

Full Cost Project: Key Messages for Funders

Nonprofits Need Profits

- Encourage grantees to budget to a surplus. Surpluses meet liquidity, adaptability, and durability needs.
- Accept that there is no such thing as self-sufficiency in the nonprofit sector. Nonprofits will need contributed revenue to carry out their mission – forever.
- Encourage your program staff to ask grantees about full cost budgets, and ask what costs have been left out of the grant budget. Nonprofits are well practiced in low-balling costs and looking leaner than they should.

Keep Transaction Costs Low

- General operating support grants have lower transaction costs for foundations: simpler contracts and monitoring. For grantees, they take less time to account for and can be deployed more efficiently.
- Restricted grants carry a greater risk of causing unintentional harm, and therefore require more due diligence from the foundation. Grantees must spend significant time puzzling how to spend down each restricted grant in relation to one another, and develop complex 3D accounting structures to comply with spending restrictions.
- There should be good reason for making a restricted grant. If you do not trust the grantee, do not make the grant at all.
- Determine your net financial contribution to the sector.
 - Subtract *estimated cost of time spent by organizations on all applications received from total grant awards made*. Don't forget to subtract the reporting and compliance time spent by successful applicants to manage the grant!

Know the Role Your Dollars Play; Structure Awards Accordingly

- If your grant buys on-going services (what the organization already does), pay your fair share of indirect costs plus a margin for surplus. If you don't, who will do so in your absence?
- If your grant is an investment to strengthen or change an organization in some way (buy a building, expand a program, seed reserves), set clear expectations in partnership with the grantee. Ensure adequate time and resources are in place to achieve the desired change.

Use Your Social Capital

- Make incremental changes in your own foundation. Full cost funding is a journey.
- Introduce colleagues in other foundations to the full cost approach.
- Advocate for government contract reform; ask your philanthropic colleagues to do the same.

Find more resources at fullcostproject.org

NFF can support your foundation and/or grantees on the full cost journey. Contact Claire Knowlton, Director at 213.623.7001 x506 or cknowlton@nff.org, or visit nff.org.