



## One-Year vs. Multi-Year Grants

➤ What will the time horizon of your giving circle's grants be? Generally, making multi-year grants is considered a best practice in the philanthropic sector. However, it's often challenging for giving circles to provide multi-year grants. More so than in other philanthropic vehicles, funds in giving circles can fluctuate significantly from year to year, since the number of members and their giving levels are not constant, and membership contributions tend to be made annually. Members also need to be engaged each year in active decision-making, and new members might not like being obligated to continue funding that was promised before they joined the circle.

Most giving circles, therefore, make one-time or one-year grants only, unless circle members make multi-year commitments to the circle. Recognizing that very little change can happen in a year, however - that usually takes a long time to make real and lasting impact - some circles will renew grants to organizations for several years, provided there are no compelling reasons to discontinue funding.

This is another area of giving where "right-sizing" comes in: your circle's funding approach should be right-sized to address the time horizon (and scale) necessary to accomplish your goals. So, for example, seriously consider whether "ending poverty" or "renewing Jewish life" can be accomplished through relatively small, one-year grants. The more realistic you can be with your expectations, and the more you can tailor your funding time horizon to the time your grantees will need to accomplish their goals, the better.

As always, whether you choose one-year or multi-year funding, be sure to align your grant application and reporting requirements with the amount of money you are giving away.

As your circle considers the time horizons for your funding, consider the benefits and drawbacks of funding grantees for a shorter vs. longer period of time.

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### Questions to consider

- ➔ Do the changes your circle wants to make in the world happen in short or long time frames? "Ending poverty" is a long-term goal, as are curing diseases, economic development, and changing attitudes. But goals like "providing access to better quality food," "holding programs to reach LGBT youth," "creating an artists' fellowship," and "developing a Jewish environmental curriculum" can be accomplished and measured much more quickly.
  - ➔ If your goals are more long-term, will you be able to make multi-year grants, or offer potential grant renewals on one-year grants?
  - ➔ What criteria would an organization have to meet to be considered for multi-year funding?
  - ➔ Should you reduce support over time to keep the grantee from relying too much on your giving circle support?
  - ➔ How can you help the grantee to identify and solicit other sources of support? Can you make introductions to other funders, offer challenge grants, or advocate publicly for your grantees?
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## One-year (or One-time) Funding

### Benefits

- Provides ongoing grantmaking activity for giving circle members
- Members are not beholden to decisions made by members in previous years
- Encourages grantees to broaden their funding base quickly
- Enables the giving circle to fund many organizations as time goes on
- Can encourage the giving circle to take more risks, as a shorter term grant requires less overall investment and commitment

### Drawbacks

- More work for circle members, year after year, to review applications and progress reports
- Circles can become “fickle,” responding only to current members’ interests, rather than building on learnings from previous years
- Challenging and time-consuming for grantees (especially for small & startup organizations) to fundraise from multiple funders each year
- Breadth vs. depth. Too much diversity can mean a lack of focus and less impact
- See comments about being “fickle” above. Good ideas will need time and ongoing funding to fully develop

## Multi-year Funding

### Benefits

- Enables giving circle to build a real partnership with an organization
- Creates longer-term learning experiences for giving circle members, who can build on the previous year’s learnings and deepen their engagement with an organization over time
- Encourages grantee stability by minimizing time devoted to fundraising and freeing up more time for organizational development
- Allows grantees to plan ahead

### Drawbacks

- Can lead to an organization to rely too heavily on too few sources of funding
- Obligates current members to decisions made by members in previous years. Restricts the decision-making and grantmaking dollars available to current members, whose priorities may be different.
- Can lead to organizational complacency and a lack of attention to fundraising & donor stewardship. Fundraising is part of the “real” work of an organization, and is not less important than the time devoted to programming.
- If the grant terms are too restrictive (e.g. program support only), organizations may not have the flexibility they need to change how money is used as their work evolves



### TIP

If you want to experiment with multi-year funding, trying doing so with one or two grants from a given year's portfolio. Ensure that you will have the money to pay out the future year's grants by (1) setting aside the entire amount of the grant award from the circle's grant budget in the year you make the first payment on the grant, or (2) asking (at least) a few core members to make a multi-year commitment to the giving circle to cover the amount of the grant in future years. Figure out what you will require in terms of reporting and updates from the grantees over time (short annual reports instead of grant renewal applications?) and talk openly with members over time about the strengths and weaknesses of the multi-year model for your circle.