Foundations Adopt Policies to Move More Money Faster, and With Fewer Restrictions

By Alex Daniels

As the coronavirus pandemic continues to worsen, many foundations are learning that speed is of the essence. They are tossing aside their own grant-making rule books as they find ways to expedite transfers of money to nonprofits struggling to stay afloat.

Some, like a group of 26 Texas grant makers and the United Way of Metropolitan Dallas, have jump-started the process of applying for a grant. Called North Texas Cares, the group created a common application form for Texas nonprofits responding to community needs. Nonprofits fill out a basic form describing their needs. The participating foundations can view the applications and indicate to the other grant makers whether their board members are considering a grant.

The idea is that nonprofits don’t have to jump through so many hoops to land a grant, and foundations can get a better picture of where their money can be put to best use and not overlap with other efforts.

"If every single foundation called every single nonprofit they knew to ask what their needs are, that’s not a good use of a nonprofit’s time," says Sarah Cotton Nelson, chief philanthropy officer at the Communities Foundation of Texas. "And if every development director tries to call every single foundation, that’s not a good use of their time."
After less than a week online, the common form attracted 650 applications. As of Monday, the United Way had already made grants totaling $750,000 to 43 nonprofits.

Using gifts totaling $3 million from some individual donors to the community foundation, as well as donated software, the Dallas grant maker also organized the "Get Shift Done" fund, which pays food-service workers to assemble meals for local food-bank deliveries. The service works like an Uber for nonprofits that have experienced a shortage of volunteers, pairing organizations with displaced workers looking to make up some of their lost pay.

During its first week, it helped connect 5,000 workers, who were paid $10 an hour, with nonprofits at 14 locations.

**Moving Money Around**

Others, like the William Penn Foundation in Philadelphia, are moving around money already designated for use. After two urgent board meetings held in the past few weeks, the Philadelphia grant maker reallocated $5 million from its early-learning and literacy program to a fund that will help early education providers adapt to closures and cover basic expenses during the shutdown.

Vanguard’s Strong Start for Kids Program contributed an additional $2 million to the fund. Penn also announced the annual recipients of $6.6 million in arts and cultural grants several months early to help some organizations that have been hit the hardest by the crisis.

The spread of the coronavirus has prompted foundations to rethink how they make grants and what they support. More than 300 grant makers signed a pledge to provide more general operating support and give to community organizations and advocacy efforts.

At the same time, a proliferation of rapid-response funds is evidence that many foundations are also committed to speed. A list compiled by PEAK Grantmaking shows a range of approaches.

If they haven’t already, foundations are switching from using paper letters and checks that require a signature to digital payments and grant agreements, PEAK found. Some, like the Texas foundations, are coordinating among donors to streamline the application process, and others are changing grant timelines so money is sent out immediately.

**Moving Faster**

The Community Foundation for Greater New Haven is one of those foundations that shifted its calendar. It sent out more than $1 million in grants to nonprofits in multiyear general operating-support contracts last Friday. Under normal conditions, says William Ginsberg, the foundation’s president, those checks might not have been sent until late in the year or in 2021, depending on when a grantee’s annual paperwork was sent in.

Working with its local United Way, the foundation also created a $1.5 million Covid-19 response fund. About $1 million came from donors interested in helping out. The other half million was the philanthropy equivalent of finding change under the sofa cushions.

The Connecticut grant maker manages about 1,000 accounts — some are restricted, some are donor-advised fund accounts, and some are unrestricted.

To add to the response fund, Ginsberg took a look at the legal language setting restrictions on some of the funds and saw that six of them seemed tailor-made for the pandemic.

"We’ve identified funds where the donor intent fits with the kind of health crisis the community is facing right now," he says.

With approval of his board, Ginsberg increased this year’s annual disbursement from those funds from 5.5 percent to 9.5 percent to reach the $500,000 mark.

New Payment Schedules

The Harry and Jeanette Weinberg Foundation also bumped up its schedule. Weinberg approved $4 million in coronavirus response support. More than half of the money will come in emergency support to existing or previous grantees.

In the coming weeks, as impact of the pandemic on the health and economy of the country becomes more clear, the foundation will determine how to distribute the balance.

Grantees getting the rapid-response grants will be allowed to use them to cover general expenses. The influx of cash doesn’t represent additional support; it is an accelerated payment that would have been made later in the year.

Rather than going through a long process of reviewing letters of intent and studying possible grantees, the foundation stuck with nonprofits it already knew well.

"Typically, we review audited financials and dig deep into the organization’s operation to make sure the foundation’s investment is sound," says Aaron Merki, Weinberg’s managing director for programs and grants. "But the last thing we want to do at a time like this is put grantees through a
standard heavy due diligence process," he says.

**Giving Up Control**

In shuttling money out the door more quickly, foundations sometimes give up control over how they make grants. That isn’t necessarily a bad thing, according to Matthew Randazzo, president of the Dallas foundation, one of the Texas organizations that developed the common application. Too often, he says, philanthropy gazes too intently on having a strategic vision rather than really focusing on those in need.

Randazzo is confident that foundations will keep the "muscle memory" of using the common application well into the future, when the country is not in the grip of a crisis.

The single form was adopted by several types of philanthropies, from family offices to corporate donors, including Toyota Motor North America and the Celanese Corporation. In normal times, each type of donor would typically insist on collecting specific information from a nonprofit to determine if its work fits the donor’s preference. For instance, Randazzo says, a corporate foundation might want to ensure that its grant was going to benefit its brand, or a private foundation might pay special attention to whether the applicant’s work hewed to a particular social-change strategy.

"We tried to accomplish the right balance between collecting the information that philanthropies would need to move through the grant-making process to present to their boards, while not overburdening the nonprofits who are applying," Randazzo says.

What that meant was the form needed to be simple and ensure that the any cash directed to successful applicants would be used to respond to the pandemic. After the grant, instead of detailed reporting requirements, Randazzo says, his foundation’s grantees are simply required to certify that the money went to fulfill the Dallas Foundation’s approach to the crisis.

"That’s as much as we’ve asked of our nonprofit partners at this time because we want food banks out there filling bellies," he says.