



Racial, Ethnic,
Tribal Philanthropy
Knowledge Center



Toolkit for Racial, Ethnic and Tribal Funds and Foundations

Diverse communities are molding and stretching models of giving to fashion something new. Funds and foundations are a promising and growing tool used to organize racial, ethnic and tribal giving. Sometimes called “ethnic funds,” these are typically public foundations that mobilize the giving resources of a community for that community’s benefit. This involves organizing groups of donors to invest in the foundation, pooling resources, developing giving priorities and a process, and making grants.

Usually, donors contribute to a pooled fund, and make grants from that fund through a collective decision making process. By pooling resources, donors come together to have greater impact. Often, the fund establishes an endowment to ensure that the philanthropy can continue into the future.

Some racial, ethnic and tribal foundations offer a wide variety of fund options for donors to give with others – or set up funds to support their personal philanthropic goals. In another model, foundations (sometimes called “federations”) raise and pool resources to support member nonprofit agencies, nonprofits that are led by and serve their particular racial or ethnic group. This includes groups that raise funds directly through large and small contributions, and a few organizations that receive contributions from workplace giving and payroll deduction.

The form used depends on the culture and needs of the community, its financial profile, and what other philanthropic players are present. No one size fits all, and each community has multiple choices.

This toolkit is designed to walk you through some of the key steps and choices to consider as you establish or grow your fund. This section reflects lessons and experience gathered from existing funds and foundations in Black, Asian, Arab, Latino and Native-American communities.

What’s here?

Each section highlights key questions and choices and provides suggestions about what steps to take. We asked fund leaders to tell us about pitfalls and what to avoid. These “Lessons Learned” are flagged throughout. We also point to resources including sample documents or contacts that might be helpful at each stage.

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About This Toolkit

The following toolkit and accompanying Racial, Ethnic and Tribal Philanthropy Report were prepared by the [New Ventures in Philanthropy](#) initiative at the Forum of Regional Associations of Grantmakers. The Forum would like to thank Kristin R. Lindsey of Intersector Consulting for conducting and shaping this research.

This toolkit is designed to provide community leaders or potential hosts with the tools and outlines they need to start a racial, ethnic or tribal fund.

The Forum, a national philanthropic leader and network of 32 regional associations, supports philanthropy across the country by strengthening the capacity of all regional associations to fulfill their missions.

The work that the Forum's New Ventures in Philanthropy initiative is undertaking in the area of racial, ethnic and tribal philanthropy is currently focused on funds and donor education projects supporting diverse communities. The priorities are to:

- Raise the visibility of racial, ethnic and tribal funds among the philanthropic community to promote increased collaboration and partnership between racial, ethnic and tribal funds, intermediary organizations, such as private and community foundations, and regional associations
- Tell the story of racial, ethnic and tribal funds and their historical context in communities to support these funds as strong, viable options for donors

Today, organizations are forming and expanding to help racial, ethnic and tribal donors and communities structure their giving for greater impact. Foundations, ethnic funds and giving circles are emerging in greater numbers. Through these organizations, donors support the communities, issues and people that matter to them.

We are working carefully to ensure that this work is culturally competent and appropriate, and also of benefit to our audiences.

In 2005, the Forum brought together experts in the field of racial, ethnic and tribal philanthropy for two [knowledge labs](#). In these knowledge labs, practitioners recommended that the Forum support the collection and mapping of the work done by racial/ethnic/tribal philanthropic organizations. The Forum started vetting research already conducted in this area, and identifying tools and resources useful to the field.

The Forum's online [Racial, Ethnic, and Tribal Knowledge Center](#) shares information, stories, profiles and how-to resources to support racial ethnic and tribal philanthropy. The information in the knowledge center comes directly from the experiences and insights of knowledge lab participants and other leading experts in the field.

Structure

One of your first steps is thinking through some of the big-picture questions and making decisions about the structure best suited for your giving program. Questions like: What do we want to accomplish? What needs to be in place? Where will this effort be housed? How will we manage all the pieces?

This section covers some the core structure and organizational questions, and is divided into the following topics:

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Resources

- **Latino Funds Collaborative:** Structural Models and Organizational Relationships: www.givingforum.org/s_forum/bin.asp?CID=1944&DID=8540&DOC=FILE.PDF
 - **Tribal Giving: What are the Advantages and Disadvantages of Formalized Philanthropy?:** This First Nations Development Institute booklet addresses the advantages and disadvantages of formalized philanthropy. www.firstnations.org/publications/SNAPTribalGiving.pdf
 - **History of the Black Belt Community Foundation:** Documents the impetus and initial planning and development of the Black Belt Community Foundation. www.givingforum.org/s_forum/bin.asp?CID=1943&DID=4197&DOC=FILE.PDF
 - The profiles section of the Forum's Racial, Ethnic, and Tribal Knowledge Center (www.givingforum.org/profiles) is a resource to explore how racial, ethnic and tribal funds and foundations have answered structural and operational questions.
 - Descriptive information on racial, ethnic and tribal funds affiliated with host organizations: http://www.givingforum.org/retp_profiles_aff
 - Profile information for racial, ethnic and tribal independent foundations: http://www.givingforu.org/retp_profiles_ind
 - Profile information for giving circles in racial, ethnic and tribal communities: http://www.givingforum.org/retp_profiles_gc
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Leadership

Who is at the table?

Creating a racial, ethnic or tribal fund or foundation goes a step beyond simply getting a seat at the table. It is about setting the table and inviting people to it. One of the first leadership questions for funds and foundations is: Who is going to be at our table? What group will be brought together to decide what we are doing and to guide us towards that vision?

In many cases, a small core group is the catalyst for the idea of a racial, ethnic and tribal fund or foundation. Equipped with that vision, the next step is to put together a leadership team that will eventually serve as a nucleus for the board or advisory board.

Fund and foundation representatives identified five factors that are important when identifying and assembling the right group of leaders to start a fund and to keep it growing.

1) WHO ARE THE “RIGHT LEADERS”?

The answer to this question is community-specific. It depends on who the community views as strong and legitimate leaders, who the fund is trying to attract, and a definition of leader that is meaningful for a particular racial, cultural, ethnic and tribal group. While every group answers this question differently, what is important is to answer it authentically.

- Most often, funds invite different types of people to the table. They seek out people who are seen as credible in the community and who honor its values and desires, people who have deep networks and connections and who are involved in the community. This can mean business owners, media, government or tribal representatives. Often community elders or faith leaders are at the table. Leaders might be linked to corporations, universities, nonprofit organizations or even other foundations and giving programs.
- Leaders may include people with financial wealth...but not necessarily. For some funds, it is important to include people whom others with wealth would identify as peers as a way of giving credibility and status to the fund. This is especially true for funds targeting those capable of making larger gifts and investments. In some cases, founding or major donors automatically become part of the leadership group.
- It may be important to reflect a diversity of ethnic or cultural groups. For example, reaching out to Asian-American groups may mean including representatives from Chinese, Filipino, Japanese, Korean and other groups.
- Whether or not to include representatives from outside your racial or tribal group is another important decision. Most groups establish racial, ethnic and tribal funds and foundations as a way to create a community-controlled and reflective institution – something that is theirs. Over time, a few funds have included groups from other races or cultures to participate on their board, as a way to tap mainstream expertise, ideas or networks. When considering this route, groups are cautioned to make sure that the leadership group (and perhaps the community at large) is comfortable with this idea and that there is consensus to proceed.

2) WHAT TYPE OF LEADERSHIP STRUCTURE DO WE NEED?

Board structure depends upon the organizational structure you choose. If the fund is being established as an affiliate of an existing organization, often a steering committee or advisory board will be established to guide policies and decisions. Typically, this group assumes responsibility for determining and executing fundraising strategy, grant policies and decisions, and negotiating and managing the relationship with the host organization. Members also are representatives and ambassadors of the fund to the broader community.

If the fund or foundation is established as its own nonprofit organization, it will need a board of directors. In addition to the fundraising and grant responsibilities identified above, as a freestanding corporation, the board will also be responsible for overseeing the organization's policies and procedures related to financial and investment management, staffing and operations.

In either case, the group usually identifies or elects a chair to help set overall direction and keep things moving forward.

3) WHAT DO WE NEED OUR LEADERS TO DO?

Simply put, once folks are invited to the table, they must know why they are there and what is expected from them. A good practice is to develop a job description for your board/advisory board members and use it as you talk to potential members. Will board members be expected to raise or donate a certain amount each year? Are they expected to use their personal networks to reach out to other donors or to the community? How much time will they have to commit? Being clear about roles and up front about expectations makes board duties easier and more satisfying. A periodic review and revision of job descriptions is also a good practice.

4) WHAT TYPE OF TRAINING OR PREPARATION DO OUR LEADERS NEED?

With limited or no staff, most boards assume significant responsibility for developing funds and making grants. Tapping appropriate expertise and information is crucial. The board itself may be a source of expertise, especially if people with fundraising or grantmaking experience are members and are prepared to play the role of inside expert. If a fund is affiliated with a host institution, like a community foundation or women's fund, staff or leaders from that institution can be sources of grantmaking and fundraising expertise.

Again and again, racial, ethnic or tribal fund and foundation experts say that the first priority is helping the board to develop skills and comfort around fundraising. In some cases, this means getting training from a local consultant, local nonprofit professionals or other funds. Whatever the source of expertise, cultural competence is important. What fundraising means, how it is done, cultural sensitivities about money and giving, and economic realities can differ greatly from one group to the next.

Sometimes, involvement in a racial, ethnic and tribal fund or foundation may be the first time leaders have been engaged in formal giving or philanthropy. Training or orientation on these topics can be valuable, whether received from other racial, ethnic and tribal funds or foundations or other local funders. In some communities associations like the Latino Funds Collaborative, First Nations Development Institute, the Coalition for New Philanthropy, Native Americans in Philanthropy, or regional associations of grantmakers are vital resources.

5) WHO WILL WE NEED AT THE TABLE IN THE FUTURE?

Is participation from younger generations a value for your fund? Do you need to reach out to new or different segments of the community? Over time, keep in mind the need to refresh and renew your leadership. Review your leadership roster every year or two. As new people join the circle of leadership, take time to orient them to the history of the fund and its operations. Board work is all about balancing continuity and new ideas, while staying true to your mission.

Lessons Learned (the hard way)

- People need to know what's expected of them, especially regarding time and money. Be clear and upfront about roles and expectations.
- Help your leaders succeed. Seek out expertise and training to help the board serve their purpose.
- When identifying leaders, think broadly about what types of people need to be at the table and who has credibility and connections. Especially in communities of color, the same "big names," tend to be tapped over and over.
- Always have an eye on your next generation of leadership.

Resources

- Structural Models and Organizational Relationships: from the **Latino Funds Collaborative**: www.givingforum.org/s_forum/bin.asp?CID=1944&DID=8540&DOC=FILE.PDF
 - Read sample job descriptions for board members from the **Council on Foundations** website: www.cof.org/members/content.cfm?itemnumber=1016&navItemNumber=2269
 - Explore leadership on the **Forum's the Racial, Ethnic and Tribal Knowledge Center**: http://www.givingforum.org/retp_leadership
 - Read about how Alabama's **Black Belt Community Foundation** is investing in young leaders: <http://www.givingforum.org/blackbelt>
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Mission and Values

What are we here to do?

When establishing a racial, ethnic or tribal fund, foundation or any organization, considering this question thoroughly is an essential step. Mission and values are like a roadmap to navigate your activities and decisions. They help you to keep going in the right direction - can guide you back if you wander. Getting your leadership to adopt mission and values statements is hard work. Shared commitment and agreement are critical. Investing in this step makes everything else possible. Revisit your mission and values from time to time and update them if needed.

MISSION

A mission statement usually answers these questions:

- What do we want to make happen?
- Who do we want to serve?
- What is our vision for success?
- If we succeed, what will be different and what will our community look like?

For racial, ethnic and tribal funds and foundations, the reasons for existing vary – from leveraging community wealth and educating donors to empowering local organizations and systems change. See the **sample mission statements** below for a few examples.

VALUES

By articulating your values, you express what matters most in how the fund or organization pursues its mission. In this case, important values might include things like inclusiveness, access, responsiveness, respect and accountability.

SAMPLE MISSION STATEMENTS:

The mission of the Hispanic Development Fund is to provide philanthropic support to programs that foster expression of Hispanic culture and improve the quality of life of Hispanic families in the Greater Kansas City area. *Hispanic Development Fund, Greater Kansas City Community Foundation (Kansas City, MO)*

To forge a collective stream of giving from the community and other sources so we, the people of the Black Belt, can enhance our continuing efforts to lift ourselves by “taking what we have to make what we need.” *Black Belt Community Foundation (Selma, AL)*

To increase philanthropy in the Bay Area Asian community, expanding resources to meet emerging and important needs. *Asian Pacific Fund (San Francisco, CA)*

The mission of the Two Feathers Endowment is to provide a culturally sensitive, community responsive philanthropic vehicle for addressing the needs within the Indian communities of Minnesota by supporting artistic, educational, social and cultural development activities. Involving Indian people in all phases of the philanthropic process is fundamental to the success of the Two Feathers Endowment. *Two Feathers Endowment, Saint Paul Foundation (Saint Paul, MN)*

The Hispanic Foundation of Silicon Valley engages leadership and bridges resources to invest in a thriving Hispanic community. Resources are directed toward educational achievement, economic advancement, and leadership development to create opportunities for Hispanic children and families. *Hispanic Foundation of Silicon Valley (San Jose, CA)*

Our basic mission is to Help People Help Themselves. The Hopi name, Lomasumi'nangwtukwsiwmani, signifies the process of furthering unity of aspiration blossoming into full maturity over time. We believe in attending to the community in which we live and in the skills of our people. *Hopi Foundation (Kykotsmovi, AZ)*

The Asian Pacific Endowment, a permanent philanthropic endowment built by and for Asian Pacific Islanders, empowers communities to improve and enrich the lives of Asian Pacific Islanders in Minnesota. *Asian Pacific Endowment, Saint Paul Foundation (Saint Paul, MN)*

The African American Community Fund exists to enhance the lives of African Americans in St. Joseph County by providing funding for initiatives that build capacity, influence whole system improvements, and achieve tangible, long-term progress. *African American Community Fund, Community Foundation of St. Joseph County (South Bend, IN)*

Lessons Learned (the hard way)

- Consensus and commitment are important, but be careful not to get stuck here! Sometimes, using a facilitator or asking a committee to tackle drafting a statement keeps things moving.

Resources

- You can use the profiles section of the Forum's Racial, Ethnic, and Tribal Knowledge Center to find the websites for other funds and check out more mission statements:
http://www.givingforum.org/retp_profiles
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Institutional Structure

What structure is right for us?

The answer to this question depends on your mission, values and resources. Typically, racial, ethnic and tribal funds and foundations are either affiliated with another organization or independent. Affiliated funds are based within a host institution that has 501(c)(3) status (as given by the IRS), usually a community foundation, women's fund or other public foundation; sometimes funds are hosted by an operating nonprofit or charity. They are usually established as a separate field of interest or donor-advised fund under the umbrella of the host organization.

Independent funds and foundations create their own 501(c)(3) nonprofit organizations or sometimes, in the case of Native American tribes, establish tribal philanthropies under Section 7871.

Here are four key choices to consider when deciding upon an organizational structure:

1) What level of autonomy is important to us?

Autonomy plays a major factor in racial, ethnic and tribal funds and foundations. Most are established with a strong sense that community members – people representative of the racial, ethnic and tribal group – should control decisions about leadership, mission, giving priorities, grants, community relationships and values. In many ways, this control is why the funds are created in the first place. Retaining operational autonomy is possible in independent and affiliated models. In the case of an affiliated fund, know what areas of control are most important and develop your host agreement with those things in mind.

2) What structure will provide credibility with our donors? With the community?

Racial, ethnic and tribal funds and foundations are building trust and community support on a number of fronts. Developing trust with the community, which includes donors, community leaders, nonprofit organizations and the media, is equally critical. These folks want to feel engaged, connected and included. They want to know that leaders from their community are behind your efforts, and that the results of the fund will support real community needs. When writing a check, donors want to trust that their gift will be wisely used for its intended purpose. At a minimum, donors expect the same level of accounting that they would get from any other credible charity or foundation.

3) What capacity and resources do we have to work with?

Any structure takes time, effort, financial resources, outside expertise and people power. When just starting, consider what you have to work with as a guide to develop. To establish an independent fund or foundation will mean assuming all operating, financial, fundraising, grants and management responsibility. Affiliated funds operate under the umbrella of an organization that can provide some of this capacity because they already have the infrastructure in place. Know your strengths, resources...and limits. Groups that have started as independent without the needed capacity in place have failed. Others started as an affiliated fund and as they grew in resources and experience transitioned to independent status.

4) Affiliated or Independent?

When choosing between independent or affiliated structures, there are several other components to keep in mind:

- Could a host organization in our area make a good partner? Are they seen as credible and inclusive? Can we work with it and retain the autonomy that matters to us?
- If we affiliate, what can we expect in terms of financial support, staff time, grant forms and fundraising assistance? Can we come to an agreement that works for everyone?
- What staff support do we need? Could an affiliation bring staff support? Would we be able to afford our own?
- Are we prepared to develop the policies and bring in the expertise needed to manage finances, accounting, grant payments and IRS filings? Are we equipped to develop gift acceptance and investment policies?
- What kind of flexibility do we need? Will we be able to have multiple fund options or just one pooled fund? Will there be a minimum donation or fund level required by a host organization?
- Are there fees and costs associated if we affiliate with an existing foundation?
- Can we raise enough money to support operations and grantmaking if we decide to be independent?

See the resource list below, especially the Latino Funds Collaborative and Strengthening Native American Philanthropy (SNAP) links for more detail about the pros and cons of affiliated and independent organizations and the types of options available. The Latino Funds Collaborative has information useful for any racial or ethnic group. The SNAP booklet contains details on Tribal Philanthropic programs operated under Section 7871.

Lessons Learned (the hard way)

- Carefully assess your readiness – for donors, operating, fundraising, grantmaking and financial management – and proceed accordingly. Over-estimating capacity can lead to dire results and a loss of credibility. Seek help if you need it to have the strongest start possible.
- If you affiliate with a host institution, be clear about your mutual agreement and commitments. Know what is important to control and in what areas you hope to get support from your host. Think about what you need from hosts, and what you offer in return.

Resources

- Structural Models and Organizational Relationships from the **Latino Funds Collaborative**: www.givingforum.org/s_forum/bin.asp?CID=1944&DID=8540&DOC=FILE.PDF
 - Learn about *Options for Designing Your Tribal Philanthropic Program, Component One* developed by **First Nations**: www.firstnations.org/publications/SNAPComponentOneFinal120203.pdf
 - Download other fund agreement sample language from **The Saint Paul Foundation**: www.saintpaulfoundation.org/page32214.cfm
 - Use the profiles section of the **Forum's Racial, Ethnic, and Tribal Knowledge Center** to reach out to fund leaders and learn about their experience with these decisions: http://www.givingforum.org/retp_profiles
 - Learn about other racial, ethnic, and tribal funds by using the Forum's **Racial, Ethnic and Tribal Knowledge Center** fund directory: http://www.givingforum.org/retp_directory
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Staffing

Who will keep things going day to day?

Typically, racial, ethnic and tribal funds and foundations have few staff. Our quick scan found that staff sizes range from zero to eight or more, depending on whether they are affiliated or independent. Most affiliated funds have part-time staff support (20 percent to 50 percent of a staff person). Most independent organizations report between one and four staff dedicated to the foundation.

Funds often start with highly motivated, committed volunteer leadership. They supply the energy required to start up. Eventually, as a fund grows and perhaps moves towards independent status, you may decide that more day-to-day support is necessary to help the organization move to the next level of development in its fundraising and grants program.

Some choices to consider:

- Think about what you need, what volunteers can handle (if trained) and when you can leverage the most resources through outside staff support.
- If hiring, do you need part-time staff, a full-time coordinator, or a consultant? Many funds use consultants to supplement volunteers. In any case, the board will need to commit to identifying the priorities and role for any staff, and providing appropriate oversight and management.
- Finding culturally competent consultants or staff, individuals who can share and appreciate the group's sensibilities about race and culture, is often a key priority.
- If you have access to staff through an affiliate relationship, is program support or fundraising the priority? Do you need grant staff to help design or support the grant-review process? Fundraising support to help shape appeals and follow-up after "the ask"? To support the development of fundraising plans and materials? Advice or training from senior leadership?
- Most foundations are able to support staff once they reach a certain level of assets. According to some, this magic number is \$5 million; others estimate up to \$20 million. In order to staff up before getting to that level, most funds raise money from other foundations or designate a portion of funds raised to support operations.

Foundations and funds may go through years of start-up and development before having to answer all of these questions. Periodically review where you want to go, what you can do with volunteers, and what might be possible with outside expertise. Planning for growth and the right investments in people can make a huge difference in your fund's long-term success.

Lessons Learned (the hard way)

- Growing the program requires growing the staff. As funds and foundations grow in complexity and size, the temptation exists to continue doing more and to pour all available resources into grantmaking and programs. As one person puts it, at some point "lean becomes mean." Good programs and decisions require the right expertise and ongoing support.
- If employees from a host institution are keeping everything together and driving the effort, the fund risks failing if they get reassigned or leave. Having the board and its leadership own the goals, fundraising, vision and strategy is critical.
- Think about where staffing (or consultant) dollars might do the most good. Some organizations put their resources into grant and program staff, but say that if they could do it over they would hire someone dedicated to growing the fundraising and endowment.

Resources

- Learn about **Emerging Professionals in Philanthropy's** professional development and grantmaking skills training: www.epip.org/fwl.php
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Financial Management

Can we show how the money is used?

Trust. Competence. Accountability. Investment Results. Integrity. These issues are relevant whether donors give \$10 or \$10,000. People need to trust that your fund is well managed, and that their dollars are being put to good use and invested wisely. Donors to racial, ethnic and tribal funds and foundations want to know that their dollars benefit people in their community.

Sound financial policies and management are essential, even for the smallest funds. From the moment a donation is received, it must be properly credited and acknowledged. Grants are decided and paid out. Reports are made at the end of the year on funds spent on grants and operations, and on investment performance. Audits and IRS filings are prepared. Depending on whether or not a fund is independent or affiliated, a fund may be responsible for all of these or have access to financial and investment management through their host institution.

- Budgeting is an important step for all organizations. Establish a budget that considers fundraising targets, grantmaking and the cost of operations as part of a yearly planning process. Typically, a finance committee or the board as a whole will establish a budget and monitor it throughout the year.
- If affiliated, financial management is an important issue to be aware of as you set up your agreement with your host. Understand the reporting that is available to you and thus, to your donors. In your host organization's financial report and audit, your fund's numbers may or may not be reported separately.
- Independent funds will be responsible for overseeing financial and investment management and policies, audits and compliance. Typically, the board establishes a finance or investment committee to guide these matters.
- Funds with more sophisticated activities, including endowments and individual donor funds, need to be able to demonstrate results and returns. Remember, there is competition for donors. Individual donors who establish funds at your foundation have many options. What distinguishes you is your mission and community focus. Still, donors will expect appropriate reporting on their fund activity and competitive investment returns.
- Likewise, once you make the case for the community to support an endowment, they will want to see that it is invested well so that it can grow into the future.
- When setting up financial and investment relationships, or talking to hosts, some funds value diversity or socially responsible investment policies. Decide whether or not it is important to you to identify or work with financial advisors from diverse racial or ethnic groups, or whether there are values that you want to see reflected in your investment vehicles or fund managers.

Resources

- Read the **Latino Funds Collaborative's** brochure on Investment Policy: www.givingforum.org/s_forum/bin.asp?CID=1944&DID=8535&DOC=FILE.PDF
 - Read **First Nation's** 2004 Annual Report: www.firstnations.org/publications/2004annual_report_with%20cover.pdf
 - Read another example of an Annual Report from the **Asian Pacific Fund**: www.givingforum.org/s_forum/bin.asp?CID=1942&DID=4261&DOC=FILE.PDF
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Capital

As you put people and structure into place, another essential piece requires consideration and planning: money. The goal for racial, ethnic and tribal funds and foundations is ultimately to mobilize dollars from donors to support community needs. Developing a plan to address how those funds will be raised, who the potential donors are, what kinds of approaches might work in your community, and how much is needed are among the important questions at this step.

This section covers some of the core questions and choices about raising money in your start-up and growth phases, and is divided into the following topics:

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Donor Outreach and Education	Page 16
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More About: Donor Giving Options	Page 23

Resources

- The profiles section of the Forum's **Racial, Ethnic and Tribal Knowledge Center** explores how funds and foundations have answered structural and operational questions:
http://www.givingforum.org/retp_profiles
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"I was sitting there hearing all the statistics on how charities and other nonprofits raise funds and I thought, Why not us? Why can we not do the same?"
Maja Freij, Chief Financial Officer
Arab Community Center for Economic & Social Services
(ACCESS)

Fund Options: Endowed and Non-Endowed

In what ways can donors invest in the fund?

Most groups combine several strategies to successfully build their funds, make grants, start endowments and grow their organizations. When starting out, a key decision is whether or not to create an endowed fund.

To Endow Or Not To Endow?

Funds tend to fall in one of three categories. The right choice for you depends on your mission, your goals and your organization's capacity.

Non-endowed: Non-endowed funds begin with a plan to raise a certain amount of money – which could be \$30,000, \$50,000 or \$100,000 – to make grants or scholarships immediately. They raise money each year to pay out in grants and support operations.

Consider: This approach offers the potential for more money to respond immediately to community needs and problems. It usually requires non-stop fundraising, real commitment and sustained motivation. This works for some, especially if they have strong fundraising infrastructure in place from year to year.

Endowed: With an endowment, racial, ethnic and tribal funds raise money for a permanent account (the endowment). The endowment is invested, and the interest income provides money for grants and operations. For instance, a foundation may raise \$200,000 in endowment, which might support \$10,000 or \$15,000 in small grants or scholarships each year from interest income. As the endowment grows, so does the amount available for grants and operations. Many funds have started their endowment with a lead gift or a challenge grant. In several Native foundations, the tribal government has contributed financial resources to support an endowment.

Consider: Time and compound interest work wonders, even if you start small. Most funds eventually try to build an endowment so that resources will always be available to respond to their community's needs. It can be a powerful mechanism that encourages future generations of your racial, ethnic and tribal group to give, and creates a fund that the community controls, permanently. Still, donors may or may not be enthusiastic about this idea and sometimes need education about endowments.

Hybrid: Many funds do some of each. They raise money from multiple sources: donors, corporations, foundations and others. Some of the funds are designated to build the endowment while others support grants and operations.

Consider: Giving grants or scholarships brings satisfaction, visibility and demonstrates immediate impact. At the same time, an endowment promises even bigger results and more resources over the long term.

Resources

- For more detail on building endowments, check out the Forum's **Racial, Ethnic and Tribal Philanthropy Knowledge Center**: http://www.givingforum.org/retp_endowment
 - Sample documents describing fund offerings:
 - **Twenty-First Century Foundation**: www.21cf.org/ModelsOfPhilanthropy.html
 - **Destino Fund**: www.vccf.org/donors.html#types
 - **Asian Pacific Fund (The Filipino American Fund)**: www.asianpacificfund.org/donors/filamfund.shtml
 - **Hartford Foundation (Latino Endowment Fund)**: www.hfpg.org/matriarch/MultiPiecePage.asp_Q_PageID_E_180_A_PageName_E_DonorServicesIntro
 - **Asian American Community Fund**: www.asianamericanphilanthropy.org/community.asp
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Giving Options: Pooled or Individual

What giving levels are right for our community?

- Give \$10, \$20 or \$100 online
- Buy a \$150 ticket to an annual gala
- Answer a mail appeal for \$100 or \$500 to support a scholarship or annual fund
- Join with five or ten lead donors, each giving \$10,000, to become a founder in a pooled fund
- Set up a personal advised fund of \$5,000 or more

These are just some of the ways that donors invest in racial, ethnic and tribal funds and foundations. There is no one school of thought about how – and at what level – donors can participate. Two common types of giving options are pooled and individual funds.

Pooled or Individual Funds?

Pooled Funds refer to a frequent type of offering where multiple donors contribute to a fund managed by the foundation. This could mean hundreds of \$50 donors, or ten \$10,000 donors. What distinguishes pooled funds is collective decision making. A single donor does not get to say where the dollars go – this decision is made by a group. Pooled funds allow people throughout the community to invest in the fund and to unite with others in addressing needs and issues in their community. Donors can have a bigger impact combining their dollars with others than they would have alone. This strategy can be a more efficient way for racial, ethnic and tribal funds to build their assets and get to a critical mass needed for grants, scholarships or endowment.

The pooled fund strategy is used by racial, ethnic and tribal funds and foundations in a number of ways. The pooled grant fund might be designated to provide grants for community needs. There are also a number of pooled scholarship funds, supporting \$1,000 or \$1,500 scholarships for Latino, African-American, Native-American or Asian-American students. The pooled funds can be endowed or nonendowed.

Another approach is the general or annual fund, to which numerous donors contribute, ranging from \$10 to \$10,000. Funds might be raised through annual appeals or gala events. These funds are allocated by the foundation to respond to a variety of needs, whether as grants to nonprofits serving their racial or ethnic group, or to support the fund's own operations and programs.

Pooled funds differ in their level of donor involvement.

- In funds with *contributors*, the donors participate by giving their donation. Decisions about the issues to fund or specific grants are made by the foundation's staff or volunteer leaders.
- Some funds have *stakeholders*, who donate and provide input (sometimes by voting) on grant priorities or issues.
- More involved donors are *decision makers*, who often serve on grant committees, reviewing and deciding upon grant or scholarship recipients, and leadership committees that guide the vision and direction of the fund itself. Typically, increased involvement in making decisions comes with higher contributions to the fund.

Individual Funds are tools designed to manage the resources of a single donor or organization. The donor makes decisions about contributions to organizations and issues that matter to him or her. Usually, the donor sets up a donor-advised fund, a named-scholarship fund or designated fund. The donor might be an individual, family or an organization such as a church or fraternity. They may want the foundation or fund to provide counsel or information on potential grant areas or recipient organizations.

- Individual funds can be complex to establish and manage. Donor needs and requests require ongoing attention. The higher giving threshold per donor – most donor-advised funds require a donation minimum of \$10,000 – suggests a more personalized fundraising strategy. Most often, individual funds are offered by foundations that have several years of experience and a base of pooled resources. Funds affiliated with established foundations may also be able to offer more diverse fund options using their host's infrastructure.

Most funds begin with one offering, like a pooled fund, and build slowly over time to attract more donors, to expand their giving options, and build endowment.

Same or Different?

Giving levels and capacity vary. Racial, ethnic and tribal communities historically have not had the same level of access and opportunity as other groups, and thus do not have the same patterns of wealth or inheritance. Some donors have greater assets than others, but generosity is widespread. Your fund will want to consider if you are targeting all donors, folks at a particular level, or whether all donors are expected to participate at the same level.

Some of the options:

Inclusion: Some racial, ethnic and tribal funds and foundations place a high priority on being accessible to all donors, whether they have \$50 to give or \$5,000. Whether low-wealth or high-wealth, people at all levels can participate and feel ownership. This value placed on inclusion is often one way that racial, ethnic and tribal funds and foundations set themselves apart from the exclusion encountered in some mainstream foundations.

- Some funds invite broad participation through annual appeals that may invite gifts from \$10 to \$100, or gala events widely supported by the community.
- Others set a minimum giving level, but provide options that make it easier for more people to participate. For example, some funds ask donors to commit a minimum of \$1,000 or more, but will allow them to pay that amount over two or more years. This provides a practical way for some donors to stretch a little and really commit to the fund.
- Another foundation sets a minimum of \$5,000 for its board. Each member is responsible for donating at this level. How they reach this goal is flexible: they can give it themselves, raise it from other sources, or pool together resources from some of their friends and networks.

Major Donors: Keep in mind, the inclusive approach may not work if your focus is on higher-level or major donors. In some cases, these donors want to be invited to participate by peers. Your \$20,000 donors may want to be at the table with other \$20,000 donors. Connections, networking and professional relationships are a big factor. They are willing to give because someone they respect, know, or want to know, has asked them to do so.

Ultimately, the options you choose will reflect your understanding of your community's interests, their giving motives and habits, and the kind of structure you have in place. Flexibility and creativity can be tremendous assets in this work!

Lessons Learned (the hard way)

- Consider carefully the volume of activity and energy required if you rely on large numbers of small donations. It is advisable to have a mix of fundraising strategies and levels.
- You can set the bar too low. Major donors may not feel at home if your materials or funds do not specifically offer something appropriate for people at their giving level.

Resources

- Information from the Forum's **Racial, Ethnic, and Tribal Knowledge Center:**
http://www.givingforum.org/retp_pooled
- Sample documents describing fund offerings:
 - **Twenty-First Century Foundation:** www.21cf.org/ModelsOfPhilanthropy.html
 - **Destino Fund:** www.vccf.org/donors.html#types
 - **Asian Pacific Fund (The Filipino American Fund):**
www.asianpacificfund.org/donors/filamfund.shtml
 - **Hartford Foundation (Latino Endowment Fund):**
www.hfpg.org/matriarch/MultiPiecePage.asp_Q_PageID_E_180_A_PageName_E_DonorServicesIntro
 - **Asian American Community Fund:** www.asianamericanphilanthropy.org/community.asp

Donor Outreach and Education

How do we connect with potential donors in our community?

Most funds say that their grants are their best marketing tool. By serving people in their own communities, racial, ethnic and tribal funds demonstrate their unique power and potential through grants to local organizations. Results build credibility and visibility.

How else can funds connect with potential donors? In addition to collecting financial resources, racial, ethnic and tribal funds and foundations are also information resources. These funds provide a place for community to come together and discuss issues. They shed light on key trends in the community, defined by their racial or ethnic group on its own terms. They celebrate and give visibility to donors from their own community, affirm that “people like us” give and tell a story that is often left untold. They share information that might help donors understand how to make the most of their giving and wealth.

All of these activities build credibility and build community. This may be the first time that a philanthropic organization specifically acknowledges, celebrates or courts donors in your community. Outreach lets community members know that they have a seat at the table.

Some examples:

- A New Heritage of Giving (www.asianamericanphilanthropy.org), a project of the Asian American Federation in New York, shares profiles of Asian-American donors, and suggests ways for Asian Americans to become more involved by giving and volunteering.
- *Hispanic New Yorkers on Nueva York* is an annual survey coordinated by the Hispanic Federation in New York, identifying key “issues, opinions and concerns of the City’s Latino community.”
- Community forums sponsored by the Progreso Latino Fund in New Haven, Conn., have engaged community leadership in conversations about Latino leadership, civic participation, Latinos and the media, and raising Latino children.
- First Nations conducts Sovereign Philanthropy Workshops to provide information and training about creating tribal charitable funds and foundations and promoting individual tribal member philanthropy.
- *Familia, Fé y Comunidad - Giving and Volunteering among Silicon Valley Hispanics* is a report published by the Hispanic Foundation of Silicon Valley. It found that “Silicon Valley Hispanics are unlikely to call themselves volunteers, donors or philanthropists. But when it comes to giving time and money to help others, they are among the region’s most generous residents.”
- The Asian Pacific Fund held forums to hear from youth in the San Francisco Bay Area who wrote winning essays as part of their Growing Up Asian in America project. The forums were designed to spark dialogue about how youth and their families navigate college and career choices, first jobs, and how they experience being Asian and American.
- *African American Philanthropy: A Legacy of Giving*, published by the Twenty-First Century Foundation, profiles African-American donors and explores the longstanding and various traditions of black philanthropy.

Lessons Learned (the hard way)

- Remember: grants are the most important strategy. Funds warn against spending too much time and effort on research, at the expense of getting funds out into the community.

Resources

- Check out the Toolkit for Donor Education in the Forum’s Racial, **Ethnic and Tribal Knowledge Center** for more details and suggestions about donor education events, information and materials used to reach out to donors in communities of color: http://www.givingforum.org/retp_donors

“Outside” Support

What is the role of “outside” support in building our racial, ethnic and tribal fund?

By “outside” we mean funds raised from sources other than your racial, ethnic or tribal group. This might include grants from mainstream foundations, gifts from white donors, or gifts from people from other races or ethnic groups. Funds affiliated with a community foundation or public foundation may also get support from their host in the form of a matching gift or operating support.

Partners of all races and types have been valuable allies, staunch supporters and critical investors in racial, ethnic and tribal funds and foundations across the country. The fact is, most funds rely on some form of outside support as part of their funding mix. Here are some ways to think about your mix, and the implications of outside support.

- **Cultivate individual donors from all races** as contributors to your fund or foundation. Individual donors may give to annual appeals, to support galas and special events, or to pooled funds. They give because they believe in the work you do and want to support it.
- **Corporations** can also be critical partners, providing sponsorship for events, grants and in-kind contributions. When considering strategic partners and corporate sponsorship, think about their interests and bottom line. Are they trying to reach Asian, Hispanic, African-American or Tribal markets and consumers? Are their values aligned with yours?
- **Support for capacity building and operations** can be critical, especially when your fund launches or is trying to grow to the next level. Often funds seek outside grants for communications or technology (e.g. Web site or marketing materials) or staff or consultant support (such as hiring a first staff person or fundraising advisor). If just starting up, the fund may not have raised enough of its own resources to invest in its capacity without depleting its grants or endowment pool. Without this infrastructure, it can be hard to raise money to become self-sustaining.
- Seeking **grantmaking dollars** from outside funders to supplement your grant pool is another choice. In some cases, ethnic funds have received a grant to boost their grantmaking pool, helping them to achieve critical mass more quickly and to establish their credibility and visibility through grants. Doing so also meant funds could focus donor cultivation on supporting their endowment. In other cases, racial, ethnic and tribal funds seek outside foundation investors for special grant projects or initiatives. Mainstream foundations may provide a grantmaking pool of dollars for the fund to allocate on these issues.
- Would **matching or challenge grants** from mainstream foundations encourage more of your own donors to give and provide momentum? This strategy has proven successful for many racial, ethnic and tribal funds and foundations as they raised their initial grant dollars or endowment funds. In another example, a matching grant encouraged existing donors to increase their giving; every \$250 donor who committed to giving more had their contributions matched.
- **Affiliated funds sometimes are offered, or request, support from their host institution.** In many cases in-kind donations, grantmaking funds, capacity-building or matching support have made the difference in helping racial, ethnic and tribal funds launch or grow.

Things to consider...

- Are there partners who might invest in your vision and support your development? Who are the potential supporters in your community?
- Be clear about autonomy and what degree of control is important for you. Consider whether seeking outside support would affect your autonomy regarding decisions, programs or priorities in ways that would cause concern or conflict with your mission and values.

Lessons Learned (the hard way)

- Always start with your mission and think about how outside support might help you achieve your

goals. Additional resources are always nice, but sometimes detract organizations from their course.

- Remember: most ethnic funds have a dual purpose – mobilizing community assets *and* making grants. Focusing on raising money from outside sources to the exclusion of building your own philanthropic capital can lead to failure. You might be able to give away money, but it will always be someone else's.

More About: Fundraising

What's our plan to build and grow over the long haul?

For most funds, long-term success depends on a plan for ongoing cultivation and relationship building. Fund leaders stress that it is crucial to move beyond the comfort zone of the same small circle of friends and supporters.

We asked some fund veterans to give us their advice about fundraising. Here are some of their thoughts:

Know who your donors are.

Develop a plan that identifies the categories and types of donors who you want to target. They may be major donors at the \$10,000 level, many \$1000 or \$500 givers, \$10 contributors, or some mix thereof. Set goals and benchmarks.

Know what motivates donors to give and to give in the way that they do.

This is an area that sets racial, ethnic and tribal funds and foundations apart from other funds. It may be easier to know – or to learn – what your donors care about. Some of the observations:

- Giving is personal: personal connections to the organization, personal experience with the issue, or a relationship with the person asking for the donation are all major factors.
- Donors in communities of color care about leveling the playing field and have an interest in supporting access, opportunity and education for those in their group or other historically disenfranchised groups.
- Helping those closest – extended family or one's own community or tribal members – is the first giving priority of many. Remember that this is an important form of philanthropy too, especially in communities where self-help has been a source of survival and strength.
- In some communities, support for faith and church is substantial.
- While donors across communities of color are generous, they typically have limited exposure to organized philanthropy. They may need some convincing about why giving this way has a different kind of impact than simply writing a check to a charity.
- Acting now on something donors can see appeals to some groups. This makes disaster relief or something tangible like scholarships attractive to some donors.
- Finally, donors give when asked to give, especially if the request reflects some of their personal beliefs or motivations. Most donors of color do not give because they are simply not asked.

What cultivation techniques match your potential donor group and your fund's capacity?

What do you do well?

- Several funds hold donor galas or events, from \$25 to \$250. Follow up and give gala attendees and donors additional ways to give or participate in the fund.
- Some groups hold information sessions or lunchtime chats with professional or civic associations or the informal racial, ethnic and tribal networks within corporations.
- In some groups, direct-mail appeals are successful.
- Newsletters, periodic letters, photos or Web sites that show the fund's investments in action can also keep donors and potential donors connected with the fund.
- Pay attention to existing donors. They are already believers in your work. Make sure you continue to build relationships with them over time, and give them the opportunity to become bigger investors.
- Many groups have small gatherings or dinners at someone's home, such as a board member or major donor. People are often attracted to networking, and are able to hear the story of the fund in an intimate way.
- One-on-one and peer-to-peer meetings are recommended, especially when there is a personal relationship and you are seeking a major contribution. Increasingly higher levels of fund raising demand more high-touch cultivation.

What internal capacity and resources do you need to accomplish your plan?

- In addition to developing a plan for your fundraising activity, ongoing fundraising requires much attention to detail and organization including generating prospect and mailing lists, and sending out communications, mailings and follow-up phone calls. Keeping this work moving forward on a volunteer basis is difficult.

- To expand fundraising and successfully grow their organizations, many funds will turn to a consultant, staff or maybe their host organization to coordinate and manage the fundraising tasks. Funds need someone to keep the group accountable for their fundraising.
- Even with staff or consultants, the drive and commitment starts with the board and leadership inside the organization. This often means building these skills internally, and providing training that helps board members feel more comfortable raising money. Consultants and staff can help by providing boards with needed tools, techniques and support.

Lessons Learned (the hard way)

- Research has pointed out two facts about donors of color: they are generous and they are not asked to give.
- Do research, but do not let it bog you down.
- Keep in touch with donors. Regular connections and communication, beyond those asking for money, help donors remain enthusiastic and reinforce their sense of commitment and ownership.
- Do not do more than your organizational capacity allows.
- While you may hire outside consultants or have external assistance, make sure you seed fundraising capacity internally, especially among fund leaders and board members.

Resources

- **Women's Funding Network:** www.wfnet.org
 - **Association of Fundraising Professionals:** www.afpnet.org
 - Read about Gail Kong of the Asian Pacific Fund explains that fundraising is most importantly about listening: http://www.givingforum.org/s_forum/doc.asp?CID=1963&DID=9465
 - **Changemakers:** www.changemakers.net
 - Learn about raising endowment funds from the Latino community: www.givingforum.org/s_forum/bin.asp?CID=1944&DID=8536&DOC=FILE.PDF
 - **Hispanic Foundation of Silicon Valley**, 2006 Hispanic Charity Ball: www.hfsv.org/ball.html
 - Check out profiles, and reach out to racial, ethnic and tribal funds and foundations to learn how they did it in the Forum's Racial, Ethnic and Tribal Philanthropy Knowledge Center: www.givingforum.org/retp_profiles
 - Contact development professionals at local cultural or educational institutions.
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More About: Building Endowments

When and how do we build our endowment?

As they begin, or after a few years of experience, most funds and foundations turn to endowment as a way to build a more secure funding base. Endowments can provide flexibility and stability as the community, its needs, its leadership and the fund evolve over time. Building a philanthropic resource that will always be “ours” is a strong concept underlying many permanent funds and foundations.

Endowment funds are designated toward a permanent account. With investment some ongoing fundraising, the fund compounds over time. The principal stays in place while the interest is used to support programs and grantmaking. We found that racial, ethnic and tribal fund and foundation endowments range from \$25,000 in emerging organizations to endowments of \$1 million or more.

Fund and foundation representatives identified five factors that are important to the success of executing an endowment campaign:

1) The Case

When building an endowment, you are saying, in effect, that the fund should be a permanent philanthropic asset. Do you have a viable argument? Why an endowment? Why now? Has your fund established visibility in the community? Will donors and supporters agree that the fund’s long-term success and grantmaking are worth supporting? What kind of credibility do you have in your community and with donors? This usually comes from a track record of effectively reaching donors, managing financial resources, and supporting community needs and institutions.

In some cases, impetus for endowment may stem from a major gift or challenge. In accepting that challenge, weigh your case to become a permanent resource against your capacity to reach out to supporters. Otherwise, the initial gift may not grow as intended and there will not be the degree of community ownership or engagement required for long-term success.

Fund leaders also shape a vision for the endowment that is culturally relevant. Any given racial, ethnic or tribal fund may frame the concept of endowment differently from other racial or ethnic groups. What is “saving for the future” in some cultures is understood as “never taking more than you need” or “leaving something behind for others” elsewhere. In communities that have been historically disadvantaged, donors may feel inclined to give to current, visible needs rather than a long-term fund for community investment. In communities overlooked by “traditional” philanthropy, endowment may be an unfamiliar concept.

2) Leadership

Board involvement is essential. Leaders must be prepared to actively support a long-term fundraising effort – who believe in it, who can spread the vision of the endowment, and who are willing to give and to ask their friends and networks to do likewise. Consider whether you have the right people – and enough people – in place.

Training can help boards to undertake their assignments as spokespersons and fundraisers. This may mean formal fundraising training from consultants or staff, or conversations or briefings with board members or peers at other organizations. With training, your leaders will feel more prepared, more comfortable and more willing to undertake the endowment challenge.

3) Capacity

- **People:** Endowment fundraising requires expertise and ongoing management and support. This usually means staff or a consultant dedicated to support the campaign. Staffing may come via a host institution if your fund is affiliated with another foundation. The staff or consultant is not necessarily the primary face of the campaign; in fact, the board is required to play this role. However, staff members are keeping the effort on track, undertaking prospect research, and following up. Funds suggest that the best fit is someone who knows your community and culture, and who has both credibility and relationships.
- **Systems:** Fund accounting systems to appropriately track contacts, donations, pledges and acknowledgments.
- **Money:** Fund experts report that it typically costs 10-15 percent of the endowment goal to raise the endowment funds. Expenses include staffing, materials, special events, public

relations and financial and investment counsel. In other words, it will take money to raise money.

4) Policies

The policies foundations typically need to have in place for endowment building include:

- **Gift acceptance:** What types of gifts and assets is the foundation/fund prepared to receive? Cash? Stock? Real estate? Other assets?
- **Investment:** Which investment vehicles are suitable and available at our level? What asset allocation strategies are prudent? What targets will we establish? How often will they be reviewed?
- **Spending policies:** How much money will be disbursed from the fund each year to properly balance grant distribution with long-term, steady growth of the endowment?

Affiliated funds may have access to investment policies and advisors through the host foundations, while independent funds are responsible for their own financial policies and management. Donors will want to see that the fund is a responsible steward of its resources that attends to fiscal management and investment performance.

5) Plan

Fund veterans suggest that these are some of the elements to consider as part of your endowment strategy and planning:

- **Goals:** What is the target for the endowment fund? What level of income would we expect the endowment to generate to support grantmaking and fund programs and operations? As a benchmark, a \$1 million endowment generates roughly \$40,000-50,000 per year.
- **Marketing:** What kind of communications and marketing will effectively share the vision and goals of the endowment campaign? In some communities, one-on-one communication is critical, while others rely on mail or events. Each requires a compelling message.
- **Feasibility study:** Most major fundraising campaigns start with some research – a study or interviews with existing or potential donors and others in the community to gauge their interest, support, perceptions or concerns about the fund and its development plans.
- **Sufficient capacity:** Is there a plan for the capacity and policy needs outlined above?
- **Strategies:** Fundraising approaches may include some of the following:
 - Matching dollars or a challenge grant – often encourage donors to give
 - Lead donors, who lend critical early support and credibility
 - Multi-year pledges have worked in racial, ethnic and tribal funds and foundations, making it easier for donors to commit to larger gifts
 - Joint campaigns (in some cases, raising money for tangible, successful programs like scholarship funds and endowment funds) help donors to embrace the idea of giving some for today and some for tomorrow
- **Prospect Research:** Identifying donors in your networks who have the potential to give at various levels, and the best approach to making “the ask”
- **Get to work!**

Resources

- Read **GrantCraft's** guide on endowment creation: grantcraft.org/pdfs/endowments.pdf
 - Learn about the **Ford Foundation's** endowment primer: www.fordfound.org/publications/recent_articles/docs/endowment.pdf
 - Read a chapter from the **Latino Funds Collaborative** on raising endowments from the Latino community: www.givingforum.org/s_forum/bin.asp?CID=1944&DID=8536&DOC=FILE.PDF
 - **Association of Fundraising Professionals:** Asking for Major Gifts - Steps to a Successful Solicitation: www.afpnet.org/ka/ka-3.cfm?content_item_id=19951&folder_id=1845
 - Contact development professionals at local cultural or educational institutions for additional ideas and counsel
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More about: Donor Giving Options

How do we help individual donors to pursue their goals?

While much of this section has focused on pooled funds, a number of foundations also offer individual funds that support personal and family giving. These funds can also work for organizations (such as churches or sororities) as a way to manage their charitable resources. Individual funds can be a strategy to grow and diversify your asset base and donor pool. Typically targeting donors that give at higher levels (\$10,000 or more), these options require an advanced level of expertise and organizational capacity.

In many ways, racial, ethnic and tribal funds are uniquely positioned to support the personal giving needs of donors who historically have not been cultivated by mainstream funds. Because they are rooted in the community and guided by leaders who share racial, ethnic and cultural understanding, these funds can work with donors in ways that deeply reflect and respect donor interests. Fund leaders are more likely to be attuned to the many levels of interest, including race and culture that donors bring to their giving. Racial, ethnic and tribal funds can help donors to advance their goals, whether they are looking for guidance and charitable tools to effectively “give Asian,” (or Black, Native, Arab or Latino) or to support a multiplicity of interests.

Here, we quickly review some of the main giving options. We also look at what it means to successfully provide them.

Giving Options

Donor-Advised Funds: These funds allow donors to easily manage their charitable giving through a fund established at the host institution (the racial, ethnic and tribal foundation). The donor funds their account and recommends gifts or grants to eligible charitable organizations to be made from their fund. The donor directs their giving, while the foundation takes care of the administration and financial reporting.

Scholarship Funds: Individuals, families and organizations use racial, ethnic and tribal funds and foundations to host and manage scholarships. Scholarships can be appealing because they provide tangible, gratifying results and address issues of access, education and advancement that are important to many donors of color. The foundation works with donors to set up and manage the scholarship fund. This can range from simply awarding checks to developing an application process, screening applicants and working with educational institutions. Scholarships can be rewarding, popular and labor-intensive.

Designated Funds and Agency Endowments: These funds work in two ways. In the first case, donors might establish an endowment fund to benefit charitable organizations, such as their alma mater or a Boys and Girls Club, in perpetuity. Each year, that charity gets a check drawn from the endowment income. In other cases, the foundation manages and invests an endowment placed in their care by a nonprofit organization or association (a church or fraternity, for example), sometimes working with that organization to identify donors for their endowment fund. In both cases, the foundation invests the funds on the donors’ behalf and takes care of the administrative and financial requirements.

Field of Interest Funds: Allow donors to support broad focus-areas, often an issue or a place, rather than designating specific organizations or charitable recipients. This type of fund offers flexibility, so that even as needs or organizations change over time, donors’ gifts can always support strong grantees. This type of fund relies on foundation staff or other foundation advisors to research and make grants to eligible recipients within the field of interest.

General Funds: many foundations establish general or annual funds. These funds reach out broadly for donors at multiple levels – from \$5 to \$50,000 – whose unrestricted gifts support the work of the foundation itself. Unlike the earlier pooled-fund examples, here the foundation sets grantmaking priorities and makes decisions on how to use these funds.

What it Takes

1) Defining your niche

Is there a market for these funds? Do you have visibility and credibility among potential donors? Cultivating donors requires time and access, particularly at higher net worth levels. Deciding upon your fund minimums is another important choice: set them too low, and the funds may cost more to administer and manage than they give to the community. You could also set the bar too low for potential donors; in communities across the U.S., under-served people of color with wealth could benefit from philanthropic services. On the other hand, fund levels set too high may create the impression that only the “super-wealthy” have a place in your foundation.

2) Personalized support and care

Ongoing connections and relationships with donors are essential. You are helping donors to advance a very personal and meaningful vision for their giving. Full-service philanthropic support means helping donors to identify the right options, exposing them to opportunities for giving that match their interests, and providing grantmaking support and guidance. This often requires having staff in place to provide the level of care and responsiveness these donors expect.

3) Expertise and capacity

In addition to grantmaking and community expertise, this model requires that organizations have, or have access to, knowledge about charitable giving instruments and tax implications. Foundations must have the capacity to expertly manage the financials and reporting for various funds. Donors will expect accurate, timely and responsive financial reports on their accounts. It can also require that you have policies in place to enable the foundation to accept gifts of various types (cash, stock, property, insurance, etc.), as well a track record of strong investment performance. Independent racial, ethnic and tribal foundations will need to establish these capacities internally. Affiliated funds that want to offer individual funds may be able to work collaboratively with their host foundation to provide the requisite administrative, financial and investment support.

Lessons Learned (the hard way)

- Make sure you have sufficient capacity to deliver – with staff support, grant assistance, financial and investment reports – once these funds are offered. Trust is harder to earn, and easier to lose, at higher wealth levels.
- It takes time and patience to cultivate relationships and access donors at higher wealth levels. Make sure your foundation’s business model can afford to seed lots of activity...and wait.
- Ongoing work keeps donors engaged. With donor-advised funds, for example, when donors initially set up funds and are excited and make grants, but aren’t encouraged to continue to replenish their funds. The result is more of a one time gift than the beginning of a long-term philanthropic vehicle for the donor and the foundation.

Resources

- Read the **Council of Michigan Foundations’** Community Foundation Primer: www.cmif.org/Documents/primer98-2Whole.pdf#search=%22community%20foundations%20primer%20how%20to%22
 - Check out giving option descriptions and charts from the **Asian Pacific Fund**: asianpacificfund.org/donors/options.shtml#giftfunds
 - Learn about giving options for the **Twenty-First Century Foundation**: www.givingforum.org/s_forum/bin.asp?CID=1946&DID=4273&DOC=FILE.PDF
 - Check out the profiles in the Forum’s **Racial, Ethnic, and Tribal Knowledge Center** to learn about giving options offered by various funds: http://www.givingforum.org/retp_profiles
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Grants

An important and exciting part of racial, ethnic and tribal funds and foundations is making grants. Fund participants and donors want to make sound, informed investments in their community. At this stage, decisions include what to fund, what areas of need or interest matter most, how to find potential grantees and how to choose between applicants. Establishing a framework and process can help your fund leaders to navigate these choices. This section covers the main components of a grantmaking framework and highlights some successful strategies of racial, ethnic and tribal funds and foundations.

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Resources

- The profiles section of the Forum's site is also a good resource to explore how racial, ethnic and tribal funds and foundations designed their grants programs:
http://www.givingforum.org/retp_profiles

The relationship with the Greater Kansas City Community Foundation is a positive one, Ramon Murguia notes. The foundation provides a sense of security and credibility, and offered the fund opportunities for growth during its creation. The foundation also benefits from the fund and its efforts. Prior to the Hispanic Development Funds' establishment, the foundation did not have a history of working with the Latino community and did not have a mechanism for responding to emergency community needs.

*"We had the opportunity to help them understand the Latino community," Murguia says. "We've always made the final decision – they've never questioned our grants."
- Latino Giving is "All in La Familia"*

Giving Philosophy and Priorities

What is our focus?

When thinking about grants, the choices seem exciting, limitless – and maybe a little daunting. Many good, strong organizations deserve support. Many are under-resourced. How to choose?

Often what sets racial, ethnic and tribal funds and foundations apart is their approach to this decision. How do they define the change they want their dollars to support? Often, priority issues and approaches are those that the racial, ethnic or tribal community itself deems critical. Many focus their attention on supporting organizations that are led by or serve their racial or cultural group.

There are several ways to approach the decisions about your fund's philosophy and priorities for funding:

Issue-based approach

Will the fund select one or two critical issues facing your community as their focus, or work more broadly? Will you keep the same focus for a while or periodically consider new issues?

Issue areas vary widely among the funds and foundations. For example:

- The Two Feathers Endowment (St. Paul, MN) focuses on *education, children and youth, elders, intergenerational projects and programs and preservation of culture.*
- The African American Community Foundation, in North Carolina, supports programs that *address societal disparities experienced by African Americans.*
- The Destino Fund in Ventura County, California, recently solicited organizations working in two issues in the Hispanic community, *Family Strengthening and Family-Oriented Programs Addressing Obesity.*

Types of support

Choices here include general operating support, emergency grants or loans, program dollars, or capital support for building or restoring facilities. Many funds offer capacity-building grants supporting consultants, technical assistance, or professional development to help organizations to become stronger and more viable. For some funds, scholarships are a tool to address access and education.

Types of organizations

Will your fund focus on groups that are led by or primarily serve a specific racial or ethnic group? How will you demonstrate that? What about supporting individuals or faith-based organizations? Some funds try to find “diamonds in the rough” where their smaller grant can have a big impact. These are often emerging or grassroots organizations that show great promise, serve a unique need, but have less of a track record. All of these options can affect how you structure and review your grants.

Strategy for change

Some groups fund direct services or emergency grants to keep doors open. Others focus more on long-term change and may support advocacy, research or organizing activities that may deal more with the root causes of problems facing their communities.

How to Choose

Funds and foundations have several choices for navigating these options:

- Establish grant committees that are charged with establishing the grant priorities and types. In some cases, these committees include lead or founding donors. In others, donors over a certain level get to vote on what issues they find most important.
- Tap community experts, which could include local nonprofit and foundation leaders, to get their input on issues and priorities. Committee members might seek them out or invite them to provide a briefing to the group.
- Use of host staff to help provide research and analysis may be an option for affiliate funds.

Lessons Learned (the hard way)

- Arrive at some consensus about how focused or broad your group wants to be. A very broad framework can make decisions more difficult, and the results may feel too scattered.
- On the other hand, too narrow a focus may exclude potential fund participants and donors. Remember, you can always adapt your approach over time – and you probably will as you grow in experience, resources and people.

Resources

- Here are some sample guidelines:
 - **Chicago Community Trust:** www.cct.org/page28933.cfm
 - **The Hopi Foundation:** www.hopifoundation.org/
 - **Lorain County Community Foundation (African American Community Fund):** www.peoplewhocare.org/page20441.cfm
 - **Asian American Community Fund:** http://aafny.org/general/comm_fund.asp
 - Check out the Forum's **Racial, Ethnic, and Tribal Knowledge Center** profiles for more detail on how funds have focused their giving: www.givingforum.org/retp_profiles
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Getting the Word Out

How do we let the community know about our grant priorities and process?

In some cases, racial, ethnic and tribal funds and foundations are well connected and have access to all the communication and outreach they need. This can depend on the size and scale of your community.

You may find it helpful, however, to spread the word about your grants program. This can be useful:

- To ensure that potential grantees are aware of the application process, requirements and funds available
- To assure that the news gets to under-resourced, small or start-up organizations that may be among the target groups that serve your community
- To assure that nonprofit organizations receive information using the media, communications strategies and languages that are appropriate
- To give additional visibility to your giving program, which may attract other donors or foundations

The communications of racial, ethnic and tribal funds and foundations vary widely, according to each community's needs and culture. They include:

- Press releases and media announcements
- Radio
- Brochures
- Web sites
- Meetings/briefings with key community leaders
- Presentations to community or church meetings
- Relationship building through staff and/or fund leadership
- Holding an open house or information session for potential applicants
- Regular announcements about your grant decisions through an event or press release to reinforce knowledge about who you are and what you fund.

As necessary, materials, communications and media are multi-lingual. In each case, the approach is determined by what works best and is needed in your community.

Lessons Learned (the hard way)

- Communications efforts should be proportional to the available dollars and number of grantees you expect to fund! An all out media campaign might get everyone excited about applying, but may be too much if you are awarding 4 or 5 grants once a year.
- Communications should clearly convey opportunity, deadlines, requirements and expectations. This helps applicants to prepare appropriately and the fund to get what it needs.

Resources

- Check out a sample news release from the **Hispanic Foundation of Silicon Valley**: www.hfsv.org/CommunityGrantPressRelease.pdf
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Reviewing Applications and Making Decisions

What is our decision-making process?

Once you have decided on your grant priorities and publicized that information, soliciting and reviewing grant applications is next. This process may be very rigorous, or less formal, depending on your fund and goals. Some of the key steps:

- 1) **Set a timetable** to solicit, review and award grants. Many funds accept applications over several months and award grants once a year. Others are more frequent, with grant decisions two or three times a year, or monthly.
- 2) **Establish your application process.** Typically, funds announce their issue areas, funding priorities, deadlines and a general idea of what level of funds are available. They might ask applicants to first submit a letter of inquiry (a brief outline describing the organization and its intended application) or a full application form. (See the sample forms in the resources section below.) Applications tend to ask for:
 - IRS determination of charitable status
 - Board/staff information and lists
 - Organizational description
 - Program and organization budgets and funding sources
 - Diversity information (racial/ethnic/tribal data on board/staff/population served)
 - Proposal/need description (What is the request for? Who is involved? When and how will the work happen? What is expected as a result?)
- 3) **Review and narrow pool of applicants.** This can involve a grants committee or other leadership group reading through the proposals to gauge whether they all meet the criteria or if some organizations and ideas more viable than others.
- 4) **Seek more information** as needed. Site visits can be useful to see the organization in action and meet the people involved. This also provides a great opportunity for donors to get more engaged on the ground.
- 5) **Determine who will get what.** Grant decisions involve awarding grants to the applicants, but also determining whether to fully fund their request. Keep in mind that a partial funding may affect their ability to achieve their proposed results. Usually a grants committee, board or other leadership group is entrusted with making the final grant decisions. Whoever is involved, make sure your group has a common understanding of how you will assess organizations and their merits.

Some funds have less formal procedures than these, requiring minimal application. In others, the committee will accept a grant recommendation from one of the fund's donors or committee members.

In funds or foundations with staff (or access to the host organization's grant staff), program staff may be involved in the grant review and data gathering. Staff would then present recommendations to the leadership group or board for their deliberation. Staff or board involvement can depend on how hands-on donors want to be in learning about organizations and issues, or how involved they want to be in decisions about how their funds are invested.

6) **A word about conflict of interest:** You probably have a board or committee that is highly engaged in your community and well-connected (good for you!). This also means that your grant decision-makers might also be involved in some of the organizations seeking grants. Having a conflict of interest policy in place that details expectations about disclosure, participation in discussion and voting is critical to maintain your integrity and reputation.

Lessons Learned (the hard way)

- The grant application process – especially the information and material you request from applicants – should be commensurate to your level of funding. Requiring a multi-step, complex proposal may be appropriate for large grants, but is too much for a \$5,000 grant. Remember, while you want to get an appropriate level of information and insight to make a good decision, asking for too much can consume an applicant's valuable time.

Resources

- Read a sample grant application from the **Hispanic Fund of Lorain County** at the Lorain Community Foundation: www.givingforum.org/s_forum/bin.asp?CID=1955&DID=4281&DOC=FILE.PDF
 - Learn more about conflict of interest and ethnic policies and read a sample conflict of interest statement from the **Latino Funds Collaborative**: www.givingforum.org/s_forum/sec.asp?CID=1944&DID=5267
 - Read the Request for Proposals packet from **Destino: The Hispanic Legacy Fund** at the Ventura County Community Foundation: www.givingforum.org/s_forum/bin.asp?CID=1952&DID=4250&DOC=FILE.PDF
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After the Grant

The group has voted - now what?

There's important work to do to communicate your decisions and to continue to build relationships with your grantees. Here are some of the ideas and lessons from our experts:

- **Communicate** with grantees who are successful and applicants who are declined. Typically, funds have award and decline letters on hand and ready to go.
- **Celebrate!** Many funds issue a press announcement or host an award event to celebrate the grantees, their work, the donors, and the act of the community coming together to support its own.
- **Connecting** with grantees on a regular basis is important for some funds and foundations. Connecting may mean site visits to learn more as the work unfolds or grantee presentations to your board. Ongoing connections with and learning from grantees can deepen your knowledge of the community and donor satisfaction. Some funds and foundations also coordinate volunteer opportunities for donors and others. Connecting can also mean providing learning opportunities for grantees – chances for them to meet other grantees, or to learn capacity skills or other knowledge through workshops coordinated by your fund.
- **Learning** may also involve a report or evaluation from the grantee on the use of the grant and its results. Decide what information is important to request and what will provide knowledge that your fund will actually use and learn from. Grant reports typically ask a few basic questions and are accompanied by a financial report. Again, the level of detail should match the level of grant investment.

Capturing lessons learned and a financial report is important so that the community can learn what the fund has supported. A report is also valued by donors, who want to assess the effect of their investment.

Hosting a Fund

Community and public foundations can be critical partners for racial, ethnic and tribal funds and foundations. Community foundations often provide infrastructure and financial and program support to racial, ethnic and tribal funds.

Maybe a community group has approached your foundation about hosting its fund, or perhaps your foundation is thinking of launching a fund for local donors. In either case, it is important to carefully consider your readiness and approach. While the relationship requires effort, the reward can be a strong partnership that benefits the foundation, the fund and the community.

This section offers insights from fund veterans on what it means to be ready to host a fund, key questions and some pitfalls to avoid.

Readiness

Is your organization ready to host a racial, ethnic or tribal fund?

The best scenarios tend to be when the foundation is seeking to partner with and fully serve the whole community. This involves seeking information, partners, ideas and strategies from many quarters. It can – and should – mean the inclusion of different perspectives and voices at all levels, and ultimately may result in changing how you do business.

The worst case scenario is when racial, ethnic and tribal funds are a side project pursued or welcomed primarily as a way to market your foundation's services to donors of color.

Consider:

- Does your foundation value and prioritize cultural competence and inclusion at all levels of the organization? How are these values realized?
- Are people of color viewed as givers as well as beneficiaries of philanthropy?
- How does a fund such as this fit into your mission and strategy? Will the work of supporting a racial, ethnic and tribal fund integrate with how your leadership and organization operates and allocates resources on an ongoing basis?
- Are you prepared to invest your organization in the success of the fund because it is central to your own mission?
- Will your leaders and staff commit to and champion this work?
- What is your reputation in racial, ethnic and tribal communities? Do you have trust and credibility in diverse communities already? Will you be perceived as a partner or competitor? Do you have community champions? Do you know what's going on in the various racial, ethnic and tribal communities?
- Are you open to learning things about the community you don't know? Tapping and honoring the expertise of diverse community leaders can lead to tremendous insights on community issues, leaders, organizations that benefit your whole foundation.

Partnership

What is the specific nature of the relationship between the fund and the host?

Hosting a fund can require agreements about shared power, decision making, and the nature of your partnership. Clarity and honest conversations are factors for success.

Expect that fund leaders and members will have some thoughts about control and autonomy. They too are investing their resources, reputations and relationships to build the fund. They assume responsibility and accountability for ensuring that these philanthropic resources truly serve the community they claim as their own.

Here are some of the aspects of the host relationship that foundations and funds typically define:

1) Operating support

- What type of marketing and communications support will the foundation provide? Assistance with brochures? Will the materials be part of the foundation brand or separate? Will the fund have a part of the foundation's Web site? Who is involved in decisions about marketing and language?

- Will the fund use or adapt the foundation’s existing grant application forms, procedures and information management systems?
- Who is the primary contact and “face” of the fund?
- Will the foundation provide any administrative support for day-to-day operations?
- How will the foundation cover administration costs? Will it charge a fee to the fund, or will that be a part of the foundation’s contribution? This arrangement may be revisited over time as the fund grows.
- Will the foundation provide space? A phone number? Meeting support?

2) Financial support

- Will the foundation provide financial resources (cash or in-kind) to support operations of the fund?
- Is the foundation an investor in the fund? Often, host foundations can be a critical partner in providing or facilitating challenge or matching grants to help funds meet their donor development or endowment goals.

3) Staff support

- What type of staff support will be available to the fund? How much time will be provided and by whom?
- Fund leaders and hosts have reflected on the need to properly balance the program support versus fundraising support provided by the host foundation. Program officer guidance can be helpful in the assessment process and in supporting the grant committee, especially as they start up and develop their process and establish criteria and priorities.
- Often, funds benefit greatly from also tapping the donor relations and fundraising expertise of foundation leaders as they develop their strategies and outreach plans.

4) Institutional support

- Will the foundation leverage its leadership and relationships to bring other funders and donors to the table who might be additional partners for the racial, ethnic and tribal fund’s grantmaking?
- Is the work of the fund given visibility by the host foundation’s leadership?
- Are there opportunities for conversations and shared learning between fund and foundation leaders at the CEO and board levels? Often, host foundations and funds will share one or more board members in common to provide some opportunity for building awareness and linking strategies.

Lessons Learned (the hard way)

- In any partnership, it takes time and effort to establish trust and begin open conversations. The benefits can be significant.
- The experience of hosting a racial, ethnic or tribal fund may challenge your organization to examine its grantmaking practices as well as the make up of the organization’s staff and board. If you embrace it, hosting can be an opportunity to grow in ways that can benefit your foundation beyond the racial, ethnic or tribal fund.
- If the fund becomes the only mechanism for your foundation to actively connect with and support racially and ethnically diverse donors, leaders and grantees, it will not succeed.

Resources

- **Latino Funds Collaborative:** Structural Models and Organizational Relationships: http://www.givingforum.org/s_forum/bin.asp?CID=1944&DID=8540&DOC=FILE.PDF
Designed to help an emerging Latino fund in making one of the most important decisions facing its founders: choosing a legal structure for the fund.
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