

**University of Northern Iowa**  
**Office of Sponsored Programs/UNI Foundation**

**Types of Foundations**

**Community Foundations** are for, by and of a specific community. A community foundation's assets from which grants are made comprise a pool of funds created by many donors instead of a single or limited source. The geographic area of interest and grantmaking is usually evident in the foundation's name. Example: The Community Foundation of Waterloo/Cedar Falls and Northeast Iowa.

**Independent Foundations**, also known as national or general-purpose foundations, operate under broad charters with the potential for pursuing broad purposes in their grantmaking. Often begun by families or individuals, they have typically evolved to include the existence of professional staff. These foundations are less likely to have geographic limitations in their grantmaking than other types of foundations. They often will look for major impact on a broad geographic scale in their grants. Example: Kellogg Foundation.

**Special Interest Foundations** restrict their grants to a specific field of interest, often as a result of the terms of a will or their Articles of Incorporation. By virtue of this narrowed focus, such specialized foundations may be a good source of state-of-the-art information in their areas of grantmaking. The most important consideration from a research perspective is to see whether your ideas and their special interests mesh. Example: Susan G. Koman Foundation.

**Family Foundations** have been created to facilitate the charitable contributions of a particular family. While there is no neat distinction from independent foundations, it is safe to say that family influence and a much smaller level of grantmaking are paramount here. Also, you're not likely to find staff in these smaller foundations. Family members are donors and usually sit on the board of the foundation. Giving patterns are tied to the interests of family members (for example, schools attended, communities where they reside, programs in which they are directly involved). Since they are often community based and focused, the possibility of approaching them less formally than staffed foundations seems reasonable. You will find greater possibilities for general operating support in this segment of the foundation world along with no scarceness of modest grants. Example: Young Family Foundation or Leighty Foundation.

**Operating Foundations** are named as such because they utilize the majority of their investment income to operate their own charitable activities and programs. They can and do choose to make grants to other organizations, however, to further their own interests. Example: Stanley Foundation.

**Corporate or Company-Sponsored Foundations** derive their grantmaking funds from a donor profit-making corporation that usually bears the same name. Established by businesses to carry out systematic charitable giving, these separate legal entities represent the most visible form of corporate giving because of their foundation status. Their grantmaking tends to focus on the educational, cultural and social welfare needs of the communities where the donor corporation's facilities and employees are located as well as in educational areas that will produce future employees. Among many other reasons, these foundations exist to enhance corporate image, an awareness of which should guide your research. Example: John Deere Foundation.

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**Foundation Glossary**

**Annual report:**

A voluntary report issued by a foundation or corporation that provides financial data and descriptions of its grantmaking activities. Annual reports vary in format from simple typewritten documents listing the year's grants to detailed publications that provide substantial information about the grantmaker's grantmaking programs. Approximately 1,100 foundations issue them.

**Assets:**

The amount of capital or principal — money, stocks, bonds, real estate, or other resources — controlled by a foundation or corporate giving program. Generally, assets are invested and the resulting income is used to make grants.

**Beneficiary:**

In philanthropic terms, the donee or grantee receiving funds from a foundation or corporate giving program is the beneficiary, although society may benefit as well.

**Capital support:**

Funds provided for endowment purposes, buildings, construction, or equipment.

**Challenge grant:**

A grant that is paid only if the donee organization is able to raise additional funds from other sources. Challenge grants are often used to stimulate giving from other donors. *See also* matching grant.

**Community foundation:**

A 501(c)(3) organization that makes grants for charitable purposes in a specific community or region. The funds available to a community foundation are usually derived from many donors and held in an endowment that is independently administered; income earned by the endowment is then used to make grants. Although a community foundation may be classified by the IRS as a private foundation, most are public charities and are thus eligible for maximum tax-deductible contributions from the general public. *See also* 501(c)(3); public charity.

**Community fund:**

An organized community program which makes annual appeals to the general public for funds that are usually not retained in an endowment but are instead used for the ongoing operational support of local agencies. *See also* federated giving program.

**Company-sponsored foundation:**

(also referred to as a corporate foundation): A private foundation whose assets are derived primarily from the contributions of a for-profit business. While a company-sponsored foundation may maintain close ties with its parent company, it is an independent organization with its own endowment and as such is subject to the same rules and regulations as other private foundations. *See also* private foundation.

**Corporate foundation:**

*See* company-sponsored foundation.

**Cooperative venture:**

A joint effort between or among two or more grantmakers. Cooperative venture partners may share in funding responsibilities or contribute information and technical resources.

**Corporate giving program:**

A grantmaking program established and administered within a for-profit corporation. Because corporate giving programs do not have separate endowments, their annual grant totals generally are directly related to company profits. Corporate giving programs are not subject to the same reporting requirements as corporate foundations.

**Distribution committee:**

The committee responsible for making grant decisions. For community foundations, the distribution committee is intended to be broadly representative of the community served by the foundation.

**Donee:**

The recipient of a grant. (Also known as the grantee or the beneficiary.)

**Donor:**

An individual or organization that makes a grant or contribution to a donee. (Also known as the grantor.)

**Employee matching grant:**

A contribution to a charitable organization by an employee that is matched by a similar contribution from his or her employer. Many corporations have employee matching-gift programs in higher education that encourage their employees to give to the college or university of their choice.

**Endowment:**

Funds intended to be invested in perpetuity to provide income for continued support of a not-for-profit organization.

**Expenditure responsibility:**

In general, when a private foundation makes a grant to an organization that is not classified by the IRS as a "public charity," the foundation is required by law to provide some assurance that the funds will be used for the intended charitable purposes. Special reports on such grants must be filed with the IRS. Most grantee organizations are public charities and many foundations do not make "expenditure responsibility" grants.

**Family foundation:**

An independent private foundation whose funds are derived from members of a single family. Family members often serve as officers or board members of family foundations and have a significant role in their grantmaking decisions.

**Federated giving program:**

A joint fundraising effort usually administered by a nonprofit "umbrella" organization that in turn distributes the contributed funds to several nonprofit agencies. United Way and community chests or

funds, the United Jewish Appeal and other religious appeals, the United Negro College Fund, and joint arts councils are examples of federated giving programs. *See also* community fund.  
variety of services and comprehensive collections of information on foundations and grants.

**Fiscal sponsorship:**

Affiliation with an existing nonprofit organization for the purpose of receiving grants. Grantseekers may either apply for federal tax-exempt status or affiliate with a nonprofit sponsor.

**501(c)(3):**

The section of the tax code that defines nonprofit, charitable, tax-exempt organizations; 501(c)(3) organizations are further defined as public charities, private operating foundations, and private non-operating foundations. *See also* operating foundation; private foundation; public charity.

**Form 990-PF:**

The public record information return that all private foundations are required by law to submit annually to the Internal Revenue Service (IRS).

**Form 990:**

The information return that public charities file with the Internal Revenue Service (IRS).

**General/operating support:**

A grant made to further the general purpose or work of an organization, rather than for a specific purpose or project; also called an unrestricted grant or basic support.

**General purpose foundation:**

An independent private foundation that awards grants in many different fields of interest. *See also* special purpose foundation.

**Grantee financial report:**

A report detailing how grant funds were used by an organization. Many corporate grantmakers require this kind of report from grantees. A financial report generally includes a listing of all expenditures from grant funds as well as an overall organizational financial report covering revenue and expenses, assets and liabilities. Some funders may require an audited financial report.

**Guidelines:**

Procedures set forth by a funder that grantseekers should follow when approaching a grantmaker.

**Independent foundation:**

A grantmaking organization usually classified by the IRS as a private foundation. Independent foundations may also be known as family foundations, general purpose foundations, special purpose foundations, or private non-operating foundations. *See also* private foundation.

**In-kind contribution:**

A contribution of equipment, supplies, or other tangible resource, as distinguished from a monetary grant. Some corporate contributors may also donate the use of space or staff time as an in-kind contribution.

**Letter of inquiry / Letter of intent:**

A brief letter outlining an organization's activities and its request for funding that is sent to a prospective donor in order to determine whether it would be appropriate to submit a full grant proposal. Many grantmakers prefer to be contacted in this way before receiving a full proposal.

**Matching grant:**

A grant that is made to match funds provided by another donor. *See also* challenge grant; employee matching gift.

**Operating foundation:**

A 501(c)(3) organization classified by the IRS as a private foundation whose primary purpose is to conduct research, social welfare, or other programs determined by its governing body or establishment charter. An operating foundation may make grants, but the amount of grants awarded generally is small relative to the funds used for the foundation's own programs. *See also* 501(c)(3).

**Operating support grant:**

A grant to cover the regular personnel, administrative, and miscellaneous expenses of an existing program or project. *See also* general/operating support.

**Payout requirement:**

The minimum amount that private foundations are required to expend for charitable purposes (including grants and, within certain limits, the administrative cost of making grants). In general, a private foundation must meet or exceed an annual payout requirement of five percent of the average market value of its total assets.

**Private foundation:**

A nongovernmental, nonprofit organization with funds (usually from a single source, such as an individual, family, or corporation) and program managed by its own trustees or directors. Private foundations are established to maintain or aid social, educational, religious, or other charitable activities serving the common welfare, primarily through the making of grants. *See also* 501(c)(3); public charity.

**Program amount:**

Funds that are expended to support a particular program administered internally by a foundation or corporate giving program.

**Program officer:**

A staff member of a foundation who reviews grant proposals and processes applications for the board of trustees. Only a small percentage of foundations have program officers.

**Program-related investment (PRI):**

A loan or other investment (as distinguished from a grant) made by a foundation to another organization for a project related to the foundation's philanthropic purposes and interests.

**Proposal:**

A written application, often accompanied by supporting documents, submitted to a foundation or corporate giving program in requesting a grant. Most foundations and corporations do not use printed application forms but instead require written proposals; others prefer preliminary letters of inquiry prior to a formal proposal. Consult published guidelines.

**Public charity:**

A nonprofit organization that qualifies for tax-exempt status under section 501(c)(3) of the IRS code. Public charities are the recipients of most foundation and corporate grants. Some public charities also make grants. *See also* 501(c)(3); private foundation.

**Qualifying distributions:**

Expenditures of a private foundation made to satisfy its annual payout requirement. These can include grants, reasonable administrative expenses, set-asides, loans and program-related investments, and amounts paid to acquire assets used directly in carrying out tax-exempt purposes.

**RFP:**

An acronym for Request for Proposal. When the government issues a new contract or grant program, it sends out RFPs to agencies that might be qualified to participate. The RFP lists project specifications and application procedures. While an increasing number of foundations use RFPs in specific fields, most still prefer to consider proposals that are initiated by applicants.

**Seed money:**

A grant or contribution used to start a new project or organization. Seed grants may cover salaries and other operating expenses of a new project.

**Set-asides:**

Funds set aside by a foundation for a specific purpose or project that are counted as qualifying distributions toward the foundation's annual payout requirement. Amounts for the project must be paid within five years of the first set-aside.

**Special purpose foundation:**

A private foundation that focuses its grantmaking activities in one or a few areas of interest. *See also* general purpose foundation.

**Tax-exempt:**

Refers to organizations that do not have to pay taxes such as federal or state corporate tax or state sales tax. Individuals who make donations to such organizations may be able to deduct these contributions from their income tax.

**Technical assistance:**

Operational or management assistance given to nonprofit organizations. This type of help can include fundraising assistance, budgeting and financial planning, program planning, legal advice, marketing, and other aids to management. Assistance may be offered directly by the staff of a foundation or corporation, or it may be provided in the form of a grant to pay for the services of an outside consultant. *See also* in-kind contributions.

**Trustee:**

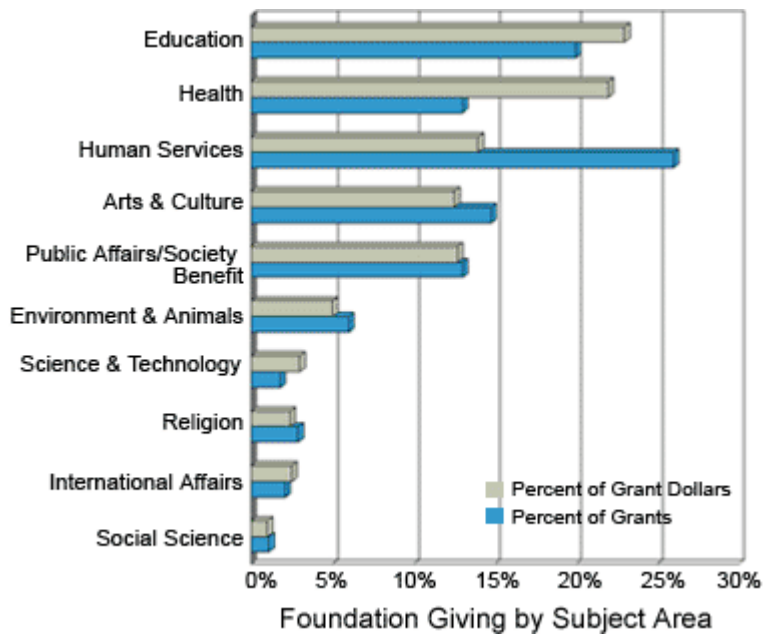
A foundation board member or officer who helps make decisions about how grant monies are spent. Depending on whether the foundation has paid staff, trustees may take a more or less active role in running its affairs.

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Brown Bag: Foundations**

**Distribution of Grants**

The IRS requires a private foundation to distribute a specific percentage of its assets each year.

Independent Foundation	Company-sponsored Foundation	Operating Foundation
<p>Independent foundations are required by the IRS to disburse 5 percent or more of their assets annually in the form of grants to charitable organizations in order to maintain their nonprofit status.</p> <p><i>The Foundation Center, 2007</i></p>	<p>Company-sponsored foundations are required to pay out 5 percent of their assets in contributions each year. Usually company-sponsored foundations maintain a small asset base relative to their grants programs, and the parent company funds the bulk of its giving through annual gifts to the foundation.</p>	<p>Although operating foundations may make small grants, most are established to conduct their own programs. To fund these programs, operating foundations must spend at least the smaller of these two amounts: 85 percent of their net income from investments or 4.25 percent of their total assets.</p>

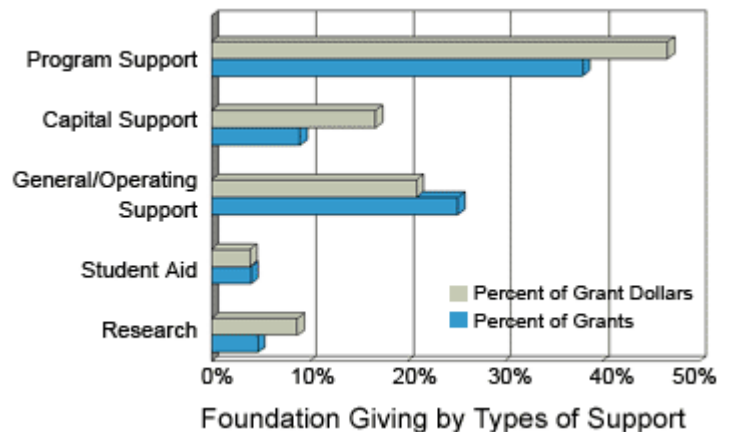


**What subject areas receive foundation funding?**

Another way of looking at foundation giving is by subject areas. Foundations are active in nearly all fields. However, funding is consistently concentrated in certain subject areas. As you can see in the chart from *Foundation Giving Trends, 2006*, education tops the list, closely followed by health. Human services ranks third in grant dollars but first in number of grants. This means that although there are many more grants for human services, they tend to be smaller in terms of dollars.

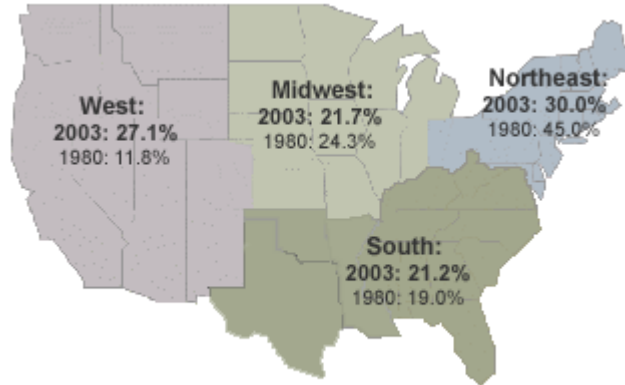
**What types of support do foundations most often provide?**

The types of support a foundation provides can be as important as the subject areas it funds. As you can see in the chart from *Foundation Giving Trends, 2006*, program and operating support are the most common types of support. Program support is defined as funding for a specific project or program. Operating support is not specified—an organization can use such funds wherever the need is greatest.



**Regional Distribution of Foundation Assets**

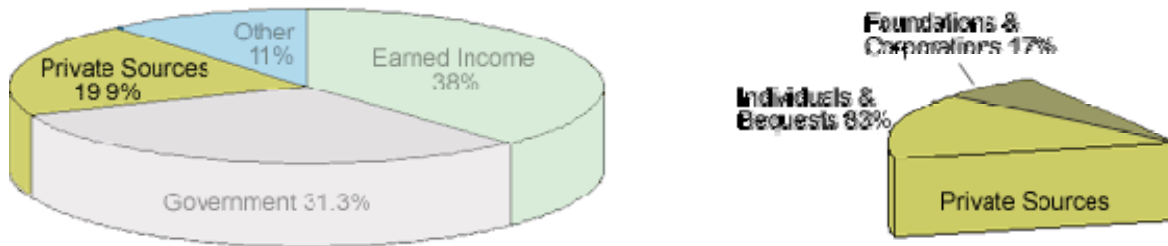
This map shows the regional distribution of total foundation assets for 1980 and 2003.



Regional distribution of total foundation assets (\$476.7 billion)

**Sources of Nonprofit Funding**

The third largest share of nonprofit funding comes from private sources—19.9 percent. Private giving in the U.S. derives from four sources: living individuals, bequests, corporations, and private foundations. As shown in this chart, foundations account for only 17 percent.



The New *Nonprofit Almanac & Desk Reference*, 2002. Independent Sector & The Urban Institute. Giving USA Foundation, AAFRC Trust for Philanthropy/Giving USA 2005.



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**Tips on Funder Research**

- ❖ Once you find a close match, evaluate to determine the best match!
  - ❖ #1 cause of rejection is requesting something outside the funder's guidelines!
  - ❖ Grants seeking and prospect researching is time consuming. Begin as early as possible!
  - ❖ Guidelines, priorities, contacts, deadlines are subject to change. Check once or twice a year!
1. Check guidelines, IRS Form 990, past grantees, and foundation's website or Annual Report for more information.
  2. What fields of interest does the funder appear to support through its grantmaking? This could refer to specific target populations as well as programs. Are the fields of interest narrowly or broadly defined? Is there a fit between their interests and your pursuits?
  3. Does their grantmaking have geographic limitations? Do they abide by these limitations or make an occasional exception? This factor should not be ignored. Most funders impose some type of geographical imprint on their spending, and if you are not located in the requisite spot, you won't get their money.
  4. Is there a fit in terms of the type of support your organization is seeking — seed funding, capital or equipment grants, research, education, travel and so on — and what they are willing to fund?
  5. Are you the type of recipient they like to fund? This relates not only to the type of organization yours is, such as a university or college, but may also include whether or not you receive a substantial amount of government funding, either of which could be a plus or minus depending on who you are approaching.
  6. Is the amount of your request within their comfort zone for grants? Virtually all funders have such a comfort zone or dollar range within which most of their grants fall.
  7. Are you aware of the protocol for applying? Does the foundation accept unsolicited applications? Are you sending them what they require when they require it? If the prospective funder has a required format, you have to adhere to it. Remember, many funders have specific deadlines for receipt of proposals.
  8. Much of your work will involve cross-referencing sources. You're not going to find a single, all-encompassing sources with all the answers.
  9. Consider local funding sources first. It makes good sense, for instance, to approach local foundations before or in addition to larger, less geographically restricted foundations not necessarily located in the Midwest area.

## GRANT SEEKING RESOURCES FOR PRIVATE FOUNDATIONS AND CORPORATIONS

### Private Grant Opportunities

#### A. The Foundation Center

<http://foundationcenter.org/>

Website offers free instruction on funding research, help with proposal writing, philanthropic news, training classes, and other information targeted to nonprofits in particular but of use to anyone seeking funds from private foundations. You can search by name to find profiles of individual foundations and current RFPs. Their searchable database – **FC Search** - includes comprehensive information on over 80,000 funders including focus areas, limitations, gift ranges, grantees, directors, and deadlines. The database is available at Rod Library in the Reference Section (2004 edition). Additionally, Rod Library subscribes to **The Foundation Directory**, the Center's annual publication of the top 20,000 foundations (in terms of giving) with various indexes. The most current issue is located in the Reference Section.

#### B. Foundation Center Cooperating Collections

Cooperating Collections provide free access to the following core group of The Foundation Center's publications:

- FC Search: The Foundation Center's Database on CD-ROM
- The Foundation Center's Guide to Grantseeking on the Web
- The Foundation Directory, The Foundation Directory Part 2
- The Foundation Directory Supplement
- The Foundation 1000
- Guide to Funding for International and Foreign Programs
- Guide to U.S. Foundations, Their Trustees, Officers, and Donors
- National Directory of Corporate Giving
- Foundation Fundamentals
- The Foundation Center's Guide to Proposal Writing
- Foundations Today Series (3 publications)
- Foundation Grants to Individuals
- National Guide to Funding in . . . series
- Securing Your Organization's Future: A Complete Guide to Fundraising Strategies

#### CEDAR RAPIDS PUBLIC LIBRARY

500 1st St. SE  
Cedar Rapids, IA 52401  
(319) 398-5123

#### DES MOINES PUBLIC LIBRARY

1000 Grand Ave.  
Des Moines, IA 50309  
(515) 283-4152

#### C. GuideStar

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

The free basic membership to this website gives users access to a simple search to verify a nonprofit's legitimacy, learn whether a contribution will be tax deductible, view a nonprofit's recent Forms 990, or find out more about its mission, programs, and finances. The database contains multiple years' worth of information on each of the more than 300,000 organizations that file a Form 990 or 990-EZ, and on 70,000 private foundations with a certain asset size or substantial grant activity. Additionally, GuideStar hosts a total of 2,189,932 images of these IRS forms.

A special service - [Edu@GuideStar](mailto:Edu@GuideStar) - offers academic researchers, instructors, and their students complimentary Premium access to the database for free. All class instructors, their students, and individuals doing unsponsored research are eligible for the duration of their course or research.

## **Public and Private Grant Opportunities**

### **D. Grants Resource Center (GRC) - *UNI Subscribes***

<http://www.aascu.org/grc/>

This subscription database offers its members institutions with a wide range of services pertaining to grant-seeking and grants management, including several electronic publications, quality web-based conferences and bi-annual meetings on grant-writing and specific grant programs, training on research ethics, and a searchable database of 2,000 private and public funders. All UNI faculty and staff can use these services, accessing their website through an on-campus computer. The GRC is a component of the American Association of State Colleges and Universities.

### **E. Illinois Researcher Information Service (IRIS)- *UNI Subscribes***

<http://www.library.uiuc.edu/iris/>

This subscription database includes over 8,000 federal and private funding programs for researchers, scholars, faculty and graduate students. Funding organizations include foundations, professional associations, corporate sources, and others. Grant programs for institutions are included as well. Types of funding support include research, educational and professional activities, travel, exhibitions, publishing, seminars, equipment acquisitions, and more. Searchable by subject, type of support, population group, sponsor type, citizenship, application deadlines, and more. Features a funding Alert Service, an Upcoming Deadlines section in 25 areas, and numerous links to other research funding sites and services. Compiled at the University of Illinois - Urbana-Champaign. Updated daily.

## **State Databases and Agency Links**

### **F. Iowa Grants Guide – database of funders interested in Iowa orgs**

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

The Iowa Grants Guide (IGG) is sponsored by The University of Iowa (UI) Division of Sponsored Programs, the Iowa Nonprofit Resource Center (INRC), and the Iowa Council of Foundations (ICOF). This resource serves as a web-based directory of grant-making organizations for Iowans, that can be accessed at no cost by anyone, and includes information and links to local and national foundations that have had an interest in projects, organizations, and institutions in the state in the past.

## **Other Sources**

### **G. Funding agency, Foundation or Corporate websites.**

### **H. Funded colleagues in the field.**

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**Demystifying the 990-PF**

Following is what you should be able to find out by looking over 990s, along with what the information means to you from a researching perspective:

- The name and address of the foundation.
- A telephone number, which may lead you to anyone from the foundation — from founding donor to a financial or legal intermediary such as an attorney, accountant or bank.
- Financial information, itemizing the value of the foundation's assets, any gifts or contributions of \$5,000 or more received by the foundation for the year of record, and total grants paid out by the foundation for the same year, including the names and addresses of recipients, purpose of the grant and amount. Data about assets will give you some sense of grantmaking capacity; data about grants made will confirm this.
- Identification of officers, directors, trustees, foundation managers and staff paid more than \$30,000 a year, if employed by the foundation. Here is the human element in your research, the possible people connection, so to speak. If staff exists, they are there to work with you; if only non-staff categories are listed, they'll probably be more difficult to reach.
- The most recently revised 990s request that foundations indicate the name, address and telephone number of the person to whom applications for funding should be sent, the form in which applications should be submitted, deadlines and limitations or restrictions on awards.
- For many of the smaller, unstaffed foundations that might engage your interest or provoke your curiosity the 990-PF is likely to be the only source of written information you'll see. So, unless you already have some kind of a personal contact with a foundation trustee or donor family member (highly desirable though not easy to come by for most researchers), the 990 shapes up as important to your efforts to make sense of foundation
- These 990s tend to be less important with larger foundations. Larger foundations may also publish their own annual reports or some type of application guidelines and procedures.

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**Formulating a Plan for Initiating Contact with Top Foundation Prospects**

For each of your top-ranked prospects, determine what is the best match or matches between project and funding source (the "goodness of fit") and develop a strategy for making an initial contact.

Remember when you talk to foundation personnel and during grant writing, a foundation is looking for a way to achieve its charitable goals...i.e. they are looking for you! Approach a foundation with respect, but try not to be intimidated. Rather than be burdened by the task of "begging for money," be optimistic about your ability to help a foundation fulfill its mission.

***Before contacting any funder, contact appropriate UNI staff for assistance and special guidance!***

1. "Letter of Inquiry" approach:

- \* Determine whether the foundation invites Letters of Inquiry or has specific guidelines.
- \* Keep Letters of Inquiry to 1-2 pages.
- \* Ensure the inquiry shows strong evidence of understanding of personality and preferences of the Foundation. Use key words and demonstrate connection to mission and funding priorities.
- \* Show evidence of research about the right amount and project to ask for.
- \* Indicate the impact that the grant – and therefore the foundation – will have after completion.
- \* State a future date on or about which you will place a follow-up call.

2. Telephone approach:

- \* Ask program officer whether they have time to speak now or would prefer a future date.
- \* Seek reaction to proposed idea. Ask if "the project is a good match." Be prepared to offer second idea if first is not appealing.
- \* Use the time to ask for clarification about Foundation priorities.
- \* Be positive in opening remarks.
- \* Speak in simple, brief terms.
- \* Bring up one specific message.
- \* Project confidence, enthusiasm and believability.
- \* Ask for advice on next steps
- \* Ask permission to call again with further questions.

3. Appointments/Presentations:

- \* Always schedule your appearance!
- \* Do your homework and have all bases covered.
- \* Talk to peers who may have visited the same Foundation.
- \* Send letter to confirm appointment date, time and who will participate.
- \* Show up early.
- \* Listen carefully, take good notes and follow-up precisely as requested.
- \* Send prompt thank-you letter, reiterating any next steps you have promised.