

A CASE STUDY IN THREE PARTS

“What a wonderful—and comforting—resource this is! While these cases are about grant making at a major national institution, I found them relevant to my experience in community and family foundations. They are full of rich and accessible lessons for any funder, a model for learning from one’s own practice.”

MELINDA MARBLE  
*Executive Director*

*The Paul and Phyllis Fireman Foundation*

“These cases illuminate many of the key decision-making challenges that grant makers face in building strong programs. They’re an excellent resource for all types of foundations.”

KATHLEEN D. McCARTHY  
*Director*

*Center for the Study of Philanthropy  
The Graduate Center, CUNY*

building  
financial  
strength  
and  
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a case on  
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*This case study has been adapted from classic training materials used for many years with new grant makers at the Ford Foundation. It is now part of the GrantCraft series of publications and videos, which invite foundation practitioners to join conversations and solve problems with their peers about strategic and tactical issues in philanthropy.*

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## How to Use This Case Study

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The following pages describe a real episode from the experience of one grant maker at the Ford Foundation. Except for a few identifying details, the circumstances presented here actually arose, and the staff member faced the same questions and choices that this case study presents to you. But the case isn't meant as a history lesson; it doesn't supply all of the grant maker's "answers." Those are for you to choose.

In short, this is an exercise meant to prompt reflection and imagination. It may be helpful in framing a group discussion or as the basis of a training exercise. (In fact, it was originally written for that purpose.) But it can be just as useful if read in private. It's not a test — there are many possible approaches and solutions to the issues raised here. There are no "correct" ones unveiled at the end.

If you decide to use this case study with a group or in training classes, we suggest giving participants plenty of time to read and think about the case, well before the discussion. Because the case offers an opportunity for readers to put themselves in the place of another person, it may take several readings, or just some quiet time to think, before a reader begins to imagine what she or he would do in this situation. Circulating some open-ended study questions in advance might help to jump-start a discussion, or highlight issues of special importance to the members of your group. We offer some possible questions at the end of this case.

While teaching by case method was made famous by the Harvard law and business schools, its origins go back to medical education. Medical students presented with a live case — say, a person manifesting particular symptoms — would be asked by their instructors to make a diagnosis and to recommend a course of treatment. This mode of teaching continues to dominate pedagogy in clinical medicine.

Meanwhile, case teaching as a pedagogical device has spread widely in professional education.

So we offer this case in that spirit, as a learning exercise and a springboard for formulating ideas — but fortunately, without the life-or-death consequences that a medical case might pose. Several groups have used this case in training sessions or group discussions at the Ford Foundation, and in the process they arrived at different conclusions by different methods. Similarly, we encourage you to think of it not as a way of learning from someone else's experience, but as a way of expanding your own.

## The Challenge

Grant maker Sara Greene had just completed six months' work exploring the world of community foundations and was now ready to put forward a proposal — a multi-million dollar grants program for community foundation leadership. Greene believed that this initiative would both strengthen community foundations' endowments and build their capacity to be effective community catalysts and grant makers.<sup>1</sup> The prospect filled her with a mixture of excitement and trepidation.

Greene was excited because she felt that it would be possible to do something that had a galvanizing impact on the field. The initiative she envisioned was based on the then-novel premise that building a community foundation's program capacity could help it to achieve asset development objectives. At that time, to her knowledge, no other national funder had seen the connection between asset development and programming effectiveness, and none had explored its implications in terms of a funding strategy.

Greene was anxious, however, because she knew that the time had come to convert her concept into a specific request for proposals. In addition to creating a document that would explain the competition to the field, she needed to report on her progress at an upcoming meeting of the foundation's

<sup>1</sup> For more about conducting grant competitions or about making endowment grants, see guides at: [www.grantcraft.org](http://www.grantcraft.org)

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board of trustees. As she sat down at her desk, Greene wondered where to begin.

Community foundations (CFs) are philanthropic institutions that serve a designated geographic area, usually a city or county, but sometimes an entire state. Rather than originating from a single bequest, CF endowments are open-ended; that is, raised by the foundation from a number of sources, typically wealthy individuals in the community. Because community foundations are almost always designated as “public charities” by the U.S. Internal Revenue Service, contributions to CFs are tax-deductible. Community foundations typically conserve donor principal and use the income from that principal to make grants. Donors can make both unrestricted gifts, which allow the community foundation discretion to select grantees, and restricted gifts that specify the donor’s field of interest or even the individual grantees.

## Origins of the Community Foundations Initiative

As newly appointed director of her program area, Greene was under the direct supervision of a foundation vice president, Jane Sherman. Sherman, who had begun the CF initiative before she was promoted, had developed a strong interest in community foundations as a result of several experiences during the mid-1980s.

A critical event in shaping her interest was a review of foundation programs that regularly occurred every five years. An outside observer who was participating in the last review had urged the foundation to consider establishing regional offices to make its presence felt more widely and to enhance the quality of its local programming. In a related conversation with Jane Sherman, the reviewer had also suggested that the foundation consider channeling some of its local support through community foundations.

Sherman had direct experience with CFs as well. She had recently helped to establish the Puerto Rico Community Foundation (PRCF), whose mission was both to serve as a conduit for philanthropic funds from mainland corporations

and foundations, and to attract resources from island donors. Sherman had also helped launch a teen parenting initiative, which Greene had inherited, in collaboration with a group of community foundations.

About halfway through that project, Sherman had realized that community foundations were drawn to the collaboration not only by their desire to work on the teen pregnancy problem, but also by the prestige of working with a large national foundation. The community foundations felt that their own activities, and the community’s perception of their value, were enhanced by having a nationally known foundation as a partner — a benefit they hoped would continue. The Ford Foundation, however, had been primarily concerned with project results, not with building ongoing relationships with local funders. Toward the end of the collaboration, one community foundation executive put the issue squarely on the table:

*“We have spent all our time together talking about the projects and what we’re learning from them. And we haven’t spent enough time strategizing or talking together about what more could come out of our relationship.”*

This view was reinforced at meetings that Sherman had begun to attend among a group of some of the largest community foundations. At these meetings, community foundations had asked about the possibility of more “deals” with Ford. It struck her that here was a system, a network, that spoke the same language as the Ford Foundation and that had the potential to reach a broad audience.

In Sherman’s view, CFs had compelling strengths as prospective partners. First, they appeared to know their own communities well. Second, they could respond to the needs of those communities with sensitivity. As she put it:

*“Working through community foundations would be a way of getting people around the country to know about us and how we did our work, so they could be a kind of filter and talent scout, a farm team system for us.”*

Sherman had also noted that many of the small community foundations seemed to have unrealized potential. They were

***‘We haven't spent enough time talking about what more could come of our relationship.’***

good at making small grants to a variety of institutions, but they tended toward conservative grant-making strategies, typically funding established institutions rather than new, experimental projects. In addition, their boards, which most often had the responsibility for selecting grantees, tended to be homogeneous and did not reflect the diversity of the communities in which they were based. Moreover, community foundations usually lacked the staff and financial resources that would enable them to develop original and focused programs.

Sherman believed that community foundations could play an important leadership role in their communities and that Ford could help them do so. In Sherman's view, CFs could act as neutral conveners for different and sometimes conflicting interests in a community; they could play a catalytic role by putting symbolic funds into controversial projects; and finally, like the Ford Foundation, they could stress the importance of diversity on the boards and staffs of organizations they funded.

Several of the Ford Foundation's trustees were familiar with community foundations in their own cities, and had expressed a general interest in the topic. Responding to their interest, in the spring of 1985 Sherman presented them with a proposal to develop a community foundation initiative. Sherman wanted a large enough block of funds to have a significant impact on the field, and after canvassing colleagues familiar with CFs, she requested an appropriation of \$5 million over two years.

After obtaining approval for the idea, Sherman asked Sara Greene to develop an initiative whose purposes would be “to increase the funding base of community foundations (particularly with new, undesignated funds), to enhance the pro-

fessionalism of staff in community foundations, and to build specific funding partnerships between community foundations and the national foundation.”

Greene saw her new assignment as an open-ended initiative in which she would need to learn what she could about community foundations, then develop a strategy appropriate to the Ford Foundation's interests.

## **The Grant Maker's Prior Experience**

Greene had spent five years as a Ford Foundation program officer developing programs on women's issues, most recently managing a portfolio of grants in the field of welfare and teen pregnancy. At the end of this term she was promoted to program director. In this new capacity, the Community Foundations Initiative would represent about 25 percent of her workload.

Apart from these experiences, the bulk of Greene's background lay outside of philanthropy. Before joining the Ford Foundation she had been a professor of social work and had not been exposed to the workings of community foundations. But after arriving at the foundation, she had taken a lead role on the teen pregnancy collaborative, and that gave her some experience in working with community foundations. As program officer for the project, Greene had used two nationally known intermediary organizations to channel funds to teen pregnancy projects in target communities. In turn, in each of those communities, a community foundation identified the grantees, funded the local programs, and publicized the initiative.

Greene had taken away three lessons from that experience that were relevant to her current assignment. First, she felt it important that Ford not be perceived as insensitive to local concerns. Second, she felt that community foundations must interact directly with one another if they were to learn from others' experiences. Third, she believed that relying on intermediaries to manage project operations would make it more difficult for the Ford Foundation to build a close relationship with the community foundations.

*The field had only a few large players and an army of small ones.*

## Learning the Field

Greene's first conversations about CFs were with her supervisor, Jane Sherman, and the program officer who had worked with Sherman on the creation of the Puerto Rican Community Foundation. She then began to talk to people outside the foundation. These included the leadership teams of several large community foundations and the staff at the Council on Foundations (COF), the trade association for philanthropies. At the council, she learned about the kinds of support already available for community foundations, both at COF and through other public and private organizations.

For example, the Charles Stewart Mott Foundation had set up a program to provide technical assistance and endowment challenge grants to small and emerging community foundations. The William and Flora Hewlett Foundation had provided about \$3.1 million in challenge grants to help create endowments at five community foundations in California. On the public side, the federal Department of Energy had worked with three community foundations on energy conservation projects, and the National Endowment for the Arts had used community foundations to channel funds to small arts organizations.

Greene also learned that there were only a few large CFs and a lot of very small ones. Of the 204 community foundations that responded to a 1984 survey conducted by the Council on Foundations, only 13 had assets of more than \$50 million. In addition to these 13 large CFs, there were another 27 that could be termed mid-sized, with assets of between \$10 million and \$50 million. There were about 63 small CFs in the \$2 million to \$10 million category. The approximately 100 foundations with assets of less than \$2 million were essentially start-up operations.

The council estimated that the top 24 community foundations held approximately 80 percent of the \$3 billion in assets held by CFs. Her early conversations with council staff and others familiar with the field convinced Greene that community foundations with assets in excess of \$50 million would be less likely to need assistance from the Ford Foundation than would the small, mid-sized, or start-up foundations.

Greene also discovered that community foundations represented the fastest-growing segment of philanthropy and were a large and vocal constituency of the Council on Foundations. She was struck by the degree to which COF staff saw community foundations as the individualists of the foundation world. She knew that the CFs lacked a strong tradition of collaboration, which might readily be explained by their distinct geographic service areas; but council staff saw something more: a particular pride of independence that, in the staffers' views, had limited the field's development.

From the leaders and staff of community foundations, Greene heard both encouraging and frustrating stories. Community foundation members of the COF had organized a Committee on Community Foundations to represent their interests in the wider organization, and to host workshops and seminars for CF staff and boards on such issues as fundraising, investment strategies, and ethics. In spite of these efforts, community foundations felt underserved by the council, and poorly understood by its other members.

Because the CFs were both fundraisers and grant makers, they felt that their needs differed from those of fully endowed and corporate philanthropies. Small community foundations in particular found themselves in a "Catch-22" situation: They needed to show that they were making grants in order to attract donors, but without donors they were unable to make many grants. They felt that the COF needed to offer more technical assistance specific to their distinctive needs, and they were concerned because their influence in the council was not commensurate with their numbers.

The COF staff expert on community foundations had recently left the council, and her responsibilities had been reassigned to other COF staff who lacked specific expertise. As a result, some CFs had begun to talk about withdrawing from the council and forming a separate organization of their own.

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Through her conversations and research, Greene was forming a clearer picture of how a typical community foundation evolves: CFs usually are started by one enterprising individual with an ambitious vision of what such an institution could do. The founder then typically pulls together a board and applies for tax-exempt status. Often the only staff of the new institution, for two or three years, would be a volunteer or a retired person working alone or even part-time — a factor that would limit the new foundation’s ability to grow quickly. Once it reached about \$2 million in assets, the organization could usually afford to hire one paid staff member. Community foundations typically use several different sources to fund operating expenses. These sources include administrative fees on endowments, grants, and investment income. Thus, a CF’s capacity to pay for staff and other operating expenses is a product of its fundraising abilities.

One expert, Sam Hitter — a consultant to another foundation’s initiative in support of CFs, and later head of a large community foundation — thought that any city of at least 250,000 people had a sufficient pool of wealthy donors to support a community foundation. Hitter also felt that “wealth attracts wealth,” and that assets of at least \$5 million were needed to reach the critical mass that would establish credibility with the donor community and enable a community foundation to grow dramatically.

Other experts thought that to achieve such critical mass a CF needed to be able to support two professional staff members — one to raise funds and one to make grants. These experts thought that a CF needed to have at least \$10 million in assets to get to the point where it could really take off.

## **Finding a Point of Intervention: The Link Between Flexible Assets and Program Quality**

Several leaders of community foundations told Greene that the easiest resources to attract initially were restricted or “donor-advised” funds, which came with the condition that the donor play a role in deciding what kinds of grants would

be made. In Greene’s early conversations with COF staff members, they voiced the opinion that a high concentration of donor-advised funds left community foundations too little flexibility to take initiative in developing programming that was responsive to changing local needs.

Grant decisions at most community foundations were made by their boards, often known as “distribution committees.” Boards were selected in one of two ways, depending on the legal structure of the community foundation. Under the “trust” structure, board members were appointed by designated representatives of important local institutions — say, by the mayor or the president of the local university. Under the “corporate” structure, new board members were identified by a nominating committee drawn from the current board of trustees. Board members under both structures tended to be wealthy members of the community. Not surprisingly, the boards were also largely male and white.

The grant-making style of small CFs’ boards typically involved annual grants to the local hospital, the symphony, or other key community organizations. They generally had little or no experience with multi-year grant-making programs in a defined issue area. From Greene’s perspective, CFs had an image problem: People in the foundations’ communities didn’t know who they were or what they did. She felt further that they were missing an important opportunity to exercise leadership on serious problems, such as child welfare or youth unemployment. For example, they could play an important convening role, bringing public, private, and nonprofit players together to tackle a divisive local issue. But rather than filling this role, Greene concluded, CFs often found themselves virtually invisible in their communities, isolated geographically, and unfamiliar with what was happening nationally on a particular issue.

In her explorations, Greene had hoped to find more community foundations like the Pacific Northwest Foundation, which had been a participant in the teen parenting collaborative Greene had led. With \$32 million in assets and annual grants of \$2.6 million, this CF was in the top 25 percent of the group, but Greene saw important attributes that went beyond asset size. For instance, the Pacific Northwest Foundation had drawn together an impressive political and funding coalition

that was essential for getting its teen fatherhood initiative off the ground. While the foundation had been growing quickly, its board recognized that both program and asset development were vital to its effectiveness.

Working with a \$300,000 operating budget, this foundation was able to hire two professional staff members who worked on fundraising and programming respectively. The foundation had recently decided to add a second program staffer.

A more typical community foundation, Greene found, was the Cuyahoga Community Foundation in the Cleveland area. This \$8 million foundation was growing rapidly, but almost half of its funds were restricted. Its all-male, all-white board had done little to make the foundation an active player in its community. The foundation, however, had an executive director who had begun to take a look at community needs and had some ideas about how the foundation could play a useful role in addressing the serious problem of youth unemployment.

Many brand-new community foundations faced start-up problems like those of the Southern Cone Community Foundation, a \$500,000 foundation serving a tri-city region in the Southeast. It had been founded by a research scientist at a local pharmaceutical company who had won a Nobel prize and used the money to start the foundation. It had a relatively diverse board and a young executive director with a lot of energy but little fundraising experience. With an operating budget of \$43,000 a year, the executive director was struggling to raise money to pay her own salary and to make a few grants. Most of the funds raised by Southern Cone thus far were restricted.

Greene's interviews with the leaders of community foundations and others familiar with the field confirmed her impression that CFs would welcome an initiative from the Ford Foundation to help them build endowments. Yet some of the people she spoke with were concerned that Ford would place too much emphasis on programming and pay too little attention to the serious problem of asset development. On the other hand, several critical observers of CFs, including other foundation executives and COF staff, told

*Skills were crucial –  
'money alone was not  
that important.'*

Greene that CFs were overly focused on fundraising – that some were just “development engines” with little expertise or interest in formulating good grant-making programs.

In Greene's view, fundraising ability and programming capacity were linked issues. She reasoned that CFs would be better able to raise endowment funds when they demonstrated the capacity to develop and carry out good programs. Therefore, Greene decided that in addition to working on the CF funding base, the initiative would help CFs develop programs that made a real difference in their communities – and thus build their reputations as worthwhile targets for contributions.

It also seemed to Greene that the field of community foundations needed structure: a set of shared goals, a common language, and a set of standards to which community foundations would agree to adhere. Finally, she thought that CFs as a field could benefit from better data collection, and that such data could be used to help educate the public and potential donors about community foundations. She therefore decided that the initiative should help the community foundation field become better defined and strengthen its public image.

## Shaping the Program

### DEFINING THE PLAN

At the beginning of her investigations, Greene had thought about just inviting a few promising CFs to submit proposals, but her briefing at the Council on Foundations suggested that this would be a mistake. Community foundations seemed to be extremely sensitive to how they were treated by the larger world of philanthropy. If significant resources were to be distributed to just a few CFs, it would be best to distribute them through a competition. In Greene's view, a competition would make the selection criteria clearer to the field and would help to protect Ford against accusations of unfairness.

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By early November, Greene had the outlines of her initiative in mind. She planned to invite a group of CFs to respond to a Request for Proposals (RFP). Those selected would be encouraged to take the lead in helping their communities address an important local problem. The initiative would make funds available to the CFs for grant-making programs related to the target problem, and the community foundations would use the message of those programs and the impact of the Ford grants as vehicles to leverage new sources of support for a permanent endowment fund. The objective would be to leave each CF at the end of the grant period with enough unrestricted funds to continue innovative grant making in its chosen problem area. The initiative would also leave CF staff more experienced in developing programs.

As Greene explained it:

*"We wanted community foundations to go through the whole experience — you know, all the different skills: deciding what the topic is going to be, getting the community constituency behind it, figuring out how to build political will, and actually designing a grant-making program and carrying it out. And we thought that if they could be successful in one area, those skills would translate to a variety of other areas. We thought those skills would be really central to the vitality of community foundations — that money alone was not going to be that important."*

While Greene was confident of these choices, many features of the initiative remained undecided. These included:

**Definition of the target group:** Greene knew that the funds she had to work with were quite limited, compared to the size of the field. (Although she and Jane Sherman had approached some potential funding partners to join with the Ford Foundation, the initiative had not fit their grant-making interests.) Therefore she would have to develop a sharp focus for her grant making.

Greene could envision a number of methods for defining the pool of potential applicants. She might target CFs by size, or through a formula that took into account the proportion of a CF's assets that were discretionary. If she chose the second

option, it could allow mid-sized foundations with mostly restricted assets to be eligible alongside small foundations. Greene felt that the matter of discretionary assets and the size of eligible institutions were important to whatever balance she was going to strike between her two linked concerns: asset development and program development. If the primary goal was going to be program development, then mid-sized foundations with few discretionary assets could benefit as much from her initiative as small foundations, and they might produce visible results more quickly. On the other hand, if the goal were primarily to build assets, it might be simpler to work with a homogenous group of small CFs. Opinions among members of the group with whom she had consulted were divided.

**Selection process:** Greene had quickly decided on using a competitive RFP process; but should Ford run the competition itself, or use an intermediary? Should it make its own choices, perhaps aided by a board of advisers, or use a selection committee? From her observation of other competitions organized by the foundation, Greene knew that there would be a tremendous amount of administrative work involved. An intermediary could probably save Greene time by managing the details of the review, but that would distance the Ford Foundation from the process. Greene also knew that making her own decisions would give her more control, but such a hands-on approach might raise questions about fairness.

**Program goals:** Greene also faced a major decision about whether to select a problem area for all applicants to work on, or to allow them to decide for themselves. Greene didn't want to steer CFs too much, and she didn't want to increase their risks by insisting that they take on an unpopular topic. On the other hand, she wanted the community foundation initiative to fit in with Ford's interests. In addition, having one common problem area could help the Ford Foundation learn something from the various CF efforts, and it might help the foundation to provide better assistance with a common team of expert advisers. A single problem area could also make it easier for CFs to share information about the field with one another.

**Fundraising requirements and grant terms:** Greene knew that CFs would need to raise significant amounts of local

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money if they were to produce an unrestricted endowment sufficient to continue the new grant program and pay for additional professional staff. If it were to fulfill both its endowment-building and programming goals, the Ford grant would need to have significant impact on fundraising, while enabling the CF to begin to make grants right away.

Greene estimated that a community foundation would need at least \$100,000 per year to set up a meaningful grant-making program and bring on a staff person or a consultant with specialized expertise in the chosen problem area. After paying for staff and office expenses, a CF would have about \$50,000 left to make grants. Greene thought that this amount would enable CFs to begin to make grants on a slightly larger scale than they had been doing. It would also be large enough to give the CF a seat at the table with others working on the target problem area.

The grant term also needed definition. It could take a long time to have a meaningful effect on a problem area. By Greene's estimate it would take at least five years to develop and implement a program. On the other hand, fundraising campaigns needed a sense of urgency and momentum and had to be completed within a couple of years.

**Diversity goals:** Greene began to think about how much emphasis the selection process should give to diversity. Some CFs were worried about intrusiveness on the diversity issue — they didn't want an outside institution interfering with their board structures. By contrast, other CFs were interested in broadening their boards, and were looking for help from the foundation to do it. How could she strike an appropriate balance? Several options appeared plausible. These included:

- Attaching a statement of the foundation's philosophy to the RFP and requesting diversity information from applicants
- Giving diversity statistics weight in the selection process
- Providing technical assistance to CFs on managing the board selection process

## *How much control does a grant maker exert over grantees' choices?*

**Technical assistance and support to the field:** Another consideration for Greene was how to structure technical assistance to the CFs that won the competition. In the teen parenting collaborative, Greene had found herself investing an enormous amount of time in one-on-one contact with community foundations, especially in the planning stage of the project. While it seemed appropriate to her for foundation staff to help participants in this way, she hoped to find a different mechanism to provide this assistance to the CFs in the new initiative. Greene was also concerned about how to provide technical assistance to foundations that were at different stages of organizational development. If she decided to work with both mid-sized and small foundations, it could be difficult to treat all of the foundations as a cohort.

Greene also began to think about the other kinds of support that the initiative could provide to CFs beyond the competition. She wanted to increase the public's recognition of the field, so that community foundations would become a household word, like the United Way. And she felt that CFs needed a forum for communicating with one another. But community foundations had not yet decided — collectively or, in many cases, even individually — how to accomplish these objectives.

In making her choices, she needed to consider how her initiative would relate to the Council on Foundations' Committee on Community Foundations. Although the council was not very experienced at running projects, it was under pressure from the community foundation world to do more. In response, the Committee on Community Foundations had begun to develop a national agenda aimed at increasing the council's current services for CFs and raising donor and pub-

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lic awareness of CFs. Several other national funders had expressed interest in supporting this effort.

## **BUILDING SUPPORT**

In addition to sharing her ideas and findings with senior management at her own foundation, Greene wanted to test her working assumptions with a larger audience in the field. In order to expand the reach of her inquiry, she hired a consultant, George Field, to help her in this task. Field had been the head of a \$35 million community foundation in the Midwest, and was at present the director of a corporate foundation. For Greene, he would serve not just as another pair of ears, but as a source of credibility. Field would be able to generate political support for Greene's plans in the CF world. Field also filled another important role for Greene. He could be a colleague – someone with knowledge whose opinion she trusted, and who could provide emotional support in a new venture.

Over the next two months, Greene and Field conducted interviews with 23 experts on community foundations, including directors of large, mid-sized, and small CFs; former directors; and foundation executives who had funded other CF programs. They also attended a meeting about CFs at the Council on Foundations, in which they sketched the outlines of a plan for the council to provide technical assistance to the field of community foundations. The people they spoke with responded positively to the basic concept and offered a variety of ideas about how it should be shaped. This is a sampling of the advice they received:

- Don't be too prescriptive about the program, but give a bit of direction.
- Have incentives for raising matching contributions quickly.
- Work with CFs that are already involved in active fundraising, so they're not starting from scratch.
- Pick a field of interest or a problem for CFs to work on.

- Make board diversity one of the selection criteria, but don't be heavy-handed. Keep the match formula simple and flexible.
- Keep the match formula simple and flexible.
- Boards need to be wealthy to help with fundraising; they need to represent the community, not reflect it.
- Get the staff of the CF grantees together in a group frequently. The key to success will be the capacity of CF staff.
- Include both small CFs and mid-sized ones that need revitalization.
- Advisory committees are inefficient.
- Consider grants of varying amounts.

As they canvassed the field, Greene and Field spoke about program development with a number of potential candidates for the competition. Some already had ideas about what problem area they would like to address through their grant making, if resources from the Ford Foundation were available. Many more, however, were preoccupied with the need to raise assets. Greene and Field did not experience great resistance, however, to the idea of linking asset building with program development.

## **MOVING AHEAD**

Greene was confident that she understood the major issues in the field and that she could craft a viable initiative; but now it was time to make her case. As she sat down to compose her thoughts, she wondered what specific elements she should include in her RFP, and what she should say in her report to the trustees.

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## **Sample Study Questions for This Case**

In preparation for discussing this case, try answering the following questions and compare your responses to those developed by your study group partners.

- 1.** What are the underlying goals of the Community Foundations Initiative — for individual community foundations, for the field, and for the foundation?
- 2.** What challenges could you imagine arising from the RFP as a strategy and how would you address them?
- 3.** How would you integrate the advice that Sara Greene and her consultant received into the RFP's applicant requirements?
- 4.** If Greene did not use an RFP, how else might she have tested her hypothesis that there is an important link between asset building and program development for community foundations?

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## Using an RFP

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In the spring of 1986, Sara Greene was ready to present her plans for a community foundations (CF) initiative to the foundation's board of trustees. Her initiative would have two components. The first and largest would consist of issuing a Request for Proposals (RFP) to identify eight community foundations which would each receive \$500,000 over five years. The second component would be a \$500,000 grant to the National Agenda for Community Foundations, a special project of the Committee on Community Foundations of the Council on Foundations. The project would collect data about the field, provide consulting services to community foundations, conduct training programs about grant making, and develop a public information campaign.

Greene had decided that to be eligible to apply for the \$500,000 grants, community foundations would need to have the following characteristics:

- **Permanent assets of between \$2 million and \$10 million.** Using a simple formula based on asset size was, in Greene's view, the best approach to defining the candidate pool. This limit would give Greene a manageable number of candidates — between 60 and 70, according to a 1984 survey of community foundations conducted by the Council on Foundations. Although setting the upper limit at \$10 million would eliminate some good candidates with a high percentage of restricted funds, Greene decided that it would be easiest to build a program around and provide technical assistance to a relatively homogeneous group of foundations at a similar stage in their development. She felt that at \$10 million, a community foundation would be operating at a scale where it no longer needed additional capacity-building resources. She chose the \$2 million lower limit because foundations below that size had difficulty paying for professional staff and therefore would find it nearly impossible to develop an active style of grant making.
- **Staffed by at least one full-time professional.** In her exploration phase, Greene had found that having a paid professional staff person was a prerequisite for a community foundation's growth.
- **Located in a metropolitan area of at least 250,000.** Greene relied on the rule-of-thumb developed by com-

munity-foundation expert Sam Hitter, who estimated that the wealth needed to support a CF could only be found in communities of at least a certain size.

- **Member of the Council on Foundations.** Greene wanted to reinforce the connection between the community-foundation world and the Council on Foundations, and therefore wanted to make sure that CFs in the competition were members.

In their applications, the CFs would have to describe a significant community problem that they proposed to work on, and a plan for how they would use the Ford grant to address it. The identification of the problem would be left up to the community foundation, although in her RFP, Greene informed applicants that in evaluating the application, the significance of the problem would be gauged by "the numbers and kinds of people affected; the seriousness, pervasiveness, or intractability of the problem."

The grant would have a two-to-one matching requirement. Applicants would have to specify their plans for raising \$1 million in new endowment funds — either in unrestricted funds or funds with a broadly defined field of interest. Funds would have to be pledged within two years and collected within five. In the meantime, the first \$100,000 of the \$500,000 grant would be released to the community foundation, and could be used for grant making and administrative expenses in the selected program area. During the first two years, Ford would release one dollar of its remaining grant for every two dollars in new endowment funds that were raised. However, the Ford grant was intended to be spent in annual amounts of \$100,000 over the course of five years. The community foundation would also have an option to place up to \$50,000 of the Ford grant per year into endowment, if it raised substitute funds for its program from local donors.

Greene used the following criteria to select the participating CFs:

- **Problem definition and strategic plan:** The problem selected would have to be significant, and the community foundation would have to demonstrate that it had both the opportunity to play an important role and a comparative advantage in addressing it. In addition,

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the foundation would look for a grant-making plan that combined a preventive, policy-oriented perspective with direct service provision.

- **Leadership role of CF:** The foundation would consider the variety and quality of activities in addition to grant making that the CF would propose to undertake. These could include bringing diverse constituents together, stimulating dialogue between parties with conflicting points of view, and encouraging collaboration with other private and public funders.
- **Fundraising plans:** The community foundation would have to produce a specific plan to raise the matching endowment funds within two years and show that this plan fit within the CF's overall development plan.
- **Staff and board capacity:** Both board and staff would have to show the capacity and commitment to carry out the programming and fundraising components of the project.
- **Staff and board diversity and plans for change:** Applicants were given a copy of the foundation's policy on diversity and asked to supply diversity statistics for their board and staff. In her evaluation of the applicants, Greene looked not only at the current diversity profile of each CF, but also at how it proposed to include community input and respond to community interest in its projects.
- **Geographic distribution:** Because the community foundations initiative was intended to help the Ford Foundation broaden its geographic reach, Greene wanted to make sure that competition winners were well distributed across the country.

## Managing the Competition

Having decided to make grants through a competition, Greene recognized the need to come up with a way to handle the large number of applications she expected — up to

60 — and steer them through the selection process. While Greene planned to make some of the site visits herself, she decided that a group of advisers would help her review the applications, make site visits, and give her general guidance about the initiative. Based on their review, the advisers would recommend the competition winners, although the foundation would have the final approval. The group of advisers Greene assembled included both current and former directors of large community foundations and several executives from other foundations. She also included a Ford Foundation program officer who was familiar with community foundations, and the consultant she had hired earlier, George Field.

To handle the substantial load of administrative detail associated with the competition and the ongoing service needs of the grantees, she decided to hire a project manager. This individual could organize conferences, provide technical assistance directly or broker it through others, monitor the CF projects, and manage an evaluation. For the project manager assignment, Greene hired an experienced philanthropic consultant, Lupe Terrado, who had previously managed a regional association of grant makers. Terrado would be housed at a nonprofit management organization, which would provide her with an organizational base.

In the summer of 1986, Greene sent her RFP to all 300 of the community foundations identified by the Council on Foundations. Since she did not want to omit any who might meet the guidelines, she decided that it was important to give them all the opportunity to apply. In addition, she hoped that the ideas and values embodied in the RFP would influence the field more broadly. The RFP required that the applicant spell out a detailed five-year program plan and a two-year fundraising campaign. Finalists would host a two-day site visit for two members of the advisers group.

Greene received 28 applications. She and members of her group of advisers conducted site visits to 12 community foundations. By December, with the assistance of Terrado, Field, and the other advisers, she had identified the eight CFs who would receive the \$500,000 grants. These were located in the South, the West, the Midwest, and the Northeast, and ranged in size from just under \$4 million to just over \$8 million in assets. Although community foundations with as little as \$2 million in assets had applied, these

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appeared to have the weakest program plans. Of the eight who ultimately won the competition, four had previously been identified by Greene and Field during the exploration phase of the initiative. As she recalled:

*"It actually was not that hard to make the selection of the winners, but there was a second tier that clearly wasn't as well positioned as that first tier, but had something good going. Had a good development plan, just could never get it off the ground, programmatically, or vice versa."*

Once the competition was underway, Greene began to think about how to structure an evaluation. She wanted the evaluation to serve two goals. The first was to provide feedback to the foundation about the success of the initiative in helping CFs to develop assets, programs, and community leadership. The second was to provide information about effective strategies to the broader field. With the help of Terrado, she selected a small nonprofit evaluation consulting firm to collect data about the competition winners through regular site visits, standardized questionnaires, and attendance at the annual meetings of the competition winners. The information would be disseminated to the larger body of community foundations through a series of published reports.

## The Winners: Three Examples

1. Among the competition winners was the Southwest Community Foundation, a \$5 million foundation which had doubled in size in the past two years. Despite a service area with a high proportion of minority residents, only one of its 26 board members was a minority, and only 4 members were female. However, the Southwest Community Foundation had established a distribution committee to guide grant-making decisions and 3 of its 11 members were minorities. The executive director, the foundation's sole professional staff person, had previously directed a corporate foundation and had a long track record of public service.

They proposed to use the grant to tackle the problem of children at risk for mental illness. What appealed to Greene about this program was that the Southwest Community

Foundation was proposing both to support early intervention strategies to reduce the number of children at risk and to try to work with the state social service system to improve services to these children. The new unrestricted funds, which they would raise, would be used to set up a children's fund. The Southwest Community Foundation also proposed to address the need for more diversity in its programming by establishing a community advisory group.

2. Another competition winner was the Midwest Community Foundation. It had been started as a spin off of United Way, but the board had recently voted to make it an independent entity. With \$6 million in assets and pledges of \$4 million more, this foundation seemed to be well on its way to achieving critical mass. Unlike many CFs of this size, the Midwest Community Foundation was able to support three professional staff people. Its board of 39 was dominated by white males, but also included 7 minorities and 7 women. Prior to assuming the leadership of the Midwest Community Foundation, its executive director had been a senior manager with a \$130 million community foundation in a neighboring state.

This foundation had selected a difficult and pressing problem: the reduction of substance abuse within its seven county service area. Greene was impressed with its ambitious plan of action to increase the emphasis given to prevention activities and to strengthen regional collaboration among the diverse groups working on the problem. According to its proposal, some of the specific activities it proposed to undertake included a grants competition, a public awareness and media campaign, an information exchange, regional policy proposals, and data collection and evaluation. In order to obtain broader community input into its activities, they proposed to create a program advisory committee.

3. A third competition winner was the Southern County Community Foundation. A bright and articulate former county commissioner had recently assumed the leadership of this \$4 million foundation. This foundation had the prospect of a major contribution from a local corporation and projected that it could raise over \$7 million in unrestricted funds over five years. Its board of 21 had only two minorities and two women, although it planned to fill upcoming board vacancies with women and minorities.

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Located in a metropolitan area with a large and diverse set of ethnic communities, the Southern County Community Foundation had identified the problem of cultural alienation as its program focus. Greene was intrigued by the premise it put forward: that “the pervasive feeling of cultural alienation and lack of effective mechanisms for building a cohesive community” had resulted in a community without a common outlook and helped to perpetuate racial stereotyping and discrimination. They proposed to support high-visibility multicultural programs. For example, one project would link disadvantaged teenagers who were interested in developing small businesses with young professionals from the county’s various ethnic and cultural communities.

## Appraising Round One

Looking back on the first round of competition, Greene assessed its successes and shortcomings. As far as building the financial strength of the community foundations, all but one of the eight met their fundraising targets without difficulty. The eighth met the match in time but failed to sustain its fundraising momentum. Four years later, the community foundations had, on average, more than doubled in size. They added an average of \$4 million in unrestricted funds to their endowments, meaning that most had reached the “critical mass” needed to attract significant additional support. The fundraising success of the first round winners had suggested to Greene that community foundations did not need to be in metropolitan areas of 250,000 in order to raise money. In addition, she observed:

*“If the competition was successful on the asset development side. It had just the right balance of pressure and help, and with one exception, all of the community foundations in that first round have sufficient expertise and capacity to raise money.”*

However, it was clear to Greene that even at \$15 million in assets, a community foundation might still have only \$2 million in unrestricted funds. It occurred to her that she might need to revise her initial upper eligibility limit of \$10 million in assets.

As far as building program quality, the results were less clear. Greene was disappointed that the programs developed by the eight winners were initially weak, although she was not surprised. For most, it was their first attempt at putting together a five-year program plan, and, in general, the plans reflected that lack of experience. The plans were either not well spelled out or they proved to be unrealistic. However, over the course of the five years, she and Terrado were able to help them strengthen their programs. Observes Greene:

*“In the beginning I think we weren’t appreciative enough of just how hard it is to do good programming and what it would take for them to bring their boards along — not just the director, but the board. They needed more labor intensive technical assistance on program development.”*

A revealing symptom of this problem was that several of the community foundations were unable to spend their grant dollars in the first year. As project manager Lupe Terrado explained:

*“They needed to set up the infrastructure: board development, more office space, changes in investment policies, advisory groups. It was a lot to do the first year and the community foundations had only one or two people to do it all. They’re really mom and pop entities, and it was hard for them to mount a program with a public image.”*

The first round also taught Greene that the role of the CF’s executive director was critical. Where there was a charismatic person with creative ideas and a vision of what the CF’s role could be, it was successful at filling its leadership goals. About half had such an executive director. The danger was that when an executive director left, as happened at one participating community foundation, the other components of the program were not sufficient to compensate for the loss. On the diversity front, the first round participants had also made considerable progress, although it had taken a long time and a lot of different strategies. Terrado ran workshops on the diversity issue at every meeting she organized for them. The advisory committees that these foundations established to gather community input turned out to be a good testing ground for new board members.

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Looking back on the other component of her initiative, support for the National Agenda for Community Foundations, Greene considered its accomplishments and shortcomings. The public education efforts of the project had met with limited success: It had not been realistic to expect that community foundations could become as well known as the United Way. But Greene was hopeful that this aspect of the project would eventually be successful with a more targeted education effort aimed at tax lawyers and financial planners.

On the other hand, Greene was satisfied that the National Agenda project had reduced the isolation of community foundations and helped to advance the field. It had brought many CFs together in working groups to share common interests and had produced useful materials on community foundation management. Although an initial goal of the project had been to produce a common set of standards for CF operations, this was set aside because many felt it might inhibit their entrepreneurial styles. Nonetheless, Greene believed that in their relationship with the Council on Foundations and in their own annual conference, community foundations were now a more professional and effective group of institutions.

## Participant Views

Overall, the participants thought that the initiative had presented them with a tremendous opportunity. The competition had given them a chance to mobilize the energy of their boards and get them more interested in programming, and it had put them on a sustained growth track. Some of the first round participants shared the following observations:

*"Our participation in the initiative was a dramatic turnaround for us. It gave us instant credibility with donors."*

*"The hard part was fundraising. We had traditionally waited for people to pass on and leave us something. We had never been in the fundraising business before, and the board was loathe to get into it. We would be in competition with the nonprofits we fund."*

## Round Two

Greene had assumed from the beginning that there would be a second round of competition. As she explained:

*"The field is so large that if you just work with eight, it's a drop in the bucket. And if you just do it once, you've taken the cream of the crop at that size. You want to be able to demonstrate more depth, that the model actually works with a wider variety. You learn more by having more local adaptations."*

She wanted the second round to deepen the foundation's experience and enable it to demonstrate its model with greater credibility. Already the experiences of the initiative had attracted a new funding partner, the MacArthur Foundation. The \$2 million in additional support it provided would enable Greene to consider broadening the competition's scope in the second round.

But the competition itself had been problematic for some of the weaker applicants. In order to participate, community foundations had to persuade other local institutions to join with them to work on a project, prepare their own boards to fundraise, and host a two-day site review for the initiative's group of advisers. Greene had asked the project evaluator to interview some of the non-winning applicants about their experience with the competition. She learned that after having invested so much time and energy, it became a public relations problem for them when they failed to win a grant. Some who did not make the final cut wanted to know why. Observed Greene:

*"We needed to be a little more sensitive to the risks community foundations take when they declare themselves publicly and say, We're going to try for this kind of grant. Word gets out, and then if they don't get the grant, what does that do to their fundraising?"*

As she began to design a second round of competition, Greene needed to take her findings from the first round into consideration.

A CASE STUDY IN THREE PARTS

building  
financial  
strength and  
program  
quality:  
a case on  
grant making  
to strengthen  
community  
foundations

PART THREE

**Epilogue**

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## Epilogue

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In the second round of the Community Foundations Initiative, Greene sought to address the public relations problems of non-winning applicants and to take advantage of the additional resources provided by the MacArthur Foundation to broaden the reach of the program. To do this, she established a second tier of smaller grants for community foundations that showed some potential for growth, but would otherwise be unlikely to survive the final cut of the competition. All of the applicants who proceeded as far as a site visit, as well as several other applicants, would receive grants of \$20,000 to \$250,000, to support staff, programming, or travel to COF meetings or to visit other community foundations. Grants of \$150,000 or over would have to be matched. In order to make the selection process as transparent as possible, the criteria that Greene and her advisers would use to evaluate the applications was included in the RFP, with points attached to each criterion. Any CF that wasn't satisfied with the outcome of the competition could ask to see exactly how it had scored in the review process. In the second round, Greene also built in more time for the consultant she had hired earlier as a project manager, Lupe Terrado, to work with the winners. In particular, Terrado needed to pay careful attention to building board capacity and leadership. As she commented later:

*"I wish we had spent more time designing the technical assistance in the first round. The people in the first round had real depth; they really knew what they were doing and didn't think they needed help. It took a year to establish my credibility, to figure out how to present the technical assistance to them so they would value it."*

Greene modified the eligibility criteria somewhat for the second round of the competition. Recognizing that even at \$10 million in assets, community foundations could still benefit from the initiative, Greene raised the upper limit on asset size to \$13 million. She also raised the lower limit on asset size from \$2 million to \$3 million, because she had found that CFs below that size had difficulty developing a program

focus. Since raising the lower limit on asset size would reduce the number of eligible applicants, Greene decided to expand the applicant pool's geographic boundaries by making statewide and rural CFs eligible.

In the second round there were 24 applicants, and Greene's group of advisers made site visits to 13. Of all those who applied, five received no grant award, and nine received the smaller grants. Ten were chosen to receive the \$500,000 grants, six supported by the Ford Foundation and four by its funding partner. The ten who won the large grants ranged in size from \$3.1 million to \$8.5 million in assets and served both urban and rural areas. Many of them had chosen to develop programs focusing on the problems of children and teenagers at risk, one had decided to focus on improving regional cooperation, and one planned to work on housing and neighborhood services.

Not long after the initiative got underway, other programs at the Ford Foundation began to work with individual community foundations as partners. For example, one of the winners from the first round was funded through another portfolio to undertake a water project for low income communities in its service area. The Southern County Community Foundation received support to become a funding and technical assistance intermediary for the Ford Foundation's community development grantees in Southern County. By 1992, five of the original eight and a number of other larger community foundations had become partners with the Ford Foundation on other topics such as AIDS, community development and child care.



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