Survey on Granting Decisions by Florida Charitable Foundations
Executive Summary of Initial Findings
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Earlier this year, we requested that you participate in a short survey addressing the criteria used by your foundation in making granting decisions. We are grateful for your participation and now want to share some preliminary results with you. The survey was directed to Florida foundations that have $5 million or more in assets, accept grantee applications, and target grantees in the social services sector. We distributed almost 300 surveys and received 75 responses—a 20% response rate. Of these, we were able to use 57 in our study.

We have summarized our initial results into two segments. The first segment summarizes responses to individual questions. The second segment examines differences between responses for small foundations (less than $25 million in assets) and large foundations on select survey questions. The results reported here are based on these differences being statistically significant at a 5% level.

Overall, survey results indicate a strong reliance on financial data and ratios in making granting decisions. Here are some details:

- Respondents agree that applicants are more likely to be <u>denied grants</u> if they have deteriorating financial stability, inadequate income, inadequate cash flow, or high debt.
- Revenue diversification and debt ratios are given relatively greater consideration than program expense, administrative expense, or fundraising efficiency.
- Respondents prefer having comparable three-year organizational data. Comparisons with peer organizations are considered less reliable or important.
- For grant applicants facing significant financial strain, respondents are more likely to <u>approve grant requests</u> if applicants have recently undergone restructurings or have made changes to their business models.
- Respondents indicated that financial ratios are <u>not</u> misleading indicators of performance, yet they noted that financial data are subject to manipulation.

Responses to non-financial questions show:

- Respondents strongly agree on the importance of applicant mission and strategic plan.
- Relationships with or longevity of applicant CEOs are <u>not</u> important factors in making grants, nor is financial expertise on the applicant's board a major criterion.
- When matched against financial considerations, qualitative factors (reputation, program accomplishments, need for services, grant history) are generally considered to be more important; however, applicant revenue diversification is more important than financial expertise on the board and profitability is more important than a relationship with the nonprofit CEO.

Our analysis of differences between small and large foundations reveals the following:

- Respondents representing <u>small foundations</u> are more likely to rely on reputation, financial results, and charity watchdog ratings.
- Respondents representing <u>large foundations</u> generally favor relationships with applicant CEOs and having financial expertise on the applicant's board.
- Respondents representing large foundations more strongly agree that financial data are subject to manipulation—and indicate that financial data are less reliable.

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