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# Pursuing Operating Support: Tips From Experts

[By Elizabeth Schwinn](#)

In pursuing operating-support grants, experts say, charities can improve their chances of success by taking the following actions:

## **Focus on results.**

To persuade a foundation to provide operating support, charities should explain what they can accomplish with unrestricted funds, says Rich McKeon, a senior adviser at Rockefeller Philanthropy Advisors, a New York group that helps wealthy people and foundations manage their charitable giving.

It is not enough to tell grant makers that a charity will "run more smoothly" with operating support, Mr. McKeon says. Instead, be specific about what the money will accomplish, for example by saying that "client intake time will be reduced from four hours to one hour" or "student retention in programs will increase by 20 percent," he advises.

Mr. McKeon says charities should also create an operating plan that covers more than just revenue and expense projections. The plan should detail short- and long-term measures of success and the steps needed to get there. This type of document also helps charity officials in discussions with grant makers who have a business background, he says. "People who have created wealth have done so in an entrepreneurial way," he says. "They like to support nonprofits that think and act like them."

## **Stress benefits of operating support.**

Charities should tell grant makers why nonprofit organizations prefer operating support, experts say. Among the reasons they typically offer: Such support gives charities more flexibility to spend money where it is needed most, and it enables them to make a group stronger by improving governance, administration, or staffing. What's more, it eases fund-raising pressure on executives, which reduces burnout and allows them to focus on the charity's mission. Unrestricted support also fosters innovation and risk taking, say proponents.

"The argument I try to make to foundations is that they can achieve the same results with an unrestricted grant as with a restricted grant, and it will be far more beneficial to us," says Nancy O. Andrews, president of the Low Income Investment Fund, in San Francisco. "And there is a chance," she adds, "that we would be able to actually exceed their expectations with less tied-up money." The fund, which provides loans to needy families, has secured \$5.3-million in unrestricted grants since 2004.

## **Spell out administrative costs.**

Many charities could do a better job of getting at least some operating costs covered by including a portion of administrative and other general costs in their grant proposals for specific projects, experts say.

"Nonprofits can be their own worst enemy in this conversation about operating support, because they don't fully account for the cost of running a program in the grants they write," says Kathleen Enright, executive director of Grantmakers for Effective Organizations, a Washington group for private foundations and other donors. "Too frequently, new program grants end up hollowing out a nonprofit's capacity, because the programs require more money to run than the amount they receive."

**Don't compromise.**

Too many charities meekly accept whatever a foundation gives them, even if it doesn't match their needs, says Earl Martin Phalen, director of Building Educated Leaders for Life, a Boston after-school tutoring organization. For example, if the charity determines that it will cost \$1,000 per client to accomplish a specific goal, and the foundation says that it believes the same result can be obtained with \$500 per client, the charity will often accept the grant and try to figure out a way to retool the program. Instead, Mr. Phalen says, "you need to go back and say, Then we need to adjust our outcomes."

If the foundation will not pay for the true cost of the effort, charities should seek the additional funds that are needed or walk away from the grant, says Mr. Phalen. Above all, charities must challenge the implicit assumption at some foundations that people who want to do good for others should be willing to go without reasonable salaries or adequate office space. Accepting the status quo drives skilled employees away and hurts organizations, he says.

"This is not about proving sainthood," he says. "The question is, how do you build a nonprofit business that can consistently provide services?"

**Seek multiple donors.**

Because so many foundations want charities to show that they won't become totally dependent on operating-support grants, charities should pursue unrestricted donations from as many foundations, individuals, and corporations as possible, experts say.

The Sobrato Family Foundation, in Milpitas, Calif., requires grant recipients to match every dollar it gives in operating support with \$2 in donations from other private sources, says its executive director, Diane Ford. "We want to inspire and hopefully leverage this kind of support," she says. "If they can't get the match, we don't go back."

**Be persistent.**

Edward Phelan, former executive director of the Highbridge Community Life Center, in New York, kept after a local foundation for an unrestricted grant, despite years of rejections, which continued even after he appeared as a guest on a radio show hosted by the foundation's executive director.

"We spent the whole interview talking about Highbridge," he recalls of the show. "I thought, 'We did it; I got the grant.' A week later, I got my usual [rejection] letter. I couldn't get to first base with them." But Mr. Phelan kept applying and at last heard back from the foundation, which had brought in a new director who decided to give him the unrestricted grant.