

For many years, persons seeking to make giving more efficient have designed, created, or contemplated a variety of “giving funds” to support giving to nonprofit organizations and ministries. Broadly speaking, these either originate with nonprofits that look for the benefits of raising funds as a group, or with donors who seek to spread the cost of due diligence and fund administration as they pursue more effective giving.

#### TRADITIONAL APPROACHES

Older versions of this concept include the United Way, the Combined Federal Campaign, and the international missions programs of most church denominations. Each of these reaches out to a broad base of donors, raises funds into a consolidated pool, and then distributes grants to a wide variety of organizations and programs. The “how” of distribution varies from a comprehensive application process to a less formal budget proposal.

“Giving circles” are a more recent phenomenon and operate on a much smaller scale. Often functioning in a largely informal manner—yet still processing significant donations—these groups tend to use opt-in consensus. The group of 20-30 persons identifies projects, qualifies them, voluntarily pools funds, makes disbursements, and provides oversight. Social Venture Partners, created by former Microsoft executives who sought to make giving more effective through collaborative wisdom, uses a similar model in a more structured and formal manner.

#### VENTURE PHILANTHROPY FUNDS

More recently, some 40+ funds have formed that are modeled quite strictly on the venture capital model, where “investors” aggregate capital and “invest” it in qualified nonprofits that focus on solving a specific social problem. They typically: adopt an overall strategy; select conforming organizations; provide funding, leadership, and expertise; and measure performance. Two well established ones are NewSchools Venture Fund and Acumen Fund.

#### FAITH-BASED GIVING FUNDS

Christian donors interested in prudent support of ministries have experimented with a variety of giving fund concepts. These include the following with which Calvin Edwards & Company has had a relationship:

- ✓ The American Compass (formerly United Christian Charities)
- ✓ Kingdom Investor Network
- ✓ Kingdom Capital Group
- ✓ India Leadership Initiative
- ✓ Geronimo Funds
- ✓ The Barnabas Group
- ✓ Strategic Resource Group (SRG)
- ✓ Geneva Global

These have generally been modeled on products from the financial services industry, particularly mutual or venture capital funds, or investment banking. All were started by donors from the business world. These entrepreneurial innovations have met with varying degrees of success, some barely moving off the drawing board. Notably, SRG thrives as an effective way to support mission work in a very difficult region—the Middle East and North Africa.

#### BENEFITS

Benefits to nonprofits of participating in a giving fund include the following:

- ✓ A third-party does the fundraising
- ✓ A single-source; one relationship, application, and reporting (one fund rather than many donors)
- ✓ Introduces new donors to the organization, albeit indirectly
- ✓ Low cost of initial participation—generally, the expense of making an application

Donors participate in giving funds to obtain benefits such as these:

- ✓ Due diligence and pre-qualification of grantees
- ✓ Risk mitigation through diversification
- ✓ Shared costs of nonprofit and/or program research and grant administration
- ✓ Outsourced grant administration and compliance (especially for international grants)
- ✓ Professional oversight of grantees and their programs; increased focus on accountability and outcomes
- ✓ Leverage and greater impact through aggregation of funds
- ✓ Opportunity to concentrate giving on an issue/region

- ✓ Shared learning and wisdom by collaboration with other fund participants
- ✓ Access to otherwise unknown organizations and programs

## FUND PURPOSE

Commonly, funds have been created by donors seeking more effective and/or efficient giving. But special purpose funds have also been proposed by consortia of grantees to achieve a narrow social or spiritual objective. An *effective giving fund* pools capital and seeks qualified projects in which to invest it; a *special purpose fund* pools compatible projects and seeks willing capital to fund them. These approaches result in very different “products.”

**Effective Giving Fund**—This type of fund is designed to attract multiple donors and allocate funds into multiple programs at multiple organizations. The fund raises the capital, qualifies the potential recipients, allocates and grants it, provides oversight and performance evaluation, and reports back to its “investors.” Commonly, such a fund will have limits on what it supports—for example, one fund probably does not support the local symphony and HIV/AIDS prevention in Botswana.

**Special Purpose Fund**—This fund type is designed to achieve a narrow goal, possibly a short term one. The fund is a means to aggregate the work of multiple organizations towards a single purpose and attract funding for a suite of programs. It may be funded by a single donor or by several. Large foundations routinely create their own initiatives by aggregating multiple related programs— thus, they have created an internal special purpose “fund.”

## FUND DESIGN

Funds may be designed in a variety of ways. However, fund design largely means addressing these issues:

1. How does money get into the fund?
2. How does a potential grantee get considered by the fund?
3. How does a considered grantee qualify for admission to the fund?
4. Who administers the fund, performs due diligence, and ensures adherence to grant terms?
5. How does a grant get made?

Those who create and administer a fund will typically define its primary objective and design answers to these questions along a continuum from “nonprofit initiated” to “donor initiated,” with some kind of collaboration between grantor and grantee in the center. The following table portrays various potential answers.

APPROACHES TO FUND DESIGN

	Nonprofit Initiated				Donor Initiated	
<b>1. How does money get into the fund?</b>	Nonprofits contribute money	Nonprofits refer their donors to fund			Fund management raises money	Donor(s) contributes; peers invited to participate
<b>2. How does a potential grantee get considered by the fund?</b>	Nonprofits complete applications	Other nonprofits nominate/sponsor				Invited to apply/ participate based on donor-initiated research
<b>3. How does a considered grantee qualify for admission to the fund?</b>	Nonprofits self-admit, no external qualification	Peers “admit” a nonprofit		Meets pre-determined criteria	Fund management selects based on criteria	Donor(s) selects based on personal values/ preferences
<b>4. Who administers the fund, performs due diligence, &amp; ensures adherence to grant terms?</b>	Nonprofits collaborate as peers		Team of donor & nonprofit staff		Fund management &/or third-party professionals	Donor(s) &/or third party professionals
<b>5. How does a grant get made?</b>	Nonprofits decide among selves		Team of donor & nonprofit staff		Fund management &/or third-party professionals	Donor(s) &/or third party professionals (“investment committee”)

Blank boxes indicate space on the continuum.

## CONCLUSION

Consolidated giving funds can serve important purposes for both nonprofits and donors. Design options are numerous. Donors seeking the benefits of giving through this device should carefully consider the fund design and participate in those that align with their goals.

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