THE KRESGE FOUNDATION

A Guide to the Challenge Grant

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Table of Contents

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Introduction

For more than 85 years, The Kresge Foundation has helped build the nation's nonprofit infrastructure – libraries, hospitals, schools, museums, community centers and other facilities. Historically, the challenge grant was used to help nonprofit organizations advance their capital campaigns and meet their fundraising goals for new facility construction or renovation. Today, we engage in strategic philanthropy using an array of grantmaking and investing tools. Although the challenge grant is no longer the centerpiece of our work, it is used on occasion as an inducement to increase contributions for a nonprofit organization's fundraising goal.

The material here is a reference for those occasions when we do employ the challenge grant. Derived from decades of this kind of grantmaking, it also may prove useful to other organizations embarking on their own capital campaigns.

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The Campaign Opportunity: Seven Key Questions

Any nonprofit organization considering a major campaign wants to achieve its fundraising and operational goals. Nonprofits that take full advantage of the opportunity presented by a capital campaign will grow stronger in terms of leadership and community support. In planning your campaign, you may wish to consider the following questions:

1. Do you have board leadership to bring the campaign to the public? Are they leading with their own gifts? Are these the largest gifts they have ever made to your organization? Are they volunteering in the campaign effort?

2. Will you consciously plan to find new trustees during the campaign among donors and volunteers? Will more people consider it an honor and privilege to serve on your board?

3. During the campaign, will you build a larger support base of private giving to address annual operating needs? Will you be able to change the mix of revenues that support your organization? Will you find new donors among foundations, corporations and, most important, among individuals during the course of the campaign?

4. Will the public know more about your organization and its programs during and after the campaign?

5. Do you plan to establish a formal development program or expand your existing advancement program? Will you hire new staff to oversee responsibilities in this area?

6. Do you have a plan for sustaining support gained during the campaign after it concludes?

7. Will more people seek services from your organization after the campaign? Will more people want to serve your organization as volunteers?

   Every organization will answer these questions differently. What is important is that your organization has carefully considered the strategic opportunities offered by a capital campaign relative to its current capabilities.

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12 Steps for a Successful Campaign

A successful campaign involves many steps, some easy to see and some behind-the-scenes. It helps to think about your efforts in three basic categories – strategy, implementation and follow-up.

Strategy

1. Planyour capital campaign so that it is an integral part of your organization's strategic plan. Your building goals can and should bring you closer to achieving your organization's mission and vision.

2. Involve your leaders or stakeholders in ways that help them own the plan. Your organization's board, staff and other major supporters should take part in shaping the campaign plan. Build their enthusiasm; they are your campaign's ambassadors.

3. Create key messages that connect the value you deliver to the opportunities for growth and sustainability that your capital project will offer.

4. Testthe feasibility of your plan and its goals. Validate key messages with a representative group of individuals and organizations. Establish measures of success – how will you know you have been successful? Are there indicators along the way?

5. Targeta spectrum of donors– individuals, companies and foundations. Look for small and medium-size gifts as well as large ones, enabling as many people as possible to engage in your organization, even at an entry level. Modest givers may increase what they give over time as their relationships with your organization mature.

Implementation

6. Secure leadership gifts from those close to your organization: your board, longtime donors, others (including lead staff). Have a significant amount of your campaign pledges committed before the general public ever hears about the campaign.

7. Mobilize a volunteer force that includes people in your community who are willing to make stretch gifts to your campaign and are willing to connect you with other potential

donors. Provide volunteer training and support, and be respectful of their time. Make sure the responsibilities that you assign provide volunteers with a positive, enjoyable experience. It will help your campaign and build volunteer loyalty. Remember to capitalize on your volunteers' clout in the community; make their work visible.

8. Announce your campaign to the public. Engage your audiences with details about goals, volunteers and the gifts already pledged. Use public relations, newsletters, annual reports, personal letters, an event, etc. Give as many people as possible an opportunity to learn about your organization and its plans.

9. Raise funds that will bring you to your goal, always connecting your capital project with your mission. Raise both funds and friends.

Follow-up

10. Report progress to constituents and the general public. Share successes and challenges – these will be especially interesting to audiences that witnessed your initial campaign announcement. Let those close to your organization know what's happening with personal messages. Use broad communication to create awareness, seeding future relationships.

11. Celebrate victories – big and small – with constituents and the general public. Share the thrill of your achievement and remind others what this building will do for your organization. People like to get involved with successful organizations. Take advantage of your popularity, and use it to gain commitment to your mission, not just the campaign.

12. Maintain the relationships and the momentum your organization gained during the campaign. Continue engaging volunteers by asking for and listening to their suggestions. You also may learn a lot about the way people perceive your organization. Apply these lessons to the way you develop your general operating fund, the way you promote your organization, the way your leaders work together and the way you manage volunteers.

THE KRESGE FOUNDATION

When Does Kresge Award Challenge Grants?

The Arts and Culture, Education, Health, and Human Services programs award challenge grants for facilities and other purposes. In some instances, a program may issue a time-limited call for applications. Watch the Apply for Funding page on the Kresge Foundation website(www.kresge.org) for details.

Education Program challenge grants are awarded only for higher education construction or renovation projects that formally seek environmental sustainability certification at the silver level (or better) from the U.S. Green Building Council's LEED – Leadership in Energy and Environmental Design – rating system.

Additionally, both the institution and the project seeking funding must exemplify the four values central to the team's work: creating opportunity, diversity, environmental conservation and community impact. For more information on Kresge's values, see the Mission and Values page on the Kresge website.

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Are We Ready To Submit a Challenge Grant Request?

Seven key readiness indicators will help determine if your organization is ready to submit an application:

1. You are able to make a strong case for why your organization, and your proposed project fits within Kresge's programmatic priorities and advances Kresge's values.

2. Your project-cost estimates are firm and construction timetables have been established.

3. Your site control is finalized and all regulatory issues are imminent.

4. Your campaign plan is in place and includes both a clear end date and an established challenge strategy.

5. Your board is beginning to demonstrate its financial support for the campaign.

6. You have begun to raise private gifts for your campaign, including some private lead gifts. Typically, we suggest at least 20 percent and sometimes as much as 50 percent of your private fundraising goal be raised before applying. If your private fundraising goal is large, then having more than 50 percent raised may be more appropriate. In every instance, however, grant requests are evaluated first on how well you advance the values that apply to your project or program and, second, on the status of your capital campaign.

7. If your plan includes any of the following sources of funds, they should be committed, imminent or backstopped: long-term financing, government funds (if a substantial amount), organizational funds or bequests. (See Glossary of Terms, the final page of this document.)

THE KRESGE FOUNDATION

What Gifts Count?

Grantseekers often ask, "What funds count before and after a Kresge grant is awarded?"
Here is a list of gifts that we count as initial funds:

- Written pledges or cash from individuals, corporations, businesses and foundations, including those resulting from direct appeals and unsolicited gifts. All pledges must be paid within five years from your fundraising end date.

- Organizational funds.

- Long-term financing.

- In-kind materials and services, including donated property. You may count gifts of land not involved in the project only when the land is sold or under purchase agreement.

- Cash surrender value of life insurance policies that your organization owns and is the beneficiary.

- Present value of formal deferred gifts. For a charitable lead trust, you may count the income from your campaign start date to five years from your fundraising end date.

- Matured bequests that are paid or in probate.

- Government grants.

After a Kresge grant is awarded, only gifts raised as a result of direct appeals in support of the campaign may count toward your challenge goal, including:

- Written pledges or cash from individuals, corporations, businesses and foundations. All pledges must be paid within five years from your fundraising end date.

- In-kind materials and services, including donated property. You may count gifts of land not involved in the project only when the land is sold or under purchase agreement.

- Cash surrender value of life insurance policies that your organization owns and is the beneficiary.

- Present value of formal deferred gifts. For a charitable lead trust, you may count the income from your campaign start date to five years from your fundraising end date.

- Government grants that are part of your campaign plan and do not represent a substantial portion of the challenge goal. A request with several pending government grants is not likely to receive a Kresge grant. If possible, we advise you to backstop the expected government funding.

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Gift Chart (Sample)

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Campaign Gift Chart

Name of organization: _____

Contact person: _____

Telephone: _____

Email: _____

Date: _____

Gifts by Size (Please segment your gifts based on a scale that is meaningful to your campaign.)	Current Campaign Goals		Current Gifts in Hand or Pledged		Plan to Raise Balance of Campaign Goal (No negative numbers should appear.)	
Gift Ranges	Total number in prospect pool	Total dollars expected	Number of donors	Dollars raised	Remaining number in prospect pool	Dollars expected
		$		$	0	$ 0
		$		$	0	$ 0
		$		$	0	$ 0
		$		$	0	$ 0
		$		$	0	$ 0
		$		$	0	$ 0
		$		$	0	$ 0
Kresge		$		$	0	$ 0
TOTAL PRIVATE FUNDS		$		$	0	$ 0
Government		$		$	0	$ 0
Long-term financing		$		$	0	$ 0
Organizational funds		$		$	0	$ 0
Bequests		$		$	0	$ 0
Other (identify)		$		$	0	$ 0
TOTAL		$		$	0	$ 0

Gifts by Source	Current Campaign Goals		Formal Gifts in Hand or Pledged		Plan to Raise Balance of Campaign Goal (No negative numbers should appear.)	
Category	Total number in prospect pool	Total dollars expected	Number of donors	Dollars raised	Remaining number in prospect pool	Dollars expected
Board (governing)		$		$	0	$ 0
Board (fundraising arm, if applicable)		$		$	0	$ 0
Staff		$		$	0	$ 0
Corporations		$		$	0	$ 0
Individuals		$		$	0	$ 0
Foundations		$		$	0	$ 0
Kresge		$		$	0	$ 0
Other (identify)		$		$	0	$ 0
TOTAL PRIVATE FUNDS		$		$	0	$ 0
Government		$		$	0	$ 0
Long-term financing		$		$	0	$ 0
Organizational funds		$		$	0	$ 0
Bequests		$		$	0	$ 0
Other (identify)		$		$	0	$ 0
TOTAL		$		$	0	$ 0

9/07

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Gift Chart Instructions

Grantees applying for a challenge grant always are directed to fill out Part 1 of Kresge's online application. Along with the data-entry component, the narrative and any other attachments you are required to submit, please include two additional documents: the capital campaign gift chart and project fact sheet.

We recommend you complete the gift chart before completing the fact sheet. Below are instructions that may be useful as you complete your gift chart.

Gift chart and fact sheet forms can be found on the Kresge website (www.kresge.org) in the Funding section.

The Gift Chart Made Simple

This chart is designed to capture your current campaign plan as it has evolved since the start of theeffort, not your original campaign strategy. After you have completed this form, the third columnin each section should reflect your fundraising strategy from now to the end of the campaign.

A. The third column should not contain negative numbers. If a negative number appears, pleaseadjust the figures in the first column. This may cause other lines to change to maintain the same goal.

B. The number in your "prospect pool" should capture your universe of potential donors. The "dollars expected," however, should reflect the anticipated yield from your solicitations. For example, you may have four prospects rated for gifts between $100,000 and $150,000. As a result of these appeals, you anticipate raising a total of $200,000. Four should be indicated under "prospect pool" and $200,000 under "dollars expected."

C. Please provide gift ranges that are meaningful to your campaign yet specific enough to be instructive to us.

D. The total amounts in the "Gifts by Size" section and the "Gifts by Source" section should be equal. These totals also should equal the "Total Campaign Goal" listed on the fact sheet.

E. On the line for "Board (governing)," include only personal gifts from those who were members of your governing board at the time the gift was made. On the "Board (fundraising)" line include personal gifts from board members of your fundraising support organization or foundation. Gifts from advisory board or campaign committee members who are not governing board or fundraising board members should be shown on the "Individuals" line. Gifts from individuals pledged via a family foundation or a donor-advised fund held by a community foundation should be counted on the "Foundations" line.

F. For the "Other" category, please indicate on the chart the source of funds.

G. "Organizational funds" are funds set aside by the organization and earmarked for the campaign. Such funds can include, but are not limited to, membership revenue, fee-for-services revenue, special events revenue, etc.

After completing the gift chart, please fill out the fact sheet. This form is designed to capture the details of your construction or renovation project. Upload both documents as attachments prior to submitting your online application.

THE KRESGE FOUNDATION

Fact Sheet (Sample)

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Facilities-Capital Fact Sheet

Name of organization: _____

Year established: _____

Accrediting/licensure agency: _____   Date of last review: _____

Endowment value: $ _____   Date of valuation: _____

Annual operating budget for fiscal year ending: _____ $ _____

Today's date: _____

About Your Organization

Diversity Information

	Racial/ethnic minorities	Women	
Governing board	%	%	Total number of board members _____
Professional staff/faculty	%	%	
Clients/students/attendance	%	%	

Client Service Information Complete one of the three sections appropriate for your type of organization.

Health Care/Residential Care Organizations

Year _____

Inpatient admissions/residents _____

Outpatient visits/clients _____

Total value of community benefit programs provided (excluding bad debt and Medicare shortfalls) $ _____

Current hospital bond rating and source _____

Patient mix:

Medicaid	%
Medicare	%
Insurance/private pay	%

Community Colleges, Colleges and Universities

Year (fall term) _____

Full-time equivalent student enrollment _____

Percentage of faculty with Ph.D. or terminal degrees   %

Percentage of students receiving Pell grants   %

Percentage of students who are first in their family to attend college   %

Freshman-to-sophomore persistence rate   %

All Others (organizations other than those addressed above)

Year _____

Attendance/participants/audience _____

Members _____

Other (identify): _____

Page 1 of 2
9/07

THE KRESGE FOUNDATION

Fact Sheet *continued*   Name of organization: _____

Environmental Sustainability

Are you pursuing green building certification for your primary project?
_____ Yes _____ No

If yes, list certifying entity _____

List level of certification _____

Primary Project Costs

Construction/renovation	
Property purchase	
Equipment	
Furnishings	
Fees	
Contingency	
Interest	
Other (identify)	
Subtotal	$

Primary Project Timetables   Month/Year

General construction contract was/will be signed	
Renovation/construction start	
Renovation/construction completion	
Building purchase agreement was/will be signed	
Land purchase agreement was/will be signed	
Equipment purchase order(s) was/will be signed	

Other Objectives (if applicable)

Fundraising costs (to be covered by campaign)	
Other capital projects/costs	
Annual/program support	
Endowment	
Other (identify)	
Subtotal	$
TOTAL CAMPAIGN GOAL	$

If multiple contracts are involved, provide a schedule with separate costs for each component.

Regulatory Approvals   Month/Year

Zoning	
Certificate of need	
Historic preservation	
Other (identify)	

Architectural Plans (Indicate date when each level of architectural plan was/will be completed.) Month/Year

Conceptual	
Schematic	
Design development	
Construction documents	

We recommend you complete the Campaign Gift Chart before proceeding with the following portion of the Fact Sheet.

Plan for a Campaign Goal

(Figures, including total, should conform to those on the Campaign Gift Chart.)

Private fundraising	
Government	
Long-term financing	
Organizational funds	
Bequests	
Other (identify) _____	
TOTAL:	$

          Month/Year

Date fundraising for private gifts began	
Date of formal commitment of loan or actual sale of bond issue if long-term financing is used or planned	
Loan or bond maturity date	

We typically fund 8% to 10% of the **private fundraising** amount listed above. We will, however, use discretion in determining actual grant award amounts based on various factors in our review.

          AMOUNT REQUESTED FROM KRESGE $

What date will your capital campaign be complete? This date will become your challenge deadline.

          CHALLENGE DEADLINE

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Glossary of Terms

Annual support–Private gifts contributed on a yearly basis to support an organization's operating and program needs.

Backstopping–Formal use of specific alternative resources to cover anticipated government funds, planned gifts or long-term financing. These alternative resources often are organizational money, which will be replaced once the expected funding is available. The availability of replacement funds for backstopping will be taken into account on a case-by-case basis and is not an absolute requirement for submitting a letter of intent.

Challenge grant–Money pledged by Kresge that will be paid when grant conditions are met.

Challenge goal–The amount that remains to be raised to complete your total campaign objective after a Kresge grant is awarded.

Challenge period–The period of time between a Kresge grant award and your fundraising end or challenge deadline.

Challenge deadline–The end of your fundraising timetable, the day by which you will have raised your goal and met the first condition of the foundation's grant.

Integrated equipment systems or technology systems–Systems valued at $500,000 or more that are associated with the operation of your organization.

Long-term financing–Debt principal extending five years or more beyond your fundraising end date.

Organizational funds–Funds your organization has committed toward the campaign goal. The following are not considered organizational funds: long-term financing, gifts, alumni donations, board donations or financing.

Private funds–Gifts and grants in the form of written pledges or cash from board members, staff, other individuals, foundations and corporations.