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THE EFFECTIVE EXIT

MANAGING THE END OF A FUNDING RELATIONSHIP

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the effective exit

managing the end of a funding relationship

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Exiting Is Normal

Saying goodbye to grantees is an inescapable part of the grant maker's role. To do it well, our contributors told us, it's important to think upfront about an exit scenario that advances the aims of the grantee, the foundation, and the larger field. Put the exit on the table from the start, they said, and keep it there as a predictable phase in the funding relationship.

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Communicating Clearly with Grantees

For a grantee, the exit of a funder is always bad news, even when it's planned in advance. A grant maker can set a positive tone by communicating consistently — over the course of the grant and as the end approaches. When everyone at the foundation sends the same message, that's even better.

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Strengthening Grantees' Organizational Capacity

Grant makers often find themselves thinking hard about the future of a grantee organization as an exit approaches, especially if the grantee is relatively new, small, or unstable. Here are some ways to help: talk regularly with grantees about their organizational capacity, suggest using consultants for business planning and other services, and provide grants to pay for those services.

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Helping Grantees Find New Funding

Ah, the bottom line. What grantees really want and need is help with fundraising. A matching or challenge grant can work well in the right situation, grant makers said. Yet even without special funding, there are simple, powerful things you can do to put your grantees in touch with new funding prospects on a regular basis.

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Maximizing the Impact of the Grant

An exit can be an occasion to look back on what was accomplished, distill lessons, and disseminate what was learned. To let grantees do those things, some funders offer special support through transition or tie-off grants. Grant makers' own efforts to strengthen the field can also extend the value of a foundation's investment.

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Special Cases: When the Exit Isn't Normal
And then there's the exit where thinking upfront just doesn't apply: the exit where something goes seriously wrong or the funder's own situation changes dramatically. These are the cases that test a grant maker's poise, acumen, and ingenuity.

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IN THIS GUIDE, grant makers talk frankly about a process that's often fraught with tension and treated as an afterthought: the exit. An effective exit takes skill, planning, and a dose of strategic foresight. But, done well, it can add value to a project and leave a grantee organization in a strong position.

This guide was written by Anne Mackinnon and Jan Jaffe. The authors wish to thank Patti Patrizi for her help and guidance in conceptualizing this guide. It is part of the GrantCraft series.

Underwriting for this guide was provided by the Ford Foundation.

Publications and videos in this series are not meant to give instructions or prescribe solutions; rather, they are intended to spark ideas, stimulate discussion, and suggest possibilities. Comments about this guide or other GrantCraft materials may be sent to Jan Jaffe, project leader, at j.jaffe@grantcraft.org.

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Exiting Is Normal

Exiting is a normal part of the grant-making process. Grant makers know that a foundation rarely funds a project or organization in perpetuity, and that an effective exit can consolidate and even multiply the value of a foundation's investment. Some even say that exiting can be good for the grantee — that the certainty of a foundation's exit brings healthy discipline to an enterprise and forces everyone to think more rigorously about the sustainability of a project.

So why is exiting so often treated as an afterthought?

To answer that question, grant makers point to their own work cycles, and to the undeniable reality that for many the annual payout requirement makes planting the seeds of new grants more urgent than harvesting the fruits of old ones. Some worry that ending well implies helping grantees with tasks (such as fundraising) for which they feel ill-equipped. Some fear that raising the issue early gives grantees time to try to reverse the decision by "working back channels" inside the foundation. Others are concerned that specifying an exit strategy ahead of time will box them in, making it hard later on to remain flexible or convince colleagues to adopt a course that wasn't anticipated but suits the situation. Some acknowledge the simple truth that conversations about exiting feel awkward.

Each of these is a valid but partial explanation, evidence that exiting isn't always seen as a productive part of a grant maker's programmatic work. Rather, exiting tends to be regarded as something discrete and separate, a phase in the life of a grant or program that is fundamentally different from what comes before.

Yet some grant makers, even as they acknowledge that the tensions around exiting are real, take steps to manage those tensions and put them into perspective. They treat exiting as a normal part of the grant-making function and take pride in doing it intentionally and well. "If you know you're not going to fund an organization in perpetuity," said one, "doesn't it make sense to be realistic from the start about things like how long you're probably going to be involved, how much you're going to invest, and what you and the grantee expect to accomplish during that time?" "Doesn't it make sense," asked another, "to build your eventual exit into your relationship with the grantee from the start?"

THINKING UPFRONT

"The best kind of exit," declared a grant maker who has helped her foundation through many endings and transitions, "is built on 'thinking upfront' about what a grant or program is intended to accomplish." Thinking upfront doesn't necessarily mean specifying each step of a project or determining the maximum term of a foundation's support for a complex endeavor, she explained, but it does mean "knowing where you and the grantee want to see the project or organization end up once the foundation is no longer in the picture." It means having a flexible but reasonably firm sense of how long (or how much investment) it's going to take to get there and who else might invest in the work, either now or down the road.

Grant makers who think upfront put the inevitability of the eventual exit on the table from the start, with grantees and inside the foundation. Doing so can reduce the awkwardness and uncertainty that often make endings seem hard. As another noted, "Having an exit plan that can be named, even if it isn't precise, opens up space for strategic thinking inside the foundation, with grantees, and with your trustees."

Honest conversations about the likely course of the relationship helps grantees calibrate their expectations, "both in the proposal phase and over the longer term," said a program officer at a corporate foundation. He tries to be careful about what he says and how he says it. Noting, for example, a tendency to talk about "partnerships" between nonprofits and funders, he worries that the term can mislead grantees by signaling a "long-term involvement that is neither intended nor feasible."

Thinking about exiting upfront can also raise everyone's risk tolerance and clarify the ongoing need for flexibility so that more interesting work is supported. Exiting ups the ante on the central question of grant making: If we spend a given amount of money and time, what do we hope to leave behind? As the CEO of a foundation that is currently spending down its assets put it, "We've funded lots of initiatives and investments in new ideas that only came up because exiting was on everyone's minds."

"Having an exit plan that can be named, even if it isn't precise, opens up space for strategic thinking."

WHERE THE EXAMPLES COME FROM

To develop this guide, GrantCraft conducted dozens of interviews and convened three discussion groups with grant makers. Our contributors described routine exits and special situations, endings that went well and some that could have gone more smoothly. They represented a wide range of institutions, including:

- several foundations with dedicated programs to provide transition grants, capacity-building support, and other resources to key exiting grantees
- a group of spend-down foundations that are actively learning to manage their own planned exits creatively and responsibly
- funders whose interest in effective exiting has led them to establish explicit end-of-grant policies and protocols
- foundations that have had to contend with unusual endings — including those caused by their own budgetary problems, new funding priorities, or a rare instance of grantee misconduct

For a list of contributors to this guide, see page 29.

“Clarify expectations, then clarify expectations again. Six months later, have the conversation again.”

ASSEMBLING THE BASIC INGREDIENTS

A good exit begins with good ingredients. Experienced exiters recommend getting these items in place from the start, bearing them in mind over the life of the grant, and revisiting them as the exit nears.

Clear goals and objectives. A grant, program, or long-term investment usually begins with goals and objectives, perhaps even formal benchmarks. There may be a logic model or a theory of change. Those objectives may be altered, overshadowed by other accomplishments, or overtaken by events — but defining them at the outset and checking on them over time is a good exercise, grant makers said. Explaining how he and his colleagues set initial benchmarks, one foundation executive explained: “We use a written memorandum of understanding that spells out the terms of the grant. This is revised with input from the grantee. Whatever you call it — outputs and outcomes, accomplishments and results — it’s a way to clarify the real intentions behind a grant. We try to use examples, and we keep talking until we are really clear about what we both expect.” “Clarify expectations,” said a grant maker at another foundation, “then clarify expectations again. Six months later, have the conversation again.”

The duration of the grant and the total investment. Some foundations make a policy of providing funding “for as long as it takes,” while others know from the start that they intend to stay with a project or field for a particular number of years. In either case, thinking about the investment over the full (or likely) duration can be helpful. “It’s almost a sleight of hand,” one grant maker noted, “but it helps me think about the ‘arc’ of the work. I know I’m spending *x* dollars a year, but when I remind myself that over ten years that adds up to *x* times ten, it changes my thinking about what to do and how to do it. The total amount is significant and often adds focus. Also, the time pressure becomes clearer.”

The field, and how the grantee fits in. A foundation’s concern for a particular field may affect its decision making about when and how to begin and end a relationship with a grantee. As a grant maker at a foundation with a strong interest in public health noted, “through the course of working with a grantee, sometimes starting with a specific project, you may realize that this is a key organization for this particular field and you want to invest in its future well-being.” As an example, she explained a decision to make a small number of capacity-building grants to key grantees in a field where her foundation was scaling down its support. One grant went to help a technical assistance provider that had played a crucial role in sustaining the field as a whole by working “out in the states to support various advocacy and policy folks.”

The “ecology of funding.” Experienced grant makers know who else is funding in the field and how their foundations tend to work. They keep a mental list of likely funding partners and cultivate relationships with colleagues who share their interests. It makes sense, one grant maker reasoned, to think about “who might ‘take out’ your grant with additional money down the road.” More generally, she argued, grant makers "have got to have relationships with other funders. You need to understand that you are a 'shadow' development officer, in a way." Some grant makers go beyond that and develop a working knowledge of alternative sources of support, such as revenue-generating activities or government funding, that might be accessible to nonprofits in their field.

The foundation's exiting style. Actual policies regarding exits may be clear or opaque, but most foundations do have preferences about how funding relationships end. Some foundations have gotten more intentional about endings: for example, a grant maker at a foundation that uses a protocol to plan for its eventual exit explained that "exiting is defined in advance and usually includes three years worth of capacity-building support. Continued additional funding depends on the grantee's ability to move to new levels of performance as a result of our engagement with them and on their ability to strengthen their own staff and board," as measured against "targets for impact and capacity-building goals." But not every foundation is so clear. Often, managing an effective exit involves being savvy about how decisions are made and resources allocated within one's own institution.

BRINGING NEW INFORMATION INTO THE MIX

Expectations and experience evolve, and so does the exit strategy a grant maker may have imagined at the start. A good ending often depends on cultivating a dialogue with the grantee and remaining flexible enough to gather and weigh new information about what's actually happening in a few key areas.

The grantee's accomplishments. It's a mistake, an experienced grant maker warned, to limit your vision only to what was originally planned: "We need to be alert to unexpected successes and open to redefining what constitutes 'success.' We shouldn't let what was initially agreed upon blind us or our grantees to achievements that may be as or more important." Toward the end, a fresh look at achievements may even justify a different approach to exiting — such as helping the grantee communicate unexpected findings, making a connection with a new funder, or even deciding to stay involved a little longer.

The future of the funded work. From the grantee's perspective, one

Analyzing the "Ecology of Funding"

To find out more about who's funding in a particular field or geographic area, some foundations use resources like the Foundation Center's custom search service. One grant maker, new on the job, wanted to know who the other "players" were in her area, so she asked the Foundation Center to pull data on grant making in four specific counties over a ten-year period. "The data broke down dollars of grant making by county, year, and type of grantee: arts, social services, etcetera," she reported. "We used it with data from different sources to try and understand giving trends." The Foundation Center's website (foundationcenter.org) has information on custom searches and other services for grant makers.

See also the profiles on pages 8–12 for a quick look at how four grant makers viewed the "ecology of funding" in their fields.

"Asking grantees where they are in terms of identifying other funders can be one of the most important uses of reporting requirements."

grant maker noted, "many programs and most enterprises are actually not devised to have an end point. You may think of your funding on a project basis, but it often supports activities that are expected to run on a permanent basis. This is just one of several roots of the disconnect between grantors and grantees." Acknowledging a grantee's funding realities can help a funder be more creative about addressing them.

The grantee's organizational growth. Grant makers also recommend keeping tabs on a grantee's growth and development — in size, role, and capacity. A funder in Asia highlighted the distinction between "project grants," whose objectives tend to be fairly clear from the beginning, and "capacity-building grants," whose goals emerge over time. "For a capacity-building grant," he said, "it's very difficult in the early phases of a relationship to discuss exit strategies, since it's hard to anticipate when capacity will have been built. Counterintuitively, it's during the middle phase — which is often the most exciting, with lots of dynamics — that we need to start to look hard at the possible ending of the relationship."

Success with other funders. "Consider making a check-in on issues like raising funds from other sources part of reporting," suggested one grant maker. "Asking grantees where they are in terms of identifying other funders," said another, can be "one of the most important uses of reporting requirements." This doesn't mean "constantly reminding the grantee that you will one day say goodbye"; it means building up trust and engaging the grantee "as an ally in building the field."

The time it actually takes. Another topic that deserves periodic discussion is the time it will take to do the work — a frequent source of miscommunication between funders and grantees. "In my experience, working in three different foundations," a seasoned grant maker observed, "there are very few projects or organizations that don't require a good amount of time to succeed. While short-term funding approaches may be well geared to short-term projects, generally they are also applied to long-term projects and to organizations." A grant maker whose foundation prides itself on sticking with grantees over the long term offered this piece of advice: "When goals and timeframe get out of synch, renegotiate the promised products. And technical assistance can help a lot."

Expectations inside your foundation. Thinking upfront and staying flexible also mean managing expectations within the foundation. One grant maker noted that she's careful to keep the board updated on evolving situations: "One of our ongoing tasks is to ask grantees difficult questions, which sometimes lead to making more conservative projections. We, in turn, try to set our board's expectations realistically. There have been numerous times over the years when we have needed to bring difficult news back to our board and reset their expectations. We are always calibrating expectations — downward or upward — in an attempt to have expectations and reality be as close as possible."

Another person made a related point about keeping others at the foundation in touch with grantees' changing circumstances, including problems.

"We shouldn't punish all bad news with cuts in funding," she said. "We can position ourselves and our programs to offer problem-solving help. This means, however, that the foundation's management and board need to be kept aware and in alignment with this 'helpmate' role."

What Can We Learn from Spend-Down Foundations?

Most foundations handle their affairs with an eye toward preserving their assets in perpetuity. A few, however, have decided to spend their full assets over a set period. What lessons can we learn from funders facing the ultimate exit scenario? To find out, GrantCraft convened a meeting and conducted supplementary interviews with grant makers from current or former spend-down foundations: the Vincent Astor Foundation, The Atlantic Philanthropies, the Beldon Fund, the Aaron Diamond Foundation, Girl's Best Friend Foundation, and the Albert A. List Foundation. Here are some thoughts with relevance to any grant maker:

On being mindful of time. "We're inherently impatient because we don't have a lot of time. We dropped an issue that's near and dear to our hearts because we thought that, in the window of time we have to work with, given the situation in the field, it was unlikely that we'd see a lot of headway on it. That was a tough, tough practical call we made."

On letting grantees know that you want to be a resource for them. "We regularly remind grantees that we're cutting grants while the foundation is still staffed so that we're available to help in various ways, including serving as references to other grantmakers."

On using evaluation to refine your strategy. "We don't have the luxury of backing up and starting over. We feel that evaluation is kind of an ongoing snapshot look at how we're doing."

On developing internal expertise. "Rightly or wrongly, we wanted to be experts in our field. We wanted to use our investment in staff time and expertise to be a kind of bellwether for other funders. We hope that by doing our homework really well, and convincing other funders of that, we can draw in people to fund the stuff we're doing after we're gone."

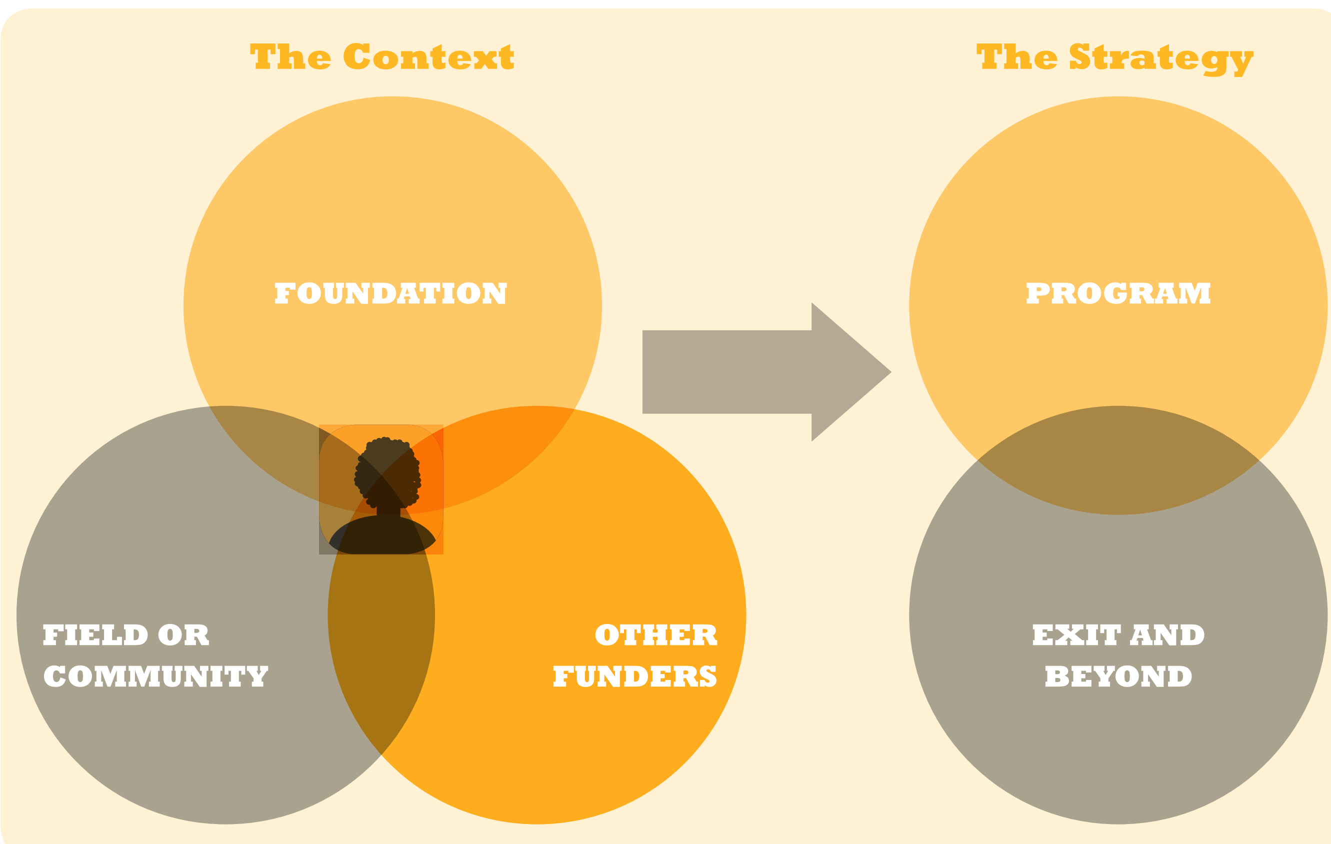
On seeing the value of "legacy" projects. "For years, the foundation had funded a local group that maintained a public garden. The garden got more and more beautiful, but there was a chain link fence around it and you could hardly see it. So, near the end, the board said, 'Let's give a wrought iron fence to the garden,' and there it is today. I know it sounds frivolous, but the point is that it's good to have a certain spontaneity about ending things in a positive way."

"It Depends!"

Four Grant Makers/Four Exit Strategies

Asked for advice on exiting effectively, one grant maker responded with an insistent "It depends!" What does it depend on? Most important, she said, is the context in which the grant maker and grantees operate. For her, the context that mattered included the culture and resources of her own foundation, the field in which her grantees conduct their work, and the community of funders that provide support for the field.

An understanding of each component, she said, affected the way she structured a strategy for the 5-to-10-year span during which she was certain her foundation would remain involved in the field, as well as a strategy for the exit and beyond. Real differences in any of those systems — foundation, field, or funders — would have dictated a different program plan and a different approach to exiting. Other grant makers described their reasoning in similar ways. The following pages present four snapshots of grant makers, the systems in which they worked, and the strategies they developed.



GRANT MAKER "A"

The Context

FOUNDATION

- Large, U.S.-based foundation, funds internationally and domestically
- Supports work in many fields and geographic regions under broad priority areas; believes in "working through grantees" rather than pursuing goals of its own devising; often supports "systemic" initiatives to build or strengthen a field
- Willing to fund organizations and projects over the long term

FIELD OR COMMUNITY

- Electronic media policy, a new and largely undefined field
- Nonprofits working in the field tend to be new and growing
- Many nonprofits in the field are unfamiliar with how foundations work

OTHER FUNDERS

- No other major funders in the field

The Strategy

PROGRAM

- Seed the field with grants to organizations that might eventually anchor it, especially those with promising leadership
- Bring organizations together to develop a network
- Educate grantees about how foundations work
- Build support for the field inside the foundation by showcasing developments that are relevant to colleagues' work

EXIT AND BEYOND

- Make a few large awards to organizations with the capacity or potential to serve as intermediaries
- Increase the number of funders by enabling some of those intermediaries to serve as regranters

Lessons and Advice

Promote the field inside the foundation. "A third of my time was spent with program officers at my own foundation, trying to educate them about this field or trying to find new support for it. Instead of just doing my thing in my silo and being deep but not broad, I tried to find funding partners in other programs so that knowledge could get spread or embedded in different areas and lines of work."

Make sure grantees know how foundations operate. "To prepare grantees [for my own departure], it wasn't enough to tell them, 'You're going to get a new program officer.' I felt I had to say, 'Look, this is how the field of philanthropy works. The institutional constraints pull people in different ways. If you want to continue your work, you're going to have to understand this sector of people from whom you're trying to get money.'"

Find the emerging leaders in the field and put them in a position to sustain it. "I tried to figure out who could become the strong intermediary leaders so we could eventually provide them with large grants and let them re-grant the money. And we eventually did that."

GRANT MAKER "B"

The Context

FOUNDATION

- West Coast family foundation, funds regionally
- Focuses on children and youth
- Is deeply involved in improving schools and improving education policy; prefers projects that develop and spread innovative practices, inform policy improvements, and build nonprofit capacity
- Willing to support initiatives over the long term, but adjusts portfolio based on periodic reviews

FIELD OR COMMUNITY

- Public education, where foundation resources are dwarfed by large public funding streams
- School systems under political and consumer pressure to improve performance
- Instructional improvements often pioneered on a small scale; successful innovations spread and funded if school systems adopt them
- Innovative nonprofit organizations often led by skilled educators who lack business planning experience

OTHER FUNDERS

- Many funders, each with specific geographic and/or thematic interests
- School systems sustain, replicate, and fund some successful innovations

The Strategy

PROGRAM

- Support design and piloting of innovative professional development practices that strengthen teaching and students' learning
- Evaluate rigorously for impact on teaching and learning; support formative assessment in the early phases and move to summative assessment, if warranted, as the project matures
- Fund nonprofit providers, but require cooperation and co-funding by school system clients and other private funders
- Help innovative work get off the ground, then support successful projects through the "maturation stage"

EXIT AND BEYOND

- Help mature projects "figure out how to scale up" by providing additional grants and technical assistance
- Treat "scaling up" as a new design problem requiring new strategies, organizational capabilities, and funding
- Continue evaluation through the scale-up period
- Invest in communications to help essential audiences understand the work
- Help develop a diverse funding base, anchored by public support if possible

Lessons and Advice

Stick with promising grantees as they grow. "Very often, grantees who are brilliant educators have never actually managed an enterprise that needs to go through the second- and third-stage challenges of moving an idea more broadly into the field. It calls on different skill sets that need to be woven into the work . . . . I've stuck with a number of grantees as they've done this, and some of them have gone through some false starts. In one case, they tried four different strategies until they got it figured out."

Help communicate results to essential audiences. "I contacted the superintendent personally and asked him for a meeting so we could congratulate him on this wonderful work going on in the district and tell him about the results we had. I brought the evaluators, both qualitative and quantitative. And we actually didn't include the project director because we wanted to brag behind her back about the work. We worked with a communications consultant on this meeting and prepared a two-page bullet point briefing paper."

GRANT MAKER "C"

The Context

FOUNDATION

- Private foundation that focuses on a major East Coast city
- Committed to supporting local nonprofits and expanding services to underserved population groups, especially immigrants
- Half of all grants go to start-up organizations, the other half to established groups

FIELD OR COMMUNITY

- Grassroots organizations; many strongly identified with a particular neighborhood, population, or issue
- Emphasis on community organizing and increasing services to underserved populations
- Mainly small organizations, with inspired and visionary (but often inexperienced) leadership

OTHER FUNDERS

- A large field of local funders
- Relatively few willing to fund start-ups or provide operating support

The Strategy

PROGRAM

- Provide operating support over an extended period: for start-ups, five years, renewable annually, "barring disasters"
- Offer technical assistance, including workshops and access to consultants, and small, special-purpose grants for institutional development
- Build ongoing relationships with technical assistance providers that understand the local environment for small nonprofits
- Maintain tolerance for supporting "risky" organizations

EXIT AND BEYOND

- Review institutional development checklist during annual site visits, especially in years three and four
- Follow up personally and by tapping partners and consultants in areas where growth is needed

Lessons and Advice

Be proactive about encouraging grantees' institutional growth. "The three of us [program officers] go over what we find on the site visits. We might say, 'This group really could benefit from a small grant to do a board retreat.' That gives us a heads-up to give that group a call and say, 'Hey, have you tried this?' . . . That said, we also feel like what we do best is give out the money. We're not trying to be technical assistance providers. We feel that technical assistance is a little bit like therapy: the group has got to recognize they have a problem and want to solve it. No matter what we say as program officers, if they don't see it, it's not going to be a good use of their time."

Define success in broad terms. "We funded a group of women in one community who hired a staff person and . . . did a lot of great stuff around domestic violence. Our grant ended, and they've never had a full-time staff person again. We don't think of that grant as a failure because of the good work that was done over the five years. Also, they raised the profile of a particular ethnic group and improved services to that community. We don't necessarily feel that every organization has to become an ongoing, traditional-looking nonprofit at the end of five years."

GRANT MAKER "D"

The Context

FOUNDATION

- National foundation spending down its assets over ten years
- Living donor willing to take risks to accomplish goals
- Focuses on human health and the environment
- Supports advocacy nationally and in key states

FIELD OR COMMUNITY

- Environmental policy, governed by both national and state regulations
- Nonprofit organizations spearhead advocacy, targeting popular opinion and government officials

OTHER FUNDERS

- Growing array of national funders interested in environmental policy; some willingness to fund advocacy
- Local funders differ by state in terms of numbers, resources, focus, and willingness to support advocacy

The Strategy

PROGRAM

- Support advocacy to advance policy change in a few key states, where policy environment seems propitious
- Engage consultants to help state-level grantees work together to craft a theory of change, with indicators
- Use indicators to evaluate effectiveness continuously

EXIT AND BEYOND

- Establish "funding diversification program" for core grantees beginning five years from foundation's closing
- Collaborate with state and national environmental funders; foster cooperation among environmental funders in key states
- Demonstrate progress by funding evaluation of grantees' efforts

Lessons and Advice

Take personal responsibility for building support among peers. "Our job is to try and gently work with our colleagues in other foundations, and in some cases with individual donors, being mindful that we're trying to build a recognition of our mutual goals and eventually nurse a relationship forward."

Build the field by encouraging grantees to collaborate. "No one group can do it on its own, so we really press our grantees to work together. We reward cooperative behavior, and people know we're looking for that."

Consider the risks involved in doing nothing. "When foundations think about risk, the emphasis usually is on doing what's safe and isn't going to ruffle feathers or provoke a reporter to call you up and ask, even in a friendly way, why you're doing this. Risk looks very different if you say, 'Here's the upside and here's the downside if we do nothing.'"

Communicating Clearly with Grantees

Exits happen for many reasons. A foundation may change its priorities, phase out a program, decide to stop funding a long-time grantee, or simply close out a grant at its agreed upon ending date, to name just a few. Once the decision is made, the responsibility for communicating with a grantee about the impending end typically falls to the individual program officer.

The quality of communication as a grant is ending depends a lot on the quality of the existing relationship. "How the ending goes will probably mirror what the relationship was like all along," said one funder, "and it will also be affected by the personalities of the main players." An international grant maker at a large U.S. foundation emphasized that "so much of being a program officer is building the relationship upfront. You need to work on those relationships on an ongoing basis" to enable the most helpful conversations at the end.

On a practical level, grantees facing the exit of a funder like to have clear, timely information about why the grant is ending, when the end is coming, and whether or not there's reason to hope for more money. Knowing those things makes it easier to understand and respect a foundation's intentions and to bear in mind that everyone — including the grant maker — is working within limits. Here are some tips:

Provide some context. Explain the situation to the grantee directly and personally. "Grantees are not babies," said one experienced education grant maker, "and we shouldn't condescend to them as if they were. Of course, we should be polite and respectful, but above all honest."

Get everyone on the same page. "Everyone at the foundation should be communicating consistently," said a grant maker who has also been a grantee, "as a matter of policy and training." "It's absolutely vital to have your supervisors involved," said a program officer at a large foundation, "especially when the grantee is a big institution with lots of connections or has been getting funding for a long time." Doing so, said another, can help prevent an unhappy grantee from "making an end run around you and going to the board or the president."

Be consistent yourself. Along similar lines, one long-time grant maker warned, "It's easy to personalize the message in ways that can be confusing to the grantee and detrimental to the foundation." Her advice: "Don't say things like 'If it were up to me' or 'I tried to make the case, but' in hopes of making the situation more acceptable." In fact, she said, trying to soften the message can undermine your own role. "If the message appears inconsistent, of course they'll try to go around you to others in the foundation. Who wouldn't?"

Put the grantee's reaction into context. Grant makers may dread the moment when they have to deliver disappointing news, yet those who have done so say that most grantees recover pretty quickly. "This isn't a psychological or interpersonal matter for grantees," one grant maker argued, "it's an economic one. Nonprofits are on a lifelong treadmill of looking for funding and trying to keep it once they've got it." Understanding that, she said, can help you put an initial negative reaction into context and

"This isn't a psychological or interpersonal matter for grantees; it's an economic one."

WHEN YOU'RE THE ONE WHO'S EXITING

Sooner or later, just about every grant maker leaves a job and has to handle the transition. Here's advice from people who've been through the process:

- **Communicate clearly with grantees.** Have a consistent message to tell grantees about whether or not they're likely to get continued support from the foundation. If you don't know, say so.
- **Share information with your successor.** Do a semi-structured interview with the newcomer about the strengths and weaknesses of the field. *For new comers:* Don't be afraid to approach former program officers for insights, even if they've already left the foundation.
- **Be alert to your own insights.** You may find as you're leaving that you see certain things more clearly or from a different perspective. Offer to write a note or debrief with colleagues about what you've learned. Hearing what you wish you'd done differently can be a powerful learning experience for foundation leadership and other program officers.
- **Be a rainmaker and communicator.** If you aren't already playing those roles, think about adding them in your final years. Who else might be interested in supporting grantees in your field or community?
- **Stay involved.** Don't lose sight of your continuing ability to be a resource through networking and connecting in whatever new role you take on.

move the conversation in a constructive direction.

Explain the prospects for future funding. If your foundation has formal or informal guidelines for later funding, clarify them. For example, a grant maker at a large foundation that often provides operating support to groups that have received a few rounds of project funding is careful to let grantees know if they are "not on the fast track" from project support toward general support. "On the second round of project funding," he explained, "I make it clear that this is the final grant they can expect, but that they are welcome to come back to the foundation with another idea once the project is completed." A colleague added: "Communicating the explanation in writing can help ensure consistency. Verbal explanations sometimes get lost in translation or reinterpreted in ways that cause ill feelings and confusion."

Talk about exiting early and often. "It's a mistake to think that there's a moment" to start discussing the end of a funding relationship, said a grant maker at a small Midwest foundation. "It needs to be a long and sustained process of conversation that begins at the start and intensifies over time." Moreover, she added, "it's naïve to think grantees want to hear about ending, so it's important to talk about it often." One of her grantees added a further note of advice: "The grant maker should be talking about this from the beginning — and not just in writing!"

Get ahead of the anxiety. "When our unit was closing," a grant maker recalled, "word started to get out all over the field, and we realized we needed to talk to everyone. I convened our grantees so we could talk with them at the same time" as a way of "opening the door for dialogue and respecting each other's work." She added, "Grantees get together and talk about what's happening, whether we're there or not. There's an advantage to talking before everything is all sewn up. It's okay to say, 'We really don't know where it's going, but we'll keep you informed.'"

Strengthening Grantees' Organizational Capacity

Foundations have an interest in the future of their grantees beyond the end of their own grants. That's obvious. But what role should an exiting funder play in helping an organization build and plan for the future? The answer depends on many factors, including the nature of the commitment. As one seasoned grant maker put it, "If you're an occasional funder, the situation is very different than if you fund an institution repeatedly or are a core funder."

Even within the category "core funder," distinctions apply. An executive at a foundation that prides itself on offering five years of support to small, "risky" nonprofit start-ups explained that she and her staff recently asked themselves what they could do to give those grantees the best possible shot at long-term survival. Supporting the organizations forever was not an option — not if the foundation wanted to fund the next generation of start-ups. "Basically," she explained, "our trustees said that we're doing our grantees a disservice if we don't provide them with a realistic picture of what other foundations expect a start-up to look like three to five years down the line." They decided to create a checklist (see the box on page 17) to review with grantees during their in-depth annual site visits, especially in the later years of their support.

Another foundation, also motivated by a desire to maximize the survival chances of successful grantees, requires that they participate in a common performance-measurement system as a condition of receiving core support over a set period of time. "We've devoted resources to design, implement, and maintain an evaluation system" for the youth development field, a manager at the foundation explained. Participating in the system "gives our grantees a competitive advantage. At the end of our involvement, they should be able to show outcome data that are robust and respectable."

After one U.S. foundation revised its funding guidelines, it took steps to cushion the blow for grantees that would no longer qualify and to protect them against pressure to make hasty decisions. Exiting grantees were told that they could count on two years of "glide out" support at current levels, and that it would be up to them to decide how to spend it. "If they think they need capacity building, or they think they need help with development, it's their decision," a foundation executive explained. That approach was consistent with the foundation's standard policy of providing core support to "organizations we believe in" and letting them decide how to use it to pursue agreed-upon goals.

A handful of foundations have formalized their interest in helping exiting grantees strengthen their organizations with dedicated grant programs. "We offer a small number of grantees — three last year, four the year before — support for the development of business plans," the head of one such program explained. Program officers can nominate organizations within two years of the end of their grants for assistance from consultants retained by the foundation. In its regular grant making, this foundation mainly provides project support for discrete activities, but the business planning program has a different aim: "It isn't necessarily the project *per se* that we're trying to extend, but the organization."

> "We're doing our grantees a disservice if we don't provide them with a realistic picture of what other foundations expect a start-up to look like three to five years down the line."

"It has been essential to have some dollars budgeted each year to respond to unanticipated opportunities or to extend a resource."

The program itself is relatively new, and foundation staff have begun to hear feedback that has prompted them to look more closely at the timing of the assistance. "Establishing trust and understanding between the grantee and the consultants" takes time, the grant maker reflected, and some organizations may need two years or even more for the business-planning process.

Another foundation — this one a "spend-down" — created special funds to help grantees with organizational development during its final three years. The largest fund provided three-year capacity-building grants to about a quarter of the foundation's grantees. A smaller fund was available for professional learning projects for grantees' staff and volunteers. "It has been essential," the foundation CEO commented, "to have some dollars budgeted each year that can be used to respond to unanticipated opportunities or to extend a resource that has a better than expected impact." The professional learning fund allowed grantees to hire trainers and consultants in areas such as participatory action research, youth-led evaluation, and peer-led problem solving.

A large foundation selects a few grantees each year to receive operating grants that perpetuate work begun under project grants. Not every grantee receives such funding, a senior executive reported, but the system enables the foundation to invest in the organizational longevity of grantees whose work it believes in — and in which it has made significant investments, often over many years. The practice, he believes, also promotes a healthy awareness within the foundation that "it's important to take an open-ended view of how long one sticks with a set of activities and that complex social problems do take a lot of time."

A collaborative fund that makes small grants worldwide for community-level projects established a "sustainability award" for the most successful of its exiting grantees. A grant maker who also serves on the board of the fund explained that the grants, determined competitively, help small organizations whose projects have succeeded to "consolidate their improvements and build for the future," both financially and programmatically.

Healthy Nonprofit Checklist

NEW YORK FOUNDATION

Program staff use this list to guide conversations with grantees — especially new nonprofits — about their organizational growth and development as the foundation's exit approaches.

GOVERNANCE

- The board of directors meets regularly, has a plan for recruitment of new members, has expanded from the original founding board, and has brought in a range of expertise
- The board of directors participates in setting the direction of the organization and evaluating its progress
- The board of directors holds the director accountable for his/her performance

PROGRAM

- Staff have a clear sense of what they want to accomplish and a method for collecting data that chart progress
- The program has evolved and adapted to changes in the environment
- A flexible program design ensures work remains relevant and effective
- The organization has developed partnerships with similar or related programs

STAFFING

- The staff can realistically manage the work that needs to be done in a reasonable timeframe
- The organization is able to recruit and maintain staff
- Internal procedures are in place to manage work flow and evaluate staff

RACIAL AND GENDER EQUITY

- Commitments to racial and gender equity are reflected in the organization's leadership, staffing, and activities
- The organization monitors the diversity of its board and staff and takes appropriate steps to increase it

FUNDING/RESOURCES

- Our grant represents a decreasing percentage of the overall budget over time
- Funding has expanded to a variety of sources
- The organization has a long-term fundraising plan
- The board understands the organization's resource needs and is engaged in fundraising

MANAGEMENT SYSTEMS

- The budget is developed and reviewed by staff and board
- Staff and board review financial reports
- The organization has internal financial controls for check writing, deposits, reconciliations, etc.

EXTERNAL COMMUNICATIONS

- The organization's mission and message are clearly articulated
- The organization's website, brochures, newsletters, and reports are accurate, effective, and up to date
- The organization has increased its credibility and distinction in multiple arenas

Helping Grantees Find New Funding

"Fundraising is a skill," said one grant maker, "and some of us are better at it than others. But helping grantees find new money is part of the job, one way or another. And it can be learned."

In describing their own skills, several grant makers stressed the connection between fundraising and the ongoing work of strengthening grantees' capacity. A strong organization, they pointed out, is far more likely than a weak one to attract financial support. The director of one foundation encourages her staff to make a habit of drawing an explicit connection between capacity and fundraising with grantees: "We've begun to be more thoughtful during the exit year about saying, 'You know what, guys, these are some of the things that other funders are going to want to see in place.'" A grant maker who works internationally recalled a moment early in his career when he found himself, for the first time, helping exiting grantees look for new funding sources: "You look harder at organizational structure issues," he said.

Others emphasized the importance of building networks among grantees as a "field-building strategy" that can help everyone attract new funders more successfully. "Grantee convenings really help in a big way," said one. "Convenings raise the visibility of the group in general, and that helps with fundraising because grantees share and keep up to date with what funders are doing."

Some grant makers create opportunities to introduce grantees to an array of funders, hoping they'll make connections that will result in grants. In the mini-case on pages 22-23, for example, a grant maker from a national foundation hosted a meeting in a small city to introduce local funders to a particularly impressive but unconventional exiting grantee. An experienced grant maker offered two straightforward tips: "Don't forget to mention grantees during networking opportunities, and invite grantees to be on panels with other funders."

At one foundation, grant makers "make 'house calls' to other funders and send reports that feature grantees' work," the CEO explained. The foundation also expects program officers to "take up governance roles in funders' affinity groups," where they can learn about what other foundations are interested in and make sure their grantees have opportunities to showcase their work. In some cases, grant makers have gotten involved in creating new affinity groups to attract funders to an emerging or fragile field.

A grant maker at a large foundation noted that her organization has had some trouble finding funders to take over when it has pulled out of major, long-standing program areas. This may have happened, she speculated, because others saw the area as "belonging to our foundation. Others did not want to take it on."

But the trickiest interaction is the one in which a grant maker tries to make a match between a particular grantee and a particular funder. One foundation CEO characterized the process as "subtle, often indirect, and slow. It requires patience and creative thinking about prospective matches between funders and grantees." Specific strategies she and her staff have used include "phone calls to key staff" at other foundations, "directly asking other funders to join us in funding special opportunities, providing references for grantees, and making suggestions to grantees about prospective sources of funding." A longtime grant maker noted that "funders who tend to cofund or make collaborative grants have better chances of success with this sort of matchmaking."

A grant maker at a spend-down foundation that funds nationally described the "delicate" process of approaching local foundations to join and eventually take over the funding of state-level projects: "We all know examples where it's been done well and really badly. We've tried hard to be a little bold and humble at the same time in acknowledging what home town funders know and can do and how we can work together." The foundation has intentionally tried to strengthen those relationships by selectively cofunding projects brought to them by local foundation partners. "Listening is important," another grant maker at the spend-down foundation advised. "We visited state foundations to find out what they were working on, what they were interested in. We've also funded some of those things when the focus is right, even if they don't fit perfectly with our program. I mean, it's kind of hard to ask somebody else for money for your projects if you're unwilling to help them with theirs."

The same spend-down foundation has tried to cultivate funder collaboratives, whether organized geographically or by issue. "When we started," one grant maker recalled, "there were no funder collaboratives in any of the states in which we operated. There are now collaboratives in four or five. In environmental health there was no real, organized philanthropy, and now there are multiple layers of organization around that."

Some foundations offer matching or challenge grants to exiting grantees as a way to help them build their funding base. The CEO of a foundation in the Southwestern U.S. has used matching grants three times in recent years to help exiting grantees develop "a broader base of community support." In each case, the campaign exceeded the fundraising target. A matching grant, he explained, allows an organization to say, "Look, we've received a grant from an important local foundation that challenges us to prove that we have broad support for this institution or project. We want to show them that we're up to the task." To succeed, he explained, it's important to be sure the grantee is very clear about its objectives and how the device will meet its needs. "In two cases," he noted, "the grantee's leadership team used our challenge to increase the level of their own board member support or membership fees. In another, our grant enabled the grantee to identify and cultivate a broader base of prospective donors — people who had not previously supported the organization."

A matching grant also warrants careful strategizing inside the foundation. In one example, a national foundation used a large grant from its president's discretionary fund to provide continuing support to a long-term, core grantee without cutting into its future grants budget or giving the impression it wasn't really leaving the field. "Our president said she would provide up to $5 million," a grant maker explained, "but the grantee had to raise the other $5 million first." The infusion of support gave the organization a strong base from

FUNDRAISING IS A STATE OF MIND

You don't need to be an expert to help grantees find new funding. These fundraising tips from experienced grant makers are simply habits to cultivate in your own practice:

- **Sponsor grantee networks and convenings**
- **Mention grantees when you talk with other funders**
- **Invite grantees to be on panels with funders**
- **Take an active role in funders' affinity groups; start a group in your field or community if none exists**
- **Share expertise with new funders**
- **Circulate reports featuring grantees' work**
- **Be willing to cofund; join collaborations in your field or community**

WHAT ABOUT AN ENDOWMENT?

Helping a grantee establish an endowment may seem like a logical next step at the close of a long relationship. But, warned an experienced grant maker, "an endowment is not for everyone." Instead, he urged funders to think about providing smaller sums for more focused purposes. Some possibilities:

- Establish an "incubation fund" that allows the organization to experiment with new ideas
- Support hard-to-fund "infrastructure" staff positions, such as internships or a development or research director
- Create a reserve fund to smooth out the budget of a grantee that relies on public funding (which is often delayed) or an uneven income stream
- Provide a recoverable grant that lets an organization undertake a project that could open up a new income stream, such as a special service
- Offer a low- or no-interest loan that enables the organization to leverage commercial funding for capital improvements

For advice on the ins and outs of supporting an endowment, see GrantCraft's *Providing for the Long Term: Supporting Endowments and Investable Assets*. Or read more about loans, recoverable grants, and related instruments in GrantCraft's *Program-Related Investing: Skills and Strategies for New PRI Funders*.

which to continue its work — something the foundation cared about, despite its departure from the field.

Several grant makers emphasized the importance of being tactful and strategic when approaching other foundations about a matching grant program. A local funder offered some words of advice to national foundations: "Having a national foundation issue a matching grant challenge to 'local' foundations can be poorly received if the intent is not communicated privately and explored on a peer-to-peer basis. Too often I have first received notice of the national foundation challenge to local foundations in the media or from their grantee."

Stepping down the amount of an organization's annual grant as the exit approaches is another way to encourage a grantee to seek alternative sources of support, whether from other foundations, individual donors, government, or contracts. For example, an executive at a foundation that supports community development initiatives talked about the "dynamic" her organization tries to promote by offering grantees decreasing amounts of support in the last few years: "If 'success' is more self-sufficiency, then the 'success' of a program implies a decreased need for funding."

Another example comes from a large national foundation that structured funding in the second phase of a multistate program to decline by about 17 percent in each of the last three years. By the program's final year, the agencies were funding about 50 percent of their core activities from other sources. Many were able to continue the work after foundation support stopped entirely — even in the wake of federal funding cutbacks in their service area.

And what about the danger of raising the hopes of a grantee that might not be realized? The key here, one grant maker argued, is simple: Be candid about what you can and cannot do. "You can advocate with colleagues" inside your own foundation and in the field, she said, but grant makers rarely have the power to do more. She also raised a warning about knowing your own limits: "Don't advise grantees about fundraising unless you have deep experience. There's better material out there than what you can offer."

Still, under the right circumstances, the expertise of program staff can be a powerful resource for exiting grantees. A few years ago, the board of a foundation in the Southwestern U.S. embarked on a fundamental redefinition. Dedicated to improving health in its state, the foundation had seen numerous new funders enter the field with resources far larger than its own. It narrowed its own program focus, while at the same time making its broader experience available to the new institutions. "We sat down and said to them, basically, 'We'll do whatever we can to assist you if you call on us,'" the foundation's president recalled. "We let them know what seemed to work, what didn't work, which were the key groups, and which ones were most effective at delivering."

In one case, a former state government official who had been hired by a new foundation asked for advice about an area that the more experienced smaller foundation would soon be leaving after many years of involvement: "She came to us and said, 'Look, I know a lot about this field, but you guys know the real non-governmental players.' We shared information with her."

The exchange benefited the smaller foundation's grantees and perpetuated its own investments, but the key, the CEO explained, was that the grant maker at the new foundation "was not doing this as a favor to us. It enabled her to jump start her own program." Overall, he added, "more than half of our previous health projects were continued by other funders."

THE DOUBLE WHAMMY: WHEN A KEY COFUNDER LEAVES THE FIELD

In a "fragile" or difficult-to-fund field, the straitened circumstances of a few key funders can threaten the field as a whole and the stability of certain grantees. A grant maker working in one such field recalled a period after the September 2001 terrorist attacks in New York when she was seriously worried about the financial future of organizations whose creation and early growth she had supported. To make matters worse, one of the field's handful of major funders had recently announced that it was closing its doors, and quickly. She and colleagues from four or five other foundations decided to get together to figure out what to do.

The group hired a consultant to map the array of small grassroots and policy organizations that made up the field and make recommendations for how the remaining funders should respond. What she and the other funders were afraid of, she recalled, was that "everyone would decide to make $50,000 or $100,000 grants to [a lot of] organizations, and all of them would end up just limping along, nobody with enough money to do anything other than try to raise money."

When the report was done, the funders convened a large meeting, including leaders from a wide range of grantee organizations, to discuss the findings. When the delicate issue of merging some organizations was raised, "one crucial person basically said, 'I hate this, I don't like it, but I think we have to do it.'" By "functioning together as equals at the table," the grant maker explained, everyone was exposed to the concerns of "a much wider array of organizations" than would normally be the case. They were therefore much better able to deliberate the tough choices facing the field and its component organizations.

CASE STUDY

Breaking the Ice with New Funders

Some people say that the one time you can't help a grantee raise money is the moment when help is needed most — as the funding relationship is coming to an end. Sometimes, however, a grant maker decides to step into the breach and help a soon-to-be-former grantee find new sources of funding.

The grant maker featured in this case works for a national foundation that supports programs in economic empowerment and community engagement. The grantee is a community-organizing group that operates across a Midwestern state, mainly in rural areas but increasingly in cities, to address issues of economic justice.

The relationship got started, the grant maker recalled, "because we knew we wanted to do more grant making in the middle of the country, and we had heard good things about this group. A colleague and I went out to visit them and were really impressed. It's a diverse, member-driven organization. It was almost entirely funded by members. They were doing a lot of important rabble rousing around issues that would not otherwise have made it onto the policy landscape."

The foundation made a two-year grant to support "two strands of work: a local organizing campaign against predatory lending practices and the creation of a statewide organizing coalition. In addition, we asked them to expand their membership in the Latino community, which was growing fairly rapidly in what has historically been a very white state. They said, sure, they'd make an effort to reach out to Latinos."

SPECTACULAR RESULTS

At the end of two years, the grantee had produced "spectacular results. They'd increased their membership by 50 percent, and they'd done a tremendous job of reaching out to the Latino population. They'd hired bilingual organizers, and they'd also put together a plan to begin to diversify their funding base." The predatory lending work had gone well: "Our investment of $100,000 had resulted in something on the order of $12 million to $15 million in savings for people who would otherwise have been ripped off. That seemed like good leverage from a relatively small grant."

Yet all this good news "was actually a little horrifying to us," the grant maker conceded, "because we weren't really planning to fund them again."

In the two years since the grant had been made, the foundation's approach to community engagement had shifted away from local work, and its take on predatory lending had evolved. Instead of "cleaning up the mess made by predatory lenders," the foundation was now more interested in "being proactive about going in there and offering products that would displace predatory lenders in the marketplace." Despite its good work, this particular grantee was "still running around trying to fix the problems and use stories from victims to put pressure on lenders to behave better."

Would the organization be willing to change its approach? "We asked them," said the grant maker, "but they weren't interested in doing lending." Their attitude was "commendable, in a way. They weren't going to lie to me and tell me they wanted to do the stuff I wanted them to do. Instead, they said, "This is outside our area of expertise, and we would prefer to stick to what we're good at. Maybe you could help us to do more of that.'"

A GOOD-FAITH PROMISE

The grant maker knew his foundation couldn't keep funding the grantee's work indefinitely, but he also felt that he "couldn't just leave them at that point. We said, 'Okay, we'll give you a second grant, but you have to know going in that this is the last funding you're going to get from us. Our work is moving in a different direction, and we don't really do a lot of funding for local groups. But we're impressed with your work, and we want to keep the relationship alive. We'll make a good-faith promise to help you cultivate other funders.'"

At the time, he didn't know what that would entail.

About six months later, the grant maker got a call from the grantee, who wanted to brainstorm ideas for attracting new funders. He suggested that the grantee think about holding "a special briefing for funders as part of an event you're having anyway."

The group's 30th anniversary was coming up. They agreed it would be the perfect backdrop for a briefing for local funders on philanthropy and community organizing. And so, despite the considerable time and travel involved, the grant maker agreed to come. He also invited a colleague from a small foundation in another city who had successfully organized a funders' collaborative for local grassroots organizing.

"They sent out 30 or so invitations to local funders," the grant maker recalled, "and ended up getting about 15 to come. The grantee identified the prime targets for me in advance. One was a community foundation that's well known locally for being very conservative. We asked their president to introduce me, which was a good thing to do. We also got a bunch of people from corporate and bank foundations."

PUTTING THEIR CONCERNS OUT THERE

At the event, the grant maker from the national foundation "talked for a few minutes about the relationship between philanthropy and community organizing — that it's important to understand that foundations don't have to run away from community organizing because it isn't always in-your-face noisemaking." Then the other out-of-town funder described "the actual strategies that had worked and how things were going in her city. And then we opened up the floor for a broader conversation about what it meant to be allied with community-organizing groups. We invited people to put their concerns out there. And they did that."

Before the meeting, the grant maker "did a little bit of background work and found out that their state has a very low rate of philanthropic giving, even though they're ranked pretty high in number of millionaires per capita." He quoted those numbers to the group and suggested "they really needed to get broader community participation from all their folks — including wealthy people and foundations."

HIGHLIGHTING THE QUALITY OF THE WORK

Soon after the meeting, two attendees invited the grantee to submit proposals for funding. "They were ecstatic," the grant maker remembered. "They were like, 'Wow! We finally broke the ice with a couple people.' They figure that those grants might help them begin to work more broadly within the community, and so they're very happy about that. I told them if another event comes up, we could probably do the same thing again."

Looking back, the grant maker had this to say: "The other thing I said at the meeting that was important for people in the room to hear was that we were ending our relationship with the group — but that it had nothing to do with the quality of their work. As a national foundation, we don't have enough resources to fund a statewide organizing network in every state. And if we do go into a state, we can't be there forever. Our grant was an opportunity to highlight and strengthen the important work that was done by this one group, but we have to leave the major responsibility for local work to local foundations. And they seemed to get that."

QUESTIONS FOR DISCUSSION OR REFLECTION

In this case, the grantee called the funder six months into what everyone agreed would be the final grant and asked for help with recruiting new funders. The grant maker had an idea that made sense and the skills and resources to pull it off. How often do those ingredients come together? What conditions made it possible in this case? What lessons from this story could other foundations and grant makers apply?

Maximizing the Impact of the Grant

> "Get grantees together across the usual lines of demarcation: scholars with activists, people who've never met one another with people who are old colleagues."

A well-managed exit can include opportunities for both grant maker and grantee to sum up the work that's been funded, consolidate progress, and communicate findings more broadly. For a grantee (especially one who is "running around trying to accomplish all the agreed-on activities," in one grant maker's words), a chance to "get into what was learned from the project and how they can apply it more broadly in the field" can be valuable and very welcome. For a grant maker, the close of a grant is a good time to look back and learn about one's own practice.

Some foundations provide special resources to help grantees document and share lessons and accomplishments. At one large foundation, for example, program staff can propose "transition supplements" for grantees within a year of closing out their projects to support communication and dissemination. The foundation awarded roughly 25 such grants annually in the first few years of the program, then studied the projects to establish a "typology" of transition activities that serve the needs of exiting grantees. The types are not always clearly differentiated from one another, a grant maker noted, but the list has been helpful in enabling program staff to imagine the possibilities.

One international grant maker has used tie-off grants successfully to give grantees an opportunity to consolidate the progress they've made and "look for alternative funding, strengthen their internal management, and carry out strategic planning. It's a bridging strategy for organizations that shouldn't just be cut off." Late-in-the-game supplemental grants are particularly valuable, he argued, in cases where the initial grant supported institutional capacity building rather than a discrete project. "It's possible to anticipate the ending at the beginning for project grants," he explained, "but with a capacity-building grant it's almost impossible at the outset to know when the grant will be mature enough to phase out." A tie-off grant gives both grant maker and grantee some extra latitude for finishing work where the final objective was less than perfectly clear from the beginning.

What a tie-off grant doesn't necessarily do is reduce the tensions implicit in ending a funding relationship. "Small transition grants can help," one grant maker noted ruefully, "but they do not guarantee a smooth ending."

Even without supplemental grants, grant makers can promote learning and dissemination in various ways. Depending on the field, some foundations put special emphasis on seeing results published in peer-reviewed journals, in which case grant makers may make connections between grantees and journal editors or even provide in-house assistance with editing, data analysis, and graphic presentation of findings.

Many grant makers talked about inviting exiting grantees to present their work at conferences, convening meetings involving grantees and government officials, and helping grantees make connections with peer organizations in their regions or fields. Over the past decade, some foundations have built up their own communications offices and now devote considerable resources to publishing reports and other products of their grant making on their websites. The key here, several grant makers urged, is often the initiative shown by an individual program officer to gain some attention for an exiting grantee.

A foundation can sometimes help an exiting grantee simply by continuing to treat it as a partner in ways that don't entail grants. One foundation has a policy of allowing nonprofits working in its interest areas to use its centrally located facilities for special meetings. "We remind organizations that have been grantees of ours that, should they have a need to continue to use our facilities, they're welcome to do so," the CEO explained. "And several of them do that, even five years later." Others maintain their affiliation with former grantees by inviting them to meetings, celebrations, and other events.

But a program officer who spent the better part of a decade nurturing an emerging field noted that she was often most helpful when she went beyond "networking" her grantees and encouraged them to see themselves as a community, capable not only of providing practical assistance but of reducing one another's isolation and inspiring the "courage and faith" they needed to expand their work in creative directions. "One of the strategies I followed," she explained, "was to get them together regularly across the usual lines of demarcation: scholars with activists, people who've never met one another and people who are old colleagues. The classic remark at the beginning of the first convening was, 'Who are we? What is this group?' This group didn't exist before." Through her grant making, she made sure that "the projects were interlocked with one another, including interlocking boards, so there was cross-fertilization among organizations. It built the web of a community."

She also supported a field-wide communications strategy, including a web site "where most of the grantees were listed, and their field of expertise identified. In part, this was for the press, but it was also for anybody else looking for experts on certain topics."

Those connections were helpful when it came time to wind down the foundation's program. "It's extremely hard to raise money in my field," she went on, so she organized workshops in which grantees learned together to make their case to funders. When grantees got significant press coverage — and they did — she reached out to make sure other foundations took note. All in all, she feels confident that her foundation's investment left the field, and the institutions that comprise it, in a much stronger position.

A TYPOLOGY OF TRANSITION GRANTS

When a large foundation created a new program to provide certain exiting grantees with special "transition grants," it compiled a list of activities that would fit within the guidelines. The list is a helpful typology of things grantees and grant makers may want to do to increase the impact of a grant.

- **Dissemination**, "which includes methods that inform others about strategies, methods, results, or research findings or products from the original project"
- **Replication**, which "goes beyond disseminating information to a more intensive hands-on way of helping other organizations replicate the model or methods"
- **Planning for sustainability**, or work that's "aimed at sustaining, not necessarily the project itself but learning from the project model, either within the organization or by developing a new spin-off organization"
- **Research**, which includes "data collection, along with analysis and interpretation to implement research that was recommended as a result of the project"
- **Continuation**, or "continuing some activities or strategies over a longer time to help the grantee disseminate, replicate, or sustain their work — for example, if a policy action is timely where it wasn't before"
- **Miscellaneous**, for projects that "don't really fit into any of the other categories"

Special Cases: When the Exit Isn't Normal

"We don't make a lot of noise about it. . . . We try to leave without rancor and always leave the door open."

Being systematic and intentional can help a grant maker bring a sense of normalcy to the end of a funding relationship. But what about cases where the ending is anything but normal? Unexpected endings happen — and so, very occasionally, do endings clouded by poor grantee performance, miscommunication, a foundation's financial reversal, or some other unpleasant reality.

When an abnormal ending looms, a grant maker's ability to think quickly and act flexibly may be the most important prerequisite for making the most of a bad situation. The following stories illustrate a few things grant makers have done to bring some order to endings that were inevitable but didn't follow typical patterns.

The emergency exit. When a large, international foundation encountered serious financial setbacks, its leadership decided to reduce its presence in a particular region of the developing world. "In two years, I had to cut down my portfolio by 15 grantees," explained the grant maker responsible for managing the cutbacks. How did he do it? "There is no good way," he explained, "except to be very frank with grantees. I tried to be very open. In a couple of cases, I made small tie-off grants to allow organizations to look for funds elsewhere. I also made the first cut according to whether or not the organization would have the capacity to raise funds independently. I thus closed a couple of grants to well-known, well-run organizations and kept weaker, less-known organizations that might otherwise not have survived."

Pulling the grant. "Everyone has stories about this," one grant maker noted, "but in each case the situation really is an exception." "These are painful actions," said another, "because we want to believe that all our grantees are honorable." The consensus view is that it's rare that pulling a grant becomes necessary. Still, it's important to be prepared to investigate and act on allegations of misuse as dispassionately as possible.

"On one occasion," a grant maker recalled, "an elected official who did not care for the message advocated by a grantee organization called me to suggest possible inappropriate use of the foundation's funds and name. Regrettably, she was correct. . . . We cancelled the balance of the grant, having covered complying expenses." In another instance, a consortium of funders commissioned an independent financial audit of a grantee that was receiving support from all of them and made a collective decision to cancel their grants when the auditors found evidence of wrongdoing. The organization's executive director was later prosecuted.

Another grant maker told of a "reluctant but confident early exit" — the only one in his 20-year career — from a failing grant: "We had committed three years of support for a multi-year project that was well planned as documented in the proposal, with clear benchmarks for progress. One year of support was paid up front (about $75,000) with a clear agreement that future payments were conditioned on 'adequate progress' as measured against the project's benchmarks. Six months in, it was clear things were off track." After asking for a revised timetable and sending further letters of concern, the foundation received a one-year report that made it clear that "the institution was going through the motions but the work was not being accomplished." The foundation informed the grantee that it would receive no further support for the project. "Not wishing to leave the institution financially obligated," the grant maker went on, "we asked for an accounting of use of grant funds paid to date, and if there were any future financial commitments made. Based on their response, we asked for the return of unused funds as a matter of principle." But, he added, "We would have paid an additional amount if future obligations had required it. The action was not meant to be punitive, but the responsible administration of a failing investment" after the foundation concluded that it "could find no way to help the project get back on course."

Damage control. On her first day on the job, a program officer at a national foundation learned that her responsibilities would include ending a relationship with a long-term grantee, a researcher with strong political connections. A predecessor at the foundation had arranged a "forced marriage" between the researcher and a prominent research institute that was also a grantee. Everyone was unhappy with the arrangement. According to the director, the researcher had "used the money and produced nothing." According to the researcher, the institute didn't understand her activist commitments or less academic style of work. The grant maker's new boss worried that the situation would blow up into a public scandal. "I had to go in there and negotiate," the grant maker explained, "and it was very tense at the beginning. I always had someone in the room with me, and I wrote memos to the file after every meeting." They eventually agreed that the relationship between the researcher and the institute would be severed. The foundation continued to fund the institute's other work, while the researcher reported directly to the grant maker through the close of the grant.

Getting kicked out. A foundation that supports education reform had occasionally ended a relationship with a school district because of disappointing performance. But it came as a surprise when the foundation was asked to leave by a new superintendent who "didn't feel that the reform efforts we were supporting were particularly important." The foundation responded by following the same policy it used when it was the one that had decided to end a relationship: "We don't make a lot of noise about it," a grant maker explained, "meaning, among other things, that we don't go to the media. We try to leave without rancor and always keep the door open." Five years later, "in response to widespread sentiment expressed by teachers, principals, and school board members," a newly appointed successor superintendent came back to the foundation with a request to reopen the partnership.

MORE RESOURCES

Our website offers materials on many exiting-related topics. Here's a small sample.

GRANTCRAFT GUIDES

On funding endowments
Providing for the Long Term: Supporting Endowments and Investable Assets

On providing loans and recoverable grants
Program-Related Investing: Skills and Strategies for New PRI Funders

On supporting start-up organizations
Working with Start-ups: Grant Makers and New Organizations

OTHER MATERIALS

On collaboration between national and local funders

"The DOs and DON'Ts of Working with Local Funders," by the Association of Baltimore Area Funders

On building grantees' capacity
"The Capacity-Building Challenge," by Barbara Kibbe, Skoll Foundation

All at www.grantcraft.org

What Grantees Wish Grant Makers Know

- **Transitions take time.** If you've been a core funder of an organization, it might take awhile for the grantee to adjust to the idea that you won't be around any longer. And, said one grantee, "a budget to help with the transition really helps."
- **Grantees can learn a lot from each other.** "Some of the best technical assistance," said a nonprofit executive, "is to bring leadership in a field together and get out of the way." Peer-led leadership circles "take funders out of the equation and put grantees in touch with people they might not know who can become resources. And their help doesn't rely on foundation support."
- **Most grantees are glad to know you're interested in their success with other funders.** Ask grantees about their fundraising efforts often and share ideas for new funding sources, said one nonprofit CEO, to "let them know you understand and care about their long-term funding needs."
- **Some grantees need help with communicating their story.** Communication consultants can be valuable, especially if they can help grantees learn how to reach the media effectively or inform government about their work.
- **Your report on the accomplishments of a project can be an asset to a grantee.** It's helpful when reaching out to new funders, said one grantee, to be able to point to a report on a former funder's website saying "what the grant achieved, how it made a difference, and lessons learned."
- **A "capstone" event can help bring things to a close on a positive note.** "The end of the grant is not a funeral!" one grantee emphasized. By supporting a nice event, a funder can communicate pride and ongoing interest in a grantee organization.

ACKNOWLEDGMENTS

We thank the grant makers and grantees who generously shared their experiences and insights, and all those whose contributions of time, talent, and perspective have helped to make this guide possible.

Hans Antlov
Azade Ardali
Allison Barlow
Helen Brunner
Connie Buchanan
Doris Capistrano
David Chiel
Sarah Costa
Alice Cottingham
Barry Gaberman
Cynthia Gair
Nicole Gallant
Kimberly Ganade
Nathan Gilbert
Linda Gillies
Irena Gross
Ellen Hershey
David Hunter
Kilolo Kijakazi
Becky Lentz
Michael Lipsky
A. Richard Love, Jr.
Antonio Maciel
Kristin Majeska
Stephanie McAuliffe
George McCarthy
Vincent McGee
Lori McGlinchey
Molly McKaughan
Robin Mockenhaupt
Maria Mottola
Mary Jo Mullan
John Murphy
Anita Nager
Mitty Owens
Patti Patrizi
Elizabeth Theobald Richards
Bill Roberts
Patricia L. Rosenfield
Sophie Sa
Jeff Schwartz
Yumi Sera
Sue Smock
Roberta Uno
Chris Wing
John Weiler
Rachel Williams
Thomasina Williams
David Winters

The Atlantic Philanthropies
Aspen Institute
Vincent Astor Foundation
Beldon Fund
Carnegie Corporation of New York
Common Good Ventures
DEMOS
Aaron Diamond Foundation
Fannie Mae Foundation
Flinn Foundation
Ford Foundation
Girl's Best Friend Foundation
The Global Fund to Fight AIDS, Tuberculosis and Malaria
Global Fund for Women
F.B. Heron Foundation
Robert Wood Johnson Foundation
Laidlaw Foundation
Albert A. List Foundation
New York Foundation
New York University
Open Society Institute
The Overbrook Foundation
The David and Lucile Packard Foundation
Panasonic Foundation
Patti Patrizi Associates
REDF
Rockefeller Philanthropy Advisors
Stuart Foundation

Underwriting for this guide was provided by the Ford Foundation.

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