference?
- Is the organisation capable of carrying the work out? Does it have good governance, good management, a clear vision and sufficient resources?
- What are the expected outcomes and potential impact of the work? How will the organisation demonstrate its results?
- Is this organisation and its proposed project in line with your foundation's mission?

The checklist below details many of the questions which you might want the application to answer.

Checklist: Assessing Applications

Organisation structure

- What type of organisation is it? Statutory, voluntary, not-for-profit?
- What is its tax status? Is it a DGR? A charity?
- What is its mission or primary purpose?
- Is it part of a larger or national organisation?
- Has the organisation previously received a grant from your organisation? When and how much? Was it acquitted?
- What is its management structure?
- How many staff does it have? Are the staff all paid, all volunteers, or a mixture?

Organisation capability

- What is the organisation's main activity?
- Who are the people the organisation helps?
- What is its catchment area?
- What are the organisation's current resources?
- What are the organisation's main sources of income?
- Is this work within the organisation's mission and its area of expertise?

Project questions

- What is the project actually for? What outputs will it deliver?
- Who will it help? How?
- When will it happen and how long will it take?
- Where will it happen?
- What difference will it make (ie. projected outcomes)? How will you tell if it has been successful?
- Is this a once-off project or is it a pilot or seed project to test a new approach, that might then be taken to scale?

Budget

- What is the total cost of the project? How much of that are you being asked to fund?
- Who else has been approached for funding for this project (total or partial cost?)
- Will the project continue past the funding period – and if so, where does the applicant hope to obtain future funding?
- What stage is the project at now?
- Are the timetable and budget realistic?

Context

- Who else does this kind of work in the field?
- Is there duplication and does that matter?
- Is there a genuine need for this work? Can this be substantiated by research?

If you can't glean all of this from reading the proposal, it doesn't necessarily mean that it should be denied. Some organisations are very good at what they do, but not as good at describing or explaining it. This is where making personal contact will assist you in answering any of these questions which the application didn't address.

Assessing Applications (cont)

You may ask your applicants to provide attachments, such as annual reports, or they may send them to you unsolicited. This extra material can often give you good insights into the organisation beyond the project application. It may include some or all of the following:

- Annual report - this give you a bigger picture of the total organisation, its activities and the way it presents itself to the general public. It's especially useful if you're funding a very large organisation, since in that case the application for funding probably only details a small part of what the organisation actually does.
- Financial report - this will help you see where the money comes from now, where it's spent and how it is managed, as well as how solvent the organisation is.
- Constitution or governing documents - these provide evidence of the organisation's mission and can sometimes also give insight into its philosophical or religious underpinnings.
- Letters of support - provide evidence of how much external support there is for this organisation and/or project. It's usually a good indicator if they come from other community groups, peak bodies, or previous funders, because it means the organisation has the respect of its peers and is linked in with others.
- Newsletters - a good indicator of how an organisation presents itself to its clients, friends and supporters. They often contain case studies, information on events the organisation is involved with, and profiles of clients or staff, all of which can be informative and put a human face on the work the organisation is doing.

External research tools

Written applications are important but only part of the picture. To do a thorough assessment of a grant proposal you'll need to go outside the application and consult external sources. Personal contact with the applicant is always a good start, but there are other tools you can use to gain an alternative perspective, especially to enhance your understanding of whether a project is viable or what the needs are in a particular field. They include:

- Amassed knowledge gained from other staff and trustees, or from your foundation's written history (if applicable)
- Other colleagues in the sector (i.e. other grantmaking foundations)
    - You can ask Philanthropy Australia for assistance here if you don't know who else is funding this type of work (or want to find new players)
    - Philanthropy Australia's Affinity Groups – groups of funders targeting a particular issue - are also helpful
- Peak bodies in the field you're working in, eg. disability or the environment, which can provide information on current issues, who else is working in the field, research, sometimes validation of a particular project or theory
- The Australian Bureau of Statistics; the ABS.gov.au website can be difficult to navigate, but provides good statistical information free of charge including community profiles which give statistics for particular geographic regions.
- Research institutions such as CSIRO or the Australian Institute of Health and Welfare, or university-based research centers, which often provide excellent research reports and expertise.
- The Parliament of Australia's Parliamentary Library has research papers and briefings on particular issues available online.
- For geographic regions, a community foundation in the area can provide huge amounts of local knowledge on needs, capacities and activities in the region (Philanthropy Australia can provide contacts for community foundations)
- Philanthropy Australia's PhilanthropyWiki is an online encyclopedia for philanthropy in Australia containing many excellent resources for grantmakers.

In cases where substantial research is required it can be daunting to navigate this vast field of resources, but often others are willing to assist. Peak bodies, other foundations and research institutions are often very happy to provide advice and suggestions to philanthropic foundations if they are asked.
How extensively you carry out external research will, of course, depend on the time available and your confidence in your knowledge of the organisation, field of funding, or potential project. If the application is sufficiently clear and you hold considerable trust in the organisation and its ability to deliver, it may be unnecessary to do more than minimal external research before making a funding decision.
More information and tools including website addresses are listed in the Appendix.

Contacting applicants

If you have the time and resources, making contact personally with your shortlisted applicants is preferable. A conversation can give a much fuller and more nuanced picture of the context of the application. Direct contact is a great way for you to provide feedback to the applicant, to assist with this and future applications.

The typical grant applicant is from a not-for-profit organisation, many of which are under-resourced and overworked. Grant applications often represent the result of many hours of difficult work with an uncertain outcome. Making personal contact is a courteous way of acknowledging that work and that not-for-profit organisations are as important to the work of foundations as foundations are to them.

You can choose to speak with shortlisted applicants over the phone, meet in your office or neutral territory, or arrange a site visit to the organisation. Email and phone conversations are cost-efficient and less time-consuming than site visits; however, site visits are an excellent opportunity to extend your professional development and understanding of the sector in which your foundation funds.

Before the meeting, reread the application and identify specific questions to ask. Some people find this kind of interview difficult, because at this stage no decision has been made and the applicant is in effect 'on trial'. They may feel your enquiries imply a lack of trust in them or their application. You may be uncomfortable at knowing you won't be able to fund each organisation you meet with.

While the power imbalance inherent in the grantmaker-grantseeker relationship will never disappear, there are ways of keeping the conversation non-confrontational. These include being prepared to listen, and asking open-ended questions which are more like prompts. Some of the conversation starters you might find useful are listed below.

Suggested questions\prompts

General

- Tell me a bit about why you decided to do this project
- Do you think there are any special challenges ahead for your organisation?
- Who else is doing good work in your field?
- Are there any trends in your field you think I should know about?

Assessing Applications (cont)

Finances

- Is there anything in your budget which you think I might overlook or misunderstand?
- Do you have any specific worries about your finances?
- Salaries seem to have gone up; is this because you've hired some new people, or is it because of salary increases?
- What are some of the reasons that your revenue is higher than you'd budgeted?

Planning and Management

- Do you have any major partnerships or alliances with other organisations in your field?
- What were some of the key goals you managed to achieve over the past year?
- What has your organisation achieved that you're most proud of?

Governance

- What are the issues your board is concentrating on at the moment?
- How are the board and staff working together on these issues?
- Are there board committees? How do they operate?

Staff

- Tell me about the background and key strengths of your main staff.
- How long have your key team members been with this program/with the organisation?
- What are the most stressful aspects of your work right now?
- How are you (and your staff) coping with these stresses?

Program

- Tell me a little more about your clients and how they come to you
- Why did you decide to take this particular approach to this project?
- What kinds of indicators will let you know you're on the right course with this program?
- How do you use input or feedback from your clients to make decisions about the way you operate your programs?
- What kind of strategies do you have to ascertain your clients' most important needs/issues?

Whether your discussion is by phone, face-to-face or part of a site visit, a useful way to end the conversation is with "Is there anything we haven't talked about that you think I need to know?"

Site visits

Site visits are a very useful experience, not just for assessing a particular organisation or project, but for expanding your understanding of the field in which you're funding. You can see how an organisation presents itself to its clients and the general public, rather than to a potential funder. A site visit also may let you see whether there is some other assistance that you could offer the organisation to increase the effectiveness of their work and your grant money – such as putting them in touch with a skilled volunteer or a low-cost supplier, or making a small extra grant to enhance their organisational capacity.

It's a good idea to have an agreed plan for a site visit. A suggested agenda may include a tour of the facility, a presentation, meeting staff or clients, and meeting CEO or board members – but this will depend on the organisation and the project. You may want to leave enough flexibility for discussion or exploration if an interesting discussion arises.

Ideally, a site visit will enable you to meet some of the staff who will implement the project you're investigating. This lets you see how the organisation's people interact, how they behave to one another and possibly their clients, and how engaged the staff and/or volunteers are. Whether or not they end up receiving the grant, the visit is the beginning of a relationship, which allows the opportunity for more honest communication on both sides. Talking to staff also helps you move the conversation beyond the "sell" to learn more about the more interesting aspects of the proposed project and the organisation's work. It also helps you see the passion of the on-the-ground staff, who in many cases did not write the grant application, but will be delivering the program being funded.

There are a few potential stumbling blocks to be aware of when planning a site visit. One is that the organisation will naturally want to put its best face forward and to be as hospitable as possible. You don't want them to go to unnecessary expense or deflect resources for your visit; for instance, it's probably best not to conduct your site visit at lunchtime, as this might lead to concerns they need to provide lunch for you. You can make it clear when arranging a site visit that you are happy to see them in their everyday working environment and are not expecting any special treatment.

A site visit can raise expectations on the part of the grant applicant. It's a good idea to be explicit about the fact that you may have shortlisted them, but no funding decision has been made yet, and this site visit is a fact-finding mission and just part of your research in the application process.

Thanking them for their time and emphasising that while the visit was extremely useful it is just part of the application process will help make the point. Acknowledging that the final funding decision is not yours to make (or not solely yours) is often a useful tactic too.

After the visit it's a good idea to jot down your immediate impressions, including whether the organisation seems adequately resourced, whether the staff seem engaged and motivated, any new issues which emerged and anything interesting for further discussion or research. How did you feel about the organisation after the site visit , what impressions did it leave you with?

Putting it all together

Grantmaking is both an art and a science. This is especially true of assessing applications.

Many organisations have a formula or checklist which can be used to assign a score or value to each application so that assessments can be made. This is a good idea, especially if you're new to the process. However, it's also problematic because there is such an enormous variety in projects and organisations. Weighting one over another can be extremely hard when you're not "comparing apples with apples". Using the Checklist above can assist in making the applications roughly comparable, to aid your decision-making.

There are also some concepts which mean different things to different organisations and which cause constant frustration for both grantmaker and grantseeker.

Common myths in grantmaking

Core funding, administration costs and overheads

It's often an unspoken assumption among individual donors, as well as some foundations, that paying for infrastructure, overheads or administration is undesirable. On the face of it, it may seem a good idea that the entire grant should go to direct service provision. However, once you consider the question of resourcing capacity, a different picture emerges.

Like any organisation, including a business, a not-for-profit needs a well-managed infrastructure in order to succeed in its mission. Without skilled and competent people to carry out the work, a reasonable place in which to do it, and the equipment and resources necessary to the task, the project is hampered before it's even begun; As in any sector, if the infrastructure is poor and the staff overworked and under-resourced, the project is bound to, at the very least, to fall short of its potential.

Perversely, in many cases grantseeking organisations undercut themselves by applying for less funding than they really need. Sometimes they fear being labelled as greedy, or think that in asking for a lesser amount they increase their chances of winning a grant. Whatever the motivation, the outcome is a poorly resourced project with compromised potential.

Not only is it advisable to encourage the applicant to be realistic about their budget, but it may worth considering funding beyond the project itself. For example, would funding a staff position for six months, or a piece of equipment such as a laptop, improve the capacity of the organisation or the efficacy of the project? In some cases, foundations choose to support organisations with operating grants, not tied to particular projects, to enable them to extend or improve existing services that have proven effective.

Funding innovation

Many foundations want to fund innovative projects, and many believe that funding innovation is philanthropy's core purpose. Genuine innovation, however, is not so common; nearly every idea arises out of ongoing work or existing programs.

A common complaint of grantseekers is that they must constantly try to present an existing proven initiative as "innovative" or foundations will not consider their applications. While funding innovation and taking risks may always be the preferable path for many philanthropists, a willingness to consider other non-pilot projects is important.

Sustainability

Many foundations take "sustainability" to mean that an organisation will become less dependent on philanthropic money and will be able to pay its own operating costs. However many grant recipients understand "sustainability" to mean that there will be future external funding sources for the project.

Neither perspective is right or wrong. Many projects are capable of becoming self-funding, and others are not – not from mismanagement but because they support populations unable to pay for the service, or because they are ongoing "wicked problems" which take years or even decades to show any progress. In these cases of complex and intractable problems, providing support for an ongoing program or building the organisation's capacity to self-fund can help avoid the waste and distress associated with quality programs being piloted and then abandoned due to lack of ongoing funding.

Assisting a small or fledgling organisation with preparing a business plan, perhaps by putting them in touch with skilled volunteers with expertise in this area, may be of value in helping ensure some sustainability.

Taking budgets on face value

Understanding the finances of not-for-profit organisations can be fraught if you come from the business sector, and recent calls for not-for-profits to be "more businesslike" don't help this. Not-for-profits are not just businesses which don't make a profit. They operate on different principles. Not-for-profit organisations generally provide products or services to those who cannot pay for them. The bottom line is typically social or environmental impact, rather then economic.

Economies of scale, revered in a business, can often lead to decreased quality of service or reduced take-up in a community project. Improving infrastructure is often pushed to the bottom of the wish list in the not-for-profit context as if is an unnecessary luxury, whereas the failure to upgrade infrastructure can impede the effectiveness of operations and cost more in the long run. There may also be heavy reliance on volunteers, the value of which is difficult to express on a balance sheet. Large amounts of income are tied to particular projects, and sources of funds are varied and changeable, each source with its own set of requirements. And staff are generally poorly paid in comparison with the private sector, which can lead to burnout and disillusionment, as well as a high staff turnover.

Consequently, when reading not-for-profit budgets it pays to have an open mind, seek answers to questions rather than jumping to conclusions, and keep in mind the context of how the overall sector works, and that it differs considerably from the private sector.

Recommendations and Decisions

If you are a researcher or staff member you will probably be making recommendations to your board of trustees, who will be the final decision makers when it comes to allocating grants. .

Anecdotal evidence from a variety of foundations in Australia indicates that in some cases all trustees read all applications, whereas others read only those applications which have been shortlisted for consideration. However your foundation chooses to conduct this part of the process, some form of summary report for the trustees will be required.

This is one suggested list of fields for a grant recommendation write-up:

- Organisation Name:
- Project Title:
- Background to organisation – e.g. its mission, size, age and catchment area, and size and age
- Need for project: - e.g. the problem it seeks to address
- Project description:
- Benefit (who benefits and how):
- Funding (sum requested and what for):
- Recommendation (whether the grant is recommended and if so, what sum):

Staff may or may not attend board meetings, depending on the foundation's policy. For those that can attend, the meeting should offer genuine and valuable insight into your trustees' decision making process. Staff may be required to act as the 'middleman' and present the case for some or all of the recommendations you've made.

Final words

Assessing applications is messy and imperfect, but it's also a tremendous opportunity for your foundation to make a real difference – not just through money but through understanding. The work is challenging and entails a degree of risk; not everything can be boiled down to scientific principles. Philanthropy is relationship-based and will often mean having to operate on trust.

While the grantmaking may be difficult or even daunting, especially at first, remember that almost all grantmakers are in the same boat whether they've been in the sector for ten weeks or ten years. All applications are different; organisations and the people who work there have the potential to constantly surprise you; you will gain insights and perspectives which cannot be taught and which have the potential to change the way you work.

Communication and Knowledge Tools

Communication is directly related to the mission of most foundations. Sharing knowledge about (for example) a foundation-funded program which improved literacy levels can help others design more effective literacy programs with positive impacts beyond the initial program. Sharing knowledge about why an initiative did not succeed can assist others to avoid making the same mistake. Learning from the experience of colleagues in the sector enables a foundation to take advantage of others' learning, processes and strategies, what works and what doesn't. And effective knowledge management means that a foundation is able to back up its claims of effectiveness and to attract more partners and co-funders to its initiatives and projects.

This means that clear communications and knowledge management tools are essential.

Over the past ten years the speed and quantity of information available to us has increased enormously. The grantmaking landscape is now characterised by the following:

Increasing expectations about the availability of information

The rising power and speed of both computers and information networks, combined with their falling costs, dramatically lowers the costs of creating and circulating information. Grantseekers can use online databases, more powerful search engines, and websites dedicated to philanthropy to identify more grantmakers that appear, however tenuously, to be fair prospects.

While these tools address a chronic complaint of grantseekers—the difficulty of effectively scanning the universe of potential funding sources—they, too, are likely to increase the number of submissions, both relevant and irrelevant, which must be logged, reviewed, assessed, stored and answered.

Thus, grantseekers today can generate more information and requests at little cost and find more foundations to send them to. And while information is the raw material from which foundations make grants, the amount of raw material that goes into a foundation is unrelated to the amount of finished "product" coming out. Doubling the amount of information going into a foundation won't double the number or size of grants it makes.

Assuming that the ability to generate materials and execute searches will only increase, foundations will need to either expand the internal capacity to manage information or create new means to limit the flow to match the capacities of the organization.

Large number of new donors and foundations entering the sector

One of the main characteristics of new donors including PAFs is that they are seekers. They are constantly seeking information – how do you do things, how do you find things out, what is the best way of doing things? They are looking to take advantage of the collected wisdom of established foundations, and keen not to reinvent the wheel.

Increasing calls for transparency and accountability

There is no mandatory public reporting requirement for Australian foundations, although many must report to the ATO. There have been some accountability issues which affected individual foundations and were publicly reported. , It's not hard to imagine that it would take only one scandal to hit at the right time to severely damage the public's trust in philanthropy. From a practical perspective a scandal may not have much impact on individual grantmakers; however, it could severely damage the sector's credibility with policymakers and the trust and respect of the public. Corporate givers and those foundations which raise funds from the public could suffer severely from losing public trust.

More media interest in philanthropy

Media interest in philanthropy is important; but it also means that there is a desire for more information and stories about philanthropy. And that leads to scrutiny and demands for proof; how can we show we're making a difference? What works, what doesn't? For those foundations which receive a tax benefit there is also an argument that they should be able to demonstrate that the public benefit is at least as great as the benefit from the foregone government revenue would be.

With all these circumstances in mind, how does a foundation store and communicate its knowledge most effectively?

Knowledge management tools

Knowledge is a grantmaker's only inexhaustible resource. While financial resources can only benefit a limited number, knowledge will never run out no matter how much it is shared.

Grantmaking work generates enormous quantities of information and data about the fields in which grantmakers work, the players in the field, strategies which work to improve people's lives, and strategies which are unsuccessful – and the reasons why they don't work. For a knowledge-rich field, we have a relatively poor record of knowledge sharing. The knowledge assets of grantmakers are difficult to liberate, as they are frequently locked up in filing cabinets, databases, reports, emails and in the heads of the staff and trustees.

With this in mind, there are internal systems and tools which can be used to make your work easier as well as to harvest your knowledge.

Grantmaking software

There are several software packages used by Australian foundations. This information is subject to rapid change so only basic information is offered here – see the websites listed in the Appendix for more up-to-date information, or ask Philanthropy Australia staff.

The most common packages used for grantmaking in Australia are:

GIFTS
GIFTS is a powerful software package which covers grant management, contacts management, payment scheduling, reporting and the ability to track multiple funds, pledges and giving programs. It is provided by US-based company Microedge and has an Australian support company.

Smartygrants
SmartyGrants is a hosted grant management application developed by Australian company ourcommunity.com.au. Smartygrants allows public web access (so that applicants can apply online) as well as secure private access so authorised grants administrators can manage the applications and the entire grant cycle.

Digits
Digits is a database system developed by the UK-based Community Foundation Network specifically for use by community foundations. It manages grants, contacts, donations and subfunds.

The Grants Classification System

The Grants Classification System, available for free download from the Philanthropy Australia website, provides a pre-determined, controlled vocabulary for foundations to use when describing or reporting on their grants. The Classification System encompasses six facets:

1. Type of support
2. Organisation Type
3. Program Areas
4. Population Groups
5. Geographic Areas
6. Time Frame of Grant

Foundations can select terms from each facet, using the level of detail which best suits them. Most foundations use some kind of pre-determined language to classify their grants, for the purposes of recording grant applications, describing the grants they make and reporting to stakeholders on their activities. Having a standardised language, from which foundation staff can select those terms which suit their purpose, will support this process. By classifying grants and the projects they support, and archiving this information, an enormous amount of data can be retrieved, researched, collated and where appropriate, shared, thereby building our knowledge base.

Communication Tools

The tools a foundation can use to communicate to external parties include:

- Guidelines / application forms
- Website
- Annual report
- Newsletter
- Reports / evaluations
- Meetings
- Presentations
- Electronic media and social media
- Publications (e.g. biography of founder, history of foundation)

Large international foundations may employ specialised communications staff or use consultants for their communications work. In some cases the Board takes on much of this communications role, often bringing considerable skill and experience from their work outside the foundation.

Guidelines

Guidelines are the primary communications tool for grantmakers, essential to inform grantseekers about what a foundation wishes to accomplish and how it chooses to go about it. They are the practical and (usually) public manifestation of the intent of the founders and the policies of the board.

Guidelines save time and effort for both grantmaker and grantseeker. For the grantmaker, they encourage applicants to self-select and therefore prevent a large proportion of inappropriate applications. They also make it easy for grantmakers to swiftly and easily deflect applications which are not appropriate (“this is not in guidelines, please try elsewhere”). For the applicants, they enable grantseekers to select appropriate foundations for their proposals, to devote their energies only to foundations which they have a realistic chance with, and they also enable grantseekers to focus on their own aims and projects.

Communication and Knowledge Tools (cont)

When formulating guidelines care must be taken to consider your foundation's particular needs.

- What are the administrative steps you'll follow in evaluating proposals? If the process is well-defined, it may be easier to formulate guidelines to expedite the process. For example, if separate committees evaluate different funding areas, you might want to submit separate guidelines for each area.
- What information will you require from grantseekers at each step of the evaluation process? If the questions are properly worded on your guidelines it can prevent the need for extensive follow-up.
- What information can you request early on in the process, to eliminate those applications that don't fit your guidelines?

Suggestions of what to include in Submission Guidelines

- Statement of Purpose: what the foundation wishes to achieve
- Fields of interest: what you will fund (e.g., disadvantage, arts, environment)
- Target population: who you want to help (e.g. children, indigenous people, people with disabilities)
- Geographic scope: where you will fund
- Exclusions: what you won't fund (e.g. conferences, travel, individuals)
- Legal requirements: whether applicants must be a DGR, a charity, etc
- How to apply (application form, letter, full proposal?)
- Closing date(s) for applications (or the fact that the foundation accepts applications on an ongoing basis)
- Contact details for the foundation
- Any special purposes, projects or emphases (i.e., "the foundation is currently pursuing a number of major projects in the area of Education and is not accepting unsolicited applications for this type of work")
- Types of work preferred (e.g. capacity building, direct service provision,)
- Maximum, minimum and typical dollar range of grants (ie, "The maximum grant the Foundation will provide is $100,000; most grants range between $10,000 and $40,000")
- Preferred format of application (bound, stapled, email, no more than 3 pages)
- Maximum duration of funding period considered (one year, up to three years, longer?)
- Timeframe for decision-making (when the applicant can expect to hear of their success or failure)
- Date these guidelines were published (so grantseekers know if they are working to an old document)

Other suggestions which might assist grantseekers include:

- Checklist for applicants to ensure they have included all requested information
- Cover sheet
- Sample application
- Frequently Asked Questions document

While this may seem like a great deal of detail, the more information that potential applicants have, the easier it is for them to understand the grantmaker's needs and priorities, the more likely it is that they will be able to select the appropriate foundations to apply to. The grantseeker's communications to you are designed to encourage you to invest your money in their project. Your communications to them should be designed to help them decide whether it's a sound investment of their time to apply to you.

Website

Websites are an integral and highly valuable communications tool for all organisations – not-for-profit, business and government – and one which allows you total control of your message. For example, you can put informative descriptions of your current funding priorities, and lists of past grants, on your site, but no contact details if you do not accept submissions. Having your guidelines online – or a statement that you don't accept applications – is a valuable time-saver for grantseekers.

Foundations' websites also work well as a means of communicating their accumulated knowledge about the fields they grant in – linking to reports or evaluations of projects. They can also be a useful extra way of promoting and supporting grant recipients. Foundations and donors tend to trust their peers, and will be more likely to favourably regard an organisation if other foundations have funded it.

A website need not be complicated or highly artistic, and a basic website can be inexpensive to produce and maintain. In fact, it is better to stay away from designs which incorporate too many "bells and whistles" such as large images and animations, especially if you are dealing with a population with limited access to technology, unreliable bandwidth or vision impairment. Here's a suggested list of contents for a website:

Suggestions for Grantmaker Websites

Design

- A clean, easy design
- A site map listing all pages
- Accessible for vision impaired (ask your web designer to work to the accessibility standard)

Content

-
- Reports, evaluations or papers the foundation has published
- Contact details if applicable (email, postal, street address, contact person)
- Names of staff or trustees, if applicable
- Historical details, e.g. story of the founder of the trust
- Guidelines, deadlines, funding policy and strategies
- Application form if applicable
- Listings of previous (or recent) grants
- Frequently asked questions
- Links to useful resources for grantseekers (eg. The Australian Directory of Philanthropy)

Annual Report

Annual reports fulfil a number of functions. They attract and inform grantseekers and help play a role in warding off inappropriate submissions. They assist other foundations to understand what you are doing and who you are funding – most foundations are very interested in other foundations' annual reports. They provide valuable information to academic, policymakers and consultant researchers working in this sector.

An annual report need not be large, glossy or expensive to produce; in fact it is becoming standard to issue annual reports only in pdf format online. You can choose to include financials or to make the annual report merely a list of grants (sometimes called a distribution report).

Finally, an annual report helps to document the foundation's history, to internal as well as external audiences. As staff move on and trustees retire or pass away, the institutional knowledge which many foundations rely upon is lost; annual reports are one way of passing the torch to the next generation.

Communication with other grantmakers

Communicating with other grantmakers helps you share best practice, helps foundations avoid re-inventing the wheel - or the pothole! - by detailing the benefits and problems of different programs or strategies, attracts potential funding partners and helps showcase the work of your grant recipients to other grantmakers they may not be able to reach.

Many of the tools you use to communicate with grantseekers can also be used to communicate with other grantmakers. You will also find that Philanthropy Australia's affinity groups and networks, as well as workshops, seminars and conferences, are excellent ways to meet other grantmakers and share information with them.

Saying 'Yes' and 'No' to applications

Saying no

No foundation can fund every application they receive, or every good project they come across. However, the philanthropic culture and human nature make us want to help, and saying 'No' goes against that instinct. How do you reject a proposal in a way which minimises disappointment and maximises learning?

For those shortlisted, if it came very close to being funded and you feel may be worth reworking and resubmitting at a later date, a phone call may be in order. For others, a letter may be sufficient. There is a balance to be struck in rejection letters. The deeper relationship the foundation has with the grantseeker, the more careful and less 'stock standard' will be the reply required.

If a project was clearly outside the guidelines, it is best to tell them straight away, using a form letter. It seems harsh to tell an organisation that a project has little chance of ever being funded by your foundation; however, it may be less frustrating than offering false hope, and will also lessen your chances of having to reject the same application (perhaps in slightly altered form) in the next funding round. If the application doesn't even make the first cut because it's outside guidelines or the grantseeker is not an eligible recipient legally, it's important to tell them why.

If a project was shortlisted and project fitted all criteria but was rejected through sheer force of numbers, the situation is more complicated. Would you be happy to receive this application again next funding round? If the answer is yes, you may want to offer them some advice about how to improve their application or the project itself, and invite them to apply again in the future. Certainly not-for-profits prefer to be given reasons for their project's rejection, and such feedback has the capacity to be very constructive. Making suggestions of other foundations which might be able to help is also dearly appreciated by many grantseekers, but can lead to assumptions – "I was just on the phone with the Helpful Foundation and they said you could fund us".

However, if you are clear that you don't wish to receive further applications for this project – or from this organisation - then giving too much detail about why a project was not funded can leave the foundation open to an endless loop of dialogue and further requests. Careful wording can make it clear that your foundation is not a viable option and dissuade them from applying again – e.g. "You may like to use The Australian Directory of Philanthropy to research some other funders." A referral to one of Philanthropy Australia's regular grantseeker workshops may also assist if you feel the applicant needs assistance with proposal writing.

Saying 'yes'

Giving good news is always more pleasant than giving bad news. You may wish to inform the recipient of their success by phone, particularly if you've built up a rapport with them, and follow it up with the formal offer of a grant by letter. Saying 'yes' sounds easy, but most of the time you will be actually saying 'Yes, but ...' because you have specific requests or conditions to attach to the grant or you will be giving less than the requested amount. Remember that it's possible grantseekers will hear the 'yes' and not the following details, so everything should be confirmed both by phone and with a formal offer in writing..

The offer should contain the terms and conditions of the grant agreement, as well as a clear statement of what you will expect of the grant recipient. It's a good idea to include details of your reporting requirements – will you require updates during the grant period, for example, or just an acquittal at the end? You may have a template for an acquittal form or a checklist for their project evaluation so they can begin planning and collecting information from the outset of the project.

It's also a good idea to include information on any further communication you might be open to. For instance, let the grantseeker know that if they have questions, or if something happens which will affect their ability to deliver the project on time, you are open to discussion. A brief, honest quarterly progress report and subsequent project re-jigging could avoid irretrievable failure down the track. You might also like to tell them whether you are realistically interested in being sent their newsletter or annual report, or whether these would just be an administrative burden on both sides.

Acquittal and Evaluation

Trustees have a legal obligation to ensure that grant money is properly spent. For most, this extends to determining whether the grants they have made have been effective and had the desired impact. Acquittal and evaluation are an important part of this determination.

Acquittal is a simple process of describing how the money was spent and what the outcomes were. Evaluation is a process not just of determining whether the project achieved its stated aims, but commenting on or measuring the extent of its impact, whether it had achievements or ramifications beyond the anticipated, and what its long-term and wider impact is likely to be. Ideally it should determine not just whether a project succeeded or failed, but why it did so, and what improvements (if any) could be made to it or subsequent projects.

You will probably not choose to evaluate every grant you make. Evaluation can be costly and time-consuming and there are certain circumstances where evaluation is not worth your while.

Evaluation can be over-capitalising on simple grants, but worthwhile for those grant with more complex aims. For example, if a grant was made to purchase a games console for a community centre, a simple acquittal report with receipt of purchase and/or a letter is all that is needed. If, on the other hand, the grant was made in order that more young people would be attracted to the community centre because of the games console, it may be worth evaluating whether there was indeed an increase in attendance by young people and whether the games console was the main reason for that or whether there were other contributing factors.

Gathering and analysing information for an evaluation can be an administrative burden on grant recipient organisations; smaller organisations don't have the expertise and personnel, and larger ones are usually also reporting to a multitude of other funders including several levels of government. If you require expert analysis and or a substantial evaluation, it is a good idea to expressly state the evaluation requirements in the project plans and build the costs into the project budget.. . If those costs are not covered it can cripple the organisation or at the very least leave it struggling to cover the cost from other parts of its budget.

Acquitting grants

If you elect to ask for an acquittal, you may wish to provide a form for the purpose or at least ask specific questions of the grantee. A suggested list of questions is below; you may also ask the grant recipient to provide a simple financial report accounting for the funds, and for any publicity or media reports relating to the project.

Suggested Acquittal Questions

- What was the stated aim of the project?
- What activities did you undertake as a result of this grant? (ie, seminars were held, equipment was purchased, program was designed)
- Do you feel that the project was successful in achieving its aims?
  What was the impact of the project? (ie, who benefited, and how?)
- Did anything happen which meant you had to change the way you carried out this project? If so, what were the changes, and what circumstances led to those changes?
- Were there any outcomes from the project which you did not expect? If so, what were they?
- What challenges or problems did your organisation face in connection with this project, and how were they addressed?
- Has anything changed within your organisation as a result of this project? If so, what?
- What advice would you offer to another organisation that might be planning a similar project?

Evaluating grants

It is not the purpose of this manual to detail methods of evaluation. This section will provide an overview of some of the associated concepts, especially as they apply to foundations. The Resources section in the Appendix contains suggestions of sources of information on evaluation techniques.

Most foundations request an evaluation in order to determine the factors behind the success or failure of a project in order to increase knowledge and influence practice. The knowledge gained through evaluation can be used to not only improve the project into the future, and possibly replicate the model elsewhere, but also to improve the grantmaking practice of the funder. Evaluation can also be used to gather evidence towards changing practice and influencing policy on a much larger scale.

It's important to keep in mind that some traditional methods of evaluation do not work, or work poorly, in the sectors philanthropy funds. Controlled trials may not be possible – for instance, it is not desirable to withhold a vital service from one group to determine its effectiveness with others.

There are other difficulties with evaluation of funded projects. The most prominent is that philanthropy is often about social change, changing attitudes and behaviours, and these can be extremely hard to measure. It can also take many years or even decades to show real change, and the results of a short-term project can be very minor milestones along the way.

In addition, a project doesn't exist in a vacuum, but in a complex world with infinite variables which may affect its failure or success, and numbers don't tell the entire story. For instance, a program which aims to keep students at school can measure its success at doing so through numbers of those who stay during the program, as opposed to the number who stayed before the program was implemented. However, this doesn't measure the factors that make them want to stay, or indeed whether staying at school has actually provided these students with a benefit; nor does it evaluate the effect on the entire community. If the students stay for the duration of the program but then leave soon after, does this mean the program was a short-term success but a long-term failure, or does it mean that the program was dealing with the most marginalised and disenfranchised youth and that long-term follow-up is therefore needed?

Attempts to address these dilemmas issue include the development of SROI (social return on investment) tools and the use of incremental measurement which can take long-termism of projects into account. There is no single model which will be effective for all projects; there are many models and they continue to be developed. More information on evaluation resources is available in the Appendix.

The important thing is to start out knowing what you want to achieve with your evaluation. When you know how you will use the knowledge you gain, you will be able to determine how information will be collected, who the best person to collect and analyse it is, and what questions will need to be asked about it.

If a foundation truly wishes to learn from every grant it makes, it must be willing to recognise that a certain number of the projects it funds will in some way be "failures" and that this in no way reflects badly on either funder or grant recipient.

A relationship of mutual trust with your grant recipients is also vital. It does require the foundation to be honest with itself and its grantees, explaining to them that the evaluation is important as it will help the foundation strive to do better. Many grant recipients will believe that even partial failure will close off the possibility of receiving funding in future, so it's important to emphasise that you don't just want to hear the good news but also the unexpected outcomes, problems or challenges – which provide an opportunity for both parties to learn and improve.

Acquittal and Evaluation Checklist

Why do you want to evaluate this grant? e.g:

- to improve your knowledge of this particular type of organisation, problem or practice;
- to help the funded organisation improve their practice and further iterations of the program;
- to develop a firm evidence base with which to influence government policy;
- to develop and disseminate information about successful models for tackling an issue

What kind of information do you want to find out? e.g.:

- What were the project's outputs – number of participants, hours of service delivered, etc?
- Did the project lead to changes in attitudes, practices, knowledge, skills or wellbeing? To what extent?
- Have participants, their families, their communities or their organisations been harmed or helped by the program?
- Have participants applied what was learned, and how?
- Has the funded organisation changed its practice as a result of this project?

How can the information be collected? e.g.:

- Personal interviews with participants
- Survey or questionnaire sent by mail, email or in person
- Focus groups
- Observation and documentation by external observers
- Study and analysis of official records
- Case studies

Who is responsible for carrying out the evaluation?

- Will the funded organisation be carrying out the evaluation?
- Does the organisation already have evaluation tools or plans in place?
- Will an external evaluator be used?

Does the organisation need extra resources to carry out the evaluation?

- Is extra money or training needed?

Who will own and use the results of the evaluation, and how?

- Will the document be internal to funder and grantee, or will the findings be distributed more widely?
- If the evaluation is to be disseminated, who will be responsible, and how will dissemination be carried out?

Further Resources: Publications

Kibbe, Barbara D; Setterberg, Fred; and Wilbur, Colburn S. *Grantmaking Basics: A Field Guide for Funders*. Council on Foundations, 1999.
While written for an American audience, much of this publication will also be useful to Australian grantmakers. It focuses on guidance for new staff members of existing foundations.

Leat, Diana 1992. *Grant-giving: a guide to policy-making*. Joseph Rowntree Foundation, York.
A clear and insightful look at the purpose and process of creating a grantmaking policy.

Leat, Diana 1998. Faith, hope and information: assessing a grant application. Joseph Rowntree Foundation, York.
An examination of the ways in which UK grantmakers obtain information from applicants, what they ask for and how it informs the grantmaking process.

Meachen, Vanessa 2005. *A Guide to Giving for Australians.*
http://www.philanthropy.org.au/involved/guidetogiving.html
This free downloadable publication explains the different ways in which Australians can give, and contains worksheets so that you can focus your efforts and plan for the future, if that is what you wish. It does not contain legal information, which is best handled by a qualified professional, but it does list further resources including professional advisors, as well as websites and further reading.

Setterberg, Fred; Kidder, Rushworth M.; and Wilbur, Colburn S. *Grantmaking Basics II: A Field Guide for Funders*. Council on Foundations, 2004.
A follow-up to the first Grantmaking Basics volume, this is written for a slightly more experienced audience, and includes sections on ethics, staff orientation and professional development.

Ward, David 2009. *Private Ancillary Funds Trustee Handbook.*
http://philanthropywiki.org.au/index.php/Private_Ancillary_Funds_Trustee_Handbook
This free downloadable publication clearly outlines the roles, duties and responsibilities of the trustees of Private Ancillary Funds, as well as containing information on relevant legislation.

Ward, David 2008. *Trustee Handbook: Roles and Duties of Trustees of Charitable Trusts and Foundations in Australia.*
http://philanthropywiki.org.au/index.php/Trustee_Handbook
This free downloadable publication clearly outlines the roles, duties and responsibilities of the trustees of charitable trusts and foundations, as well as containing information on relevant legislation.

York, Peter. A Funder's Guide to Evaluation: Leveraging Evaluation to Improve Nonprofit Effectiveness. Fieldstone Alliance , St Paul, 2005.
This is a practical guide for funders looking to use evaluation to help build the capacity of their grant recipients. It includes worksheets and assessment tools.

Further Resources: Websites

Philanthropy Australia
Established in 1977, Philanthropy Australia is the national peak body for philanthropy and is a not-for-profit membership organisation. Our Members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and to encourage others to become philanthropists. Our mission is to represent, grow and inspire an effective and robust philanthropic sector for the community. Philanthropy Australia's website is a launching pad into the community of philanthropy, for both those new to the sector and those seeking the most up-to-date and exhaustive information.
www.philanthropy.org.au/

PhilanthropyWiki
The PhilanthropyWiki is an online encyclopaedia and archive of knowledge on philanthropy in Australia. It contains information and resources on structures, organisations, practices, theories and subject areas in philanthropy. Over time we aim to develop this PhilanthropyWiki into a resource that allows philanthropists, grantmakers, social investors and those who are actively engaged in philanthropy in Australia to connect via their experiences and practices.
http://www.philanthropywiki.org.au/index.php/Main_Page

GrantCraft
GrantCraft is a publisher of practical resources for grantmakers - some free and some for purchase. A project of The Ford Foundation, GrantCraft collects practical wisdom from grantmakers by means of research, surveys and workshops, and turns it into guides, workshops, videos, and other tools to help grantmakers hone their craft.
http://www.grantcraft.org

Centre for Philanthropy and Nonprofit Studies
Located at Queensland University of Technology, the Centre consists of academics and research students who have an interest in researching philanthropy and not-for-profit organisations. The site contains useful information on the Centre's courses as well as statistics and publications.
http://www.bus.qut.edu.au/research/cpns/

Centre for Social Impact
The Centre for Social Impact (CSI) brings together Australia's not-for-profit, philanthropic, business and government sectors in a collaborative effort to help build passionate, high performing and sustainable social ventures. Through teaching and research, they aim to improve practice in delivering community benefit and generating social innovation. CSI is a partnership between Business Schools of the University of New South Wales, the University of Melbourne and Swinburne University of Technology.
http://www.csi.edu.au/

Asia-Pacific Centre for Philanthropy and Social Investment
Philanthropy and Social Investment at Swinburne University of Technology offers courses from Graduate Certificate to PhD level. The courses are aimed at a wide range of people, from individual philanthropists or those contemplating becoming philanthropists (whether as end-of-career adults anticipating a long and affluent retirement, or young people who will inherit wealth), personnel in corporations developing community involvement programs or concerned with how their business can be a good corporate citizen, to financial advisors, accountants and solicitors who provide clients with advice on their giving options.
www.swinburne.edu.au/business/philanthropy/

Philanthropy Australia Inc

Assn. No. A0014980 T
ABN 79 578 875 531

Head Office

Level 2, 55 Collins Street
Melbourne VIC 3000
Australia

Tel (61 3) 9662 9299
Fax (61 3) 9662 2655
info@philanthropy.org.au

Sydney Office

Suite 402, Level 4
105 Pitt Street
Sydney NSW 2000
Australia

Tel (61 2) 9223 0155
Fax (61 2) 9223 0877
l.burton@philanthropy.org.au

www.philanthropy.org.au
www.philanthropywiki.org.au

Patrons
Sir Gustav Nossal AC CBE
Lady Southey AC