

What Did You Do with Our Grant?

What Foundations Want to Know

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This report discusses how foundations typically oversee the grants they make. Although foundations are interested in how their grantees are spending grant money and their project activities, this interest is expressed in different ways. PhilanTech, LLC, a social venture dedicated to enhancing efficiency in the nonprofit sector through the use of technology, collected information from mid-sized foundations on their grantee reporting requirements and teamed with the Center on Nonprofits and Philanthropy at the Urban Institute to analyze the responses. While most foundations appear to require some sort of reporting from their grantees, a number of foundations require no reporting at all. Some foundations feel that close relationships with grantees give them first-hand information. Of those that require reports, a few used a “Common Form,” usually developed for use by a consortium of funders in a specific geographic area. If reports are required, the most commonly asked questions are about finances, project activities, outcomes and results, and challenges/lessons learned during the project. While variations in the questions and format were numerous, the topics covered were often similar. If the grant reporting requirements were more standard, the process could be streamlined to provide the needed information in a more cost-effective manner for both the grantors and the grantees.

INTRODUCTION

Foundations are very interested in how their grants are used, and the most common way to monitor grant use is through required reports. In these reports, each foundation seeks different types of information, asking numerous different questions. This results in variations in reporting requirements that necessitate customized reports from nonprofits. Consequently, the reporting process becomes very time consuming.

A recent survey by the Center for Effective Philanthropy found nonprofits spend a median of 6.7 hours reporting to any given funder, with grantees in the 75th percentile spending 13 hours per grant. The median total administrative time spent from application to reporting is 30 hours per foundation.¹

¹ Center for Effective Philanthropy. Results based on approximately 14,000 responses to the Center’s surveys of grantees from the largest several hundred private and community foundations conducted during 2003 and 2004.

The time and resources expended on fulfilling reporting requirements is a concern for nonprofits. They are organizations with limited infrastructure and management resources that must also seek funding opportunities, prepare proposals, and of course, fulfill the objectives of their grants. Responding to varied reporting requirements forces them to redirect their limited resources away from other important concerns.

In an effort to better understand the difficulties of the reporting process, a survey of foundation requirements for reports from grantees was undertaken. The intention was to identify similarities in the information foundations require from their grantees and common questions used to acquire this information. If similarities could be identified, then there would be an opportunity to streamline the reporting process. This would be beneficial for both foundations and their grantees.

BACKGROUND

The prevalence of reports in the monitoring of grants was established in the 2003 *Attitudes and Practices Concerning Effective Philanthropy* study, conducted by the Urban Institute, in cooperation with Grantmakers for Effective Organizations. This national survey of staffed grantmaking foundations broadened understanding of foundation attitudes and practices regarding the evaluation of foundation effectiveness. Leaders from 1,192 foundations responded to the survey, which was later supplemented by in-depth interviews with 61 of the respondents. A wide array of foundations participated in the study, but larger private foundations represented the bulk of respondents.²

In the *Attitudes and Practices Concerning Effective Philanthropy* study, foundation leaders were asked to detail how they monitor grants. Responses to this question are summarized in the table below.

Response	Site Visits	Interim Reports	Fdn. Rep. on Grantee Board	Fdn. Rep. on Grantee Advisory Committee	Ongoing Involvement in the Community/Field	Final Reports
Always	12%	34%	0%	0%	22%	70%
Often	28%	17%	2%	2%	41%	12%
Sometimes	41%	23%	8%	8%	21%	9%
Rarely	13%	14%	16%	18%	6%	5%
Never	6%	12%	75%	72%	10%	4%
TOTAL	100%	100%	101%*	100%	100%	100%

*Does not sum to 100% due to rounding.

² For a complete description of how this survey was constructed and a detailed breakdown of respondent characteristics, see Ostrower, Francie. *Attitudes and Practices Concerning Effective Philanthropy*. The Urban Institute. April 2004.

Final reports were often or always used by 82 percent of the respondents, and 51 percent reported that they often or always require an interim report. Ongoing involvement in the community or field was also a common way to monitor grants, as were site visits. The use of more active monitoring measures, such as placing a representative on grantee boards or grantee advisory committees, was infrequent. These results clearly indicate that most foundations rely on some sort of report to monitor the use of grant money.

With so many foundations requiring grant reports, the demands placed on the grantees are significant. Therefore, it is worthwhile to explore the reporting required by foundations to determine how the process can be improved. A useful starting point is determining the kinds of information that are of interest to foundations and the types of questions that are asked most frequently. Uncovering this information has the potential to indicate how reports can be streamlined, and to minimize the impact of reporting on grantee time and resources, while still ensuring that relevant information is transmitted from grant recipient to grant maker.

METHODOLOGY³

To further explore the reporting process and uncover this information, PhilanTech, LLC, a social venture dedicated to enhancing efficiency in the nonprofit sector through the use of technology, identified 642 foundations with valid published email addresses in the Foundation Center's database of foundations. These foundations were then sent an email survey requesting the following information:

- Whether the foundation requires reports from its grantees,
- If so, what information it requires, and
- The form the foundation sends to its grantees, if available.

A total of 233 foundations responded to the survey, yielding a response rate of 37 percent.

The respondents ranged in asset size from \$0 to \$7.9 billion. The middle 50 percent fell between \$16.5 million and \$88.9 million in asset size, with a median size of \$48.4 million. The responding foundations gave a total of \$1.4 billion in 24,249 grants in the preceding year, ranging in size from \$630 to \$390.6 million. The median amount of giving was \$2.6 million. The fewest number of grants made per foundation was 9 and the greatest number was 697; the median number of grants made was 85.

³ Making generalizations from the respondents in this study to the universe of foundations is problematic because the foundations responding to the email survey did not represent a random sample. However, the findings on grant monitoring requirements closely parallel those of the national survey described above. This study, therefore, is useful as a starting point for the identification of commonalities in reporting requirements.

PhilanTech and the Urban Institute’s Center on Nonprofits and Philanthropy then analyzed the responses to the survey. Additionally, 109 respondents provided the actual reporting forms used and they were also reviewed. From the survey responses and the content of the forms, it was possible to identify the most commonly required information and identify common questions used to acquire it.

FINDINGS

The 233 foundations that responded to the email survey were divided into five categories according to their reporting requirements as follows:

Type	Frequency	Percent
Specialized Form or Specific Requirements	109	47
General Questions or Guidelines	68	30
Common Form	9	4
Other/Miscellaneous Requirements	6	3
No requirements	41	17
TOTAL*	233	101

* Does not sum to 100% due to rounding.

Most foundations required grantees to complete a designated form or answer specific questions. For the purposes of this study, providing a form (i.e., a Word or PDF document) or asking specific questions were treated as the same type of requirement; in each case, the foundation dictated what information it wanted to receive from its grantees.

A less common practice, but still widely used, was for foundations to provide general reporting guidelines. Typically, these included a request for financial information and organization/program information. For example, one foundation asked its grantees “to cover both the substance of its activities under the grant and the financial administration of the grant in their report.” Another foundation using general guidelines reported, “Basically we want to see if the program reached its goals, the number of people impacted, total costs, etc.”

A few of the respondents required the use of a “common report” form. Common report forms have been developed to standardize nonprofit reporting on grants. This not only eases the reporting burden for nonprofits but also allows funders to collect uniform information that can be easily compared across grantees and program areas. Typically designed by a local Regional Association of Grantmakers or another umbrella body of funders, the questions asked are based on the needs of the funders in the association or

umbrella group. However, the questions differ in common forms for different regions. Although it appears that the process of development usually includes a review of other common reporting forms, such forms are not consistent in content or format. Therefore, while the common form is a step towards streamlining the reporting process, it still allows for considerable variation that can be a burden for nonprofits.

A number of the surveyed foundations in our email survey (17%) responded that they did not require any reporting from their grantees. In fact, one foundation wrote, “We do not like the idea of ‘wasting’ the limited resources available to a charitable organization by forcing them to specifically report to us.” Other respondents in our survey that did not require reports did ask for a description of how funds were spent if the nonprofit applied for future funding – for example, “We ask that grantees provide us with information in their proposals for future funding about how the money was used and what the results were.”

The number of foundations not requiring reports is surprising. As detailed in the *Attitudes and Practices Concerning Effective Philanthropy* study, however, other types of monitoring may be substituted. For instance, 40 percent of the foundations in that survey reported they often or always conduct site visits to monitor their grants. Similarly, some of the email survey respondents indicated their use of site visits. Others claimed they were able to see results of grants without formal reports. It seems likely that these foundations rely on ongoing involvement in the community or field; the larger national study indicates this is a very common form of monitoring. Thus, it is probable that the 17 percent of respondents do not leave grants completely unmonitored, but rather substitute a different form of monitoring for more formal reports.

The Types of Information Requested

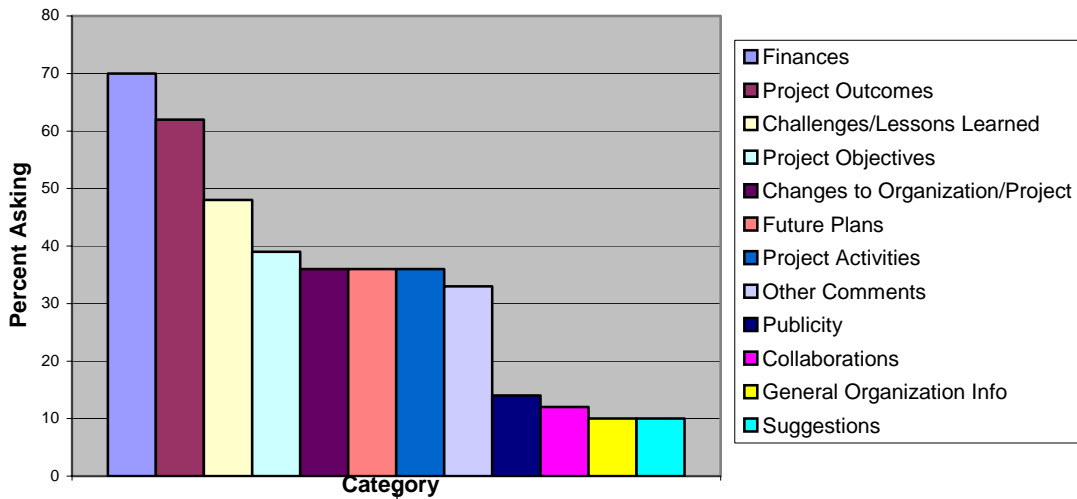
For the 192 foundations that had some reporting requirement, questions generally fell into 12 general topics. These are listed below with a description of the types of information of most interest. The number of foundations that asked a question on this topic and the frequency of questions asked are also provided. One foundation could ask multiple questions within one category. For example, 134 foundations asked questions about finances, but 286 questions were asked within this category. Clearly, many of the foundations asked more than one question concerning this subject.

- **Finances** (asked by 134 foundations, with 286 questions)
 - *Did the actual expenses match those detailed in the original budget? If there was a significant deviation between proposed and actual expenses, an explanation was required.*
- **Performance Assessment** (asked by 119 foundations, with 215 questions)
 - *What were the results of the grant activity on the population served? Grantees were asked to detail how such effects were measured and to provide evidence of such effects.*

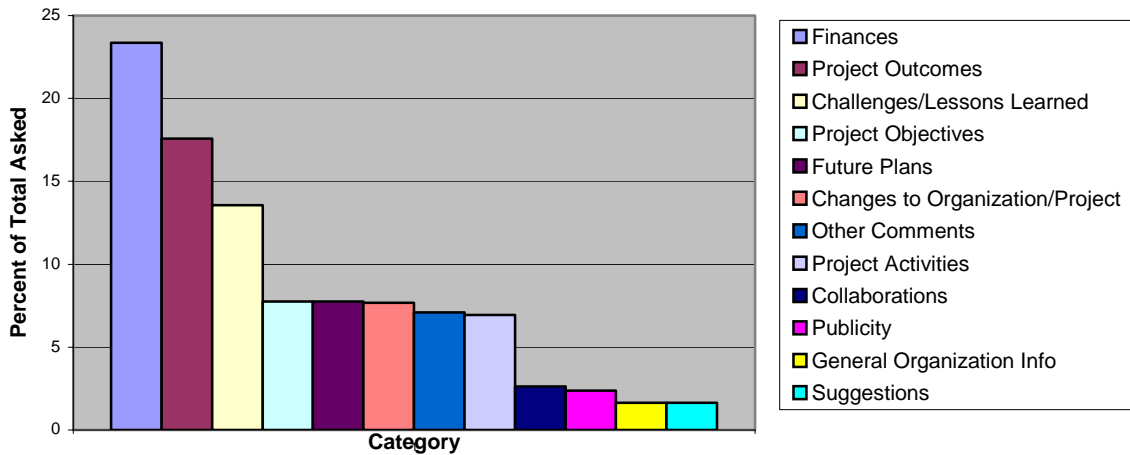
- **Challenges/Lessons Learned** (asked by 93 foundations, with 166 questions)
 - *What were problems or obstacles encountered?* Frequently, grantees were asked to explain how they would change their activities if given the opportunity to start over or “do it again.”
- **Project Objectives** (asked by 74 foundations, with 95 questions)
 - *What were the original goals and objectives?* This often took the form of requesting a short summary of the program or project funded.
- **Changes to Organization/Project Structure** (asked by 70 foundations, with 94 questions)
 - *Were there any changes to the organization that may have affected the organization’s ability to carry out the funded project or program?* If the organizations had to deviate from initial plans, explanations were required.
- **Future Plans** (asked by 70 foundations, with 95 questions)
 - *What happens to the program or project after the funding ends?* Grantee plans for sustaining, expanding, or obtaining future funding are needed.
- **Project Activities/Progress** (asked by 69 foundations, with 85 questions)
 - *What has been done in relation to the project objectives?* Grantees must describe what had been done to fulfill stated goals, and what more needed to be done if goal fulfillment was incomplete.
- **Publicity** (asked by 27 foundations, with 29 questions)
 - *How will information learned from projects be disseminated?* Some foundations were curious as to how such information was going to be circulated to a wider audience.
- **Collaborations** (asked by 23 foundations, with 32 questions)
 - *Were collaborations used and were they effective?* Foundations seemed to be looking for information that could be used to help collaborations lead to positive outcomes.
- **General Organization/Project Information** (asked by 20 foundations, with 20 questions)
 - *What is a general description of the project?* Foundations wanted to know simple background information, such as the length of the grant period or a very simple description of the grant.
- **Suggestions for Foundation** (asked by 20 foundations, with 20 questions)
 - *What information or advice could be provided to help foundations improve their services to grantees?*
- **Other/Miscellaneous** (asked by 64 foundations, with 87 questions)
 - This is an umbrella category for other miscellaneous questions.

The distribution of questions for each of the above categories is shown in the charts below. The most commonly asked questions regarded finances, project outcomes and results, and challenges to completing the project and/or lessons learned. This result stands both in terms of the percentage of foundations that asked each type of question, and for the total number of questions asked in each category. In fact, questions from these three categories comprise 55 percent of the total number of questions asked by all 192 foundations.

Distribution of Questions, by Percent of Foundations Asking



Distribution of Questions, by Percent of Total Asked



Commonly Used Questions to Access Information

Based on the coding of questions and resulting analysis, the common types of information requested by foundations were identified. To take further steps toward streamlining the reporting process, it is also necessary to identify common questions. Consistent language in reporting requirements could lead to more standard questions, which would expedite the reporting process for nonprofits.

The most commonly used questions in the various categories are arranged below in the order they were most likely to appear in the actual forms, thus suggesting a “typical” format to support streamlining efforts.

- **Project Objectives**
 - “The project description and how the project relates to your organization’s mission.”
 - “Please give a brief overview of the program funded by the grant.”
 - “What were your goals and objectives as stated in your original grant application?”

- **Project Activities/Progress⁴**
 - “Describe the activities your organization has conducted to meet each objective, including who, what, where, when and how. Please include both numerical and qualitative data.”
 - “What remains to be done on the specific grant request, and on the overall project?”

- **Changes to Organization/Project Structure**
 - “Have there been any changes to your organization’s IRS 501(c)(3) not-for-profit status since you were awarded this grant? If yes, please explain:”
 - “Discuss significant project modifications, if any, that have occurred during this period (i.e., to original objectives, planned strategies/tasks, timetable, evaluation design, budget, and personnel).”
 - “Any changes in the original staffing pattern for the project.”

- **Performance Assessment**
 - “What has been the measurable effect of this project or program on the population you serve?”
 - “Explain how you measured the effectiveness of your activities against your goals and objectives; what you learned.”
 - “What do you consider the most significant measure(s) of effectiveness of your program? Describe the measure(s) and result(s).”

⁴ Although questions about project objectives and questions about project activities or progress are separate categories here, in the actual reports they were often asked together.

- **Challenges/Lessons Learned**
 - “What problems did you encounter in the project and how did you address them?”
 - “What were the most important lessons learned?”
 - “If you were to do this over again, what would you do differently?”
- **Future Plans**
 - “What is your plan for continuing, improving, expanding or terminating the program, including a future funding plan?”
 - “What is your plan for this project in the future? Briefly describe rationale for ongoing funding, expansion, replication or termination.”
- **Finances**
 - “If reporting on a specific project/program, please also provide income and expenditure information compared to the approved budget for that project or program. If there are any major variances, please explain.”
 - “Include a final financial report related to the original budget, as well as an audited financial statement for each year in which funds from the Foundation were expended from or held in your accounts.”

The questions above are the most common, and therefore, provide a starting point for efforts to streamline the reporting process.

The following categories of information were asked much less frequently, thus, their place in a more streamlined reporting process should be reviewed.

- **Publicity**
 - “If applicable, attach selected material relating to the funded project: press or news items, brochures, letters of support, photographs, etc.”
 - “Web-sites: Please list any web-sites associated with your project that may provide findings about your project or other information of value for aging services/research/advocacy professionals and/or for older adults. Please include a brief narrative describing the site and your views on its importance.”
- **Collaborations**
 - “Describe collaborations, if any, related to the work funded by this grant and how it impacted your efforts.”
 - “If you have identified areas where increased collaboration between organizations or sectors would lead to increased positive outcomes for your constituents, briefly describe your ideas.”
- **General Organization Information**
 - “2-3 sentence description of the grant”
 - “Time frame on which this report is based”

- **Suggestions for Foundation**

- “What one piece of advice would you give grantmakers, such as us, to help serve grantees more effectively?”
- “What comments or suggestions do you have about working with our foundation?”

While there is variation in the structure of questions, identifying the most commonly asked questions for each information category should help the movement toward more standard questions.

SUMMARY AND DISCUSSION

Most foundations require a report in order to monitor how grants are being used. An analysis of survey responses on reporting requirements and actual report forms indicates there are similarities in the information being sought by foundations. It is clear that foundations primarily want to know how money is spent, and therefore, often request some sort of accounting or financial statement. Foundations are also curious as to whether or not the grantee’s proposed activities match what actually happened when the grant was carried out. This information on outcomes usually stemmed from a variation on the following questions: What were your original goals and objectives? What did you do to meet these objectives? How well do you feel you met these objectives?

While the information sought by foundations is similar, there is variation in the structure of questions. This is a concern for grantees as the variation in questions forces customization of reports submitted by grantees, which is time consuming and an inefficient use of resources. By identifying commonly-used questions, a step has been made toward streamlining the grant reporting process. Questions that are consistent in format and content can make the reporting process simpler and more efficient for grantees.

Further research can help advance the goal of streamlining grant reporting. Interviews with foundation representatives to focus on the information foundations need and the development of report questions should cover:

- Why does the foundation require reports?
- How were the foundation’s reporting requirements developed?
- How did the foundation develop its questions?
- Have the questions changed over time, and, if so, what is the process for changing them?
- Is the foundation satisfied with the information it receives in the reports submitted by grantees?
- How does the foundation use the reported information?

Focusing on these questions will further clarify what information is most important to foundations. It will also provide insight to the process of creating reporting requirements.

This could reveal how more standard questions could be formulated, as well as highlight obstacles to streamlining that may need to be addressed.

This study also found a surprising number of the survey respondents required no reporting whatsoever from their grantees. Some foundations noted close relationships with grantees give them first-hand information on grantee activities, while others focused on the selection of the appropriate grantee for a project rather than oversight of a particular grant. This finding indicates an area for further research. For the foundations that do not use reports, understanding why could reveal other important but overlooked issues with reporting. In addition, it could highlight more effective forms of grant monitoring that are not as prevalent and bring more attention to them. Interesting questions that could guide this type of research include:

- Did the foundation ever require reports?
- What is the rationale for not requiring reports?
- Does the foundation use other methods to assess effectiveness of its grantmaking?
- What are the advantages of these methods in comparison to reports?
- Would the foundation ever consider using reports?

The additional research described above is necessary to fully explain how and why reports are being used and their current shortcomings. This report demonstrates that foundations are interested in similar information and it is possible to streamline the reporting process, by developing a common structuring and wording of reports. Not only will this alleviate the burden placed on nonprofits in terms of time and resources, but it will also improve the quality of information available to foundations and the overall usefulness of the reporting process.

ABOUT THE AUTHORS AND THEIR ORGANIZATIONS

Linda Lampkin is a Principal Research Associate in the Center on Nonprofits and Philanthropy at the Urban Institute. For the past nine years, she has served as Director of the National Center for Charitable Statistics, which develops and disseminate high quality data on US nonprofit organizations and helps build data standards for the sector. She can be contacted at llampkin@ui.urban.org. Kanisha Bond and George Hobor are Research Associates in the Center.

The Urban Institute in Washington, DC, is a nonprofit nonpartisan policy research and educational organization established to examine the social, economic, and governance problems facing the nation and to provide analysis to public and private decision makers. More information is available at www.urban.org.

Dahna Goldstein is the Founder of PhilanTech, LLC. She has worked for foundations and venture philanthropies, and has developed web-based applications for the nonprofit sector. She has also produced award-winning interactive eLearning programs. She can be contacted at dahna@philantech.com.

PhilanTech, LLC is a social venture dedicated to enhancing efficiency in the nonprofit sector through the use of technology. It is currently developing a customizable online grant reporting tool. For more information on PhilanTech, visit www.philantech.com or email info@philantech.com.