

## Weight Lifting for Non-Profits: Capacity-Building Grants Explained

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Grants to organizations for capacity-building purposes are certainly not new. However, in the last several years, a targeted effort from certain federal agencies and some community foundations to reach out to the rapidly growing number of faith-based and community-based organizations has brought this special type of grant to the fore. There are now many opportunities for receiving capacity-building funds, especially for smaller or new non-profits.

Capacity-building grants differ from program grants or grants to operating funds in one important way - capacity-building grants are focused specifically on providing tools, resources or skills to an organization that improve that organization's ability to achieve its mission. In other words, teaching an organization to fish, or maybe buying it some fishing poles instead of just handing over more fish. General operating funds are not considered to be capacity-building, because they do not have the long-term effect of improving an organization's "capacity" to serve its clients, patients or students.

One of the most common illustrations used to explain this concept is that a food bank could use a capacity-building grant to purchase a walk-in freezer or delivery truck. Why does this count? Because with a larger freezer or a truck, the food bank can deliver more meals to more people - from now on.

Just purchasing more food would not be considered capacity building. Why not? Because after the food has been distributed, what does the organization have to show for it? There is no permanent increase in its ability to serve more people. Therefore, most funders apply a second litmus test to the capacity-building issue: After the end of the grant period, what increase in the organization's infrastructure, skills or tools will the organization be able to point to?

These funders prefer to allocate their capacity-building funds to activities such as board recruitment or development, strategic planning, filing for 501(c) status, fundraising training, creating a fundraising plan, installing a database, volunteer development, conducting a community needs assessment, and so on.

While it is very tempting for overworked staff to immediately latch onto the idea that hiring more staff is their greatest need, and while most can make eloquently moving arguments about how a new employee would truly enhance their organization's capacity to serve more patients or tutor more children, these pleas usually fall on deaf ears.

Capacity-building grants are generally designed to be relatively small, one-time shots in the arm. As a result, most programs exclude hiring staff from the list of allowed activities. Consider again the litmus test question: After the end of the grant period, what increase in the organization's infrastructure, skills or tools will the organization be able to point to?

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The way most capacity-building funders look at it is that at the end of the grant period, a new employee is just another employee, someone for whose salary the organization must now raise funds, or else terminate that person. There are some exceptions, and some funders do allow the hiring of a development officer, for example. But **in general, hiring staff is not considered true capacity building**, only applying a band-aid.

Capacity-building programs, especially the federal ones, also usually do not allow the use of grant funds for direct fundraising activities. So, while grant funds may be used to develop a fundraising plan or to receive grant writing training, an organization **may not use capacity-building grant funds to actually solicit donors**. Yes, of course, raising more money would increase the capacity of most organizations, but the federal funds are restricted by law, and most private funders see fundraising as a short-term, finite activity. After the money has been spent to mail out the letters, what increase in infrastructure, skills or tools will the organization possess?

It's not worth the effort trying to change the minds of those who exclude hiring staff or fundraising from the list of fundable activities. Instead, **focus on other resources, skills, or infrastructure enhancements that can make a long-term difference in either your organization's ability to do more with its current personnel structure or will enable the organization to obtain more resources in the future**.

There are three places organizations interested in receiving capacity-building funds should look first. The most well-known funding opportunity is the **federal Compassion Capital Fund Targeted Capacity Building** grants program. This program is operated by the Office of Community Services within the Department of Health and Human Services, Administration for Children and Families. The funding competitions usually take place in late Spring. This program is unique because applicants are not required to hold 501(c)(3) status to qualify.

Next, more and more community foundations are taking on roles as non-profit resource centers in their communities while sometimes allowing organizations to apply for capacity-building funds out of their unrestricted grant funds. Note, these are usually quite small but should not be overlooked.

Third, organizations, universities or cities that receive a Demonstration Grant from the Compassion Capital Fund are called Intermediary Organizations. They get one big chunk of money from the Department of Health and Human Services to provide capacity-building services and to award their own capacity-building grants to other organizations.

Most Intermediary Organizations serve particular geographic regions, but some have national reach. Non-profits within the service area of an Intermediary Organization will probably see publicity materials regarding the program and so should pay attention to invitations to participate in non-profit roundtables, training and technical assistance offerings, or grant competitions.

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Capacity-building grants reflect a philosophy of wanting to empower grass-roots, faith-based, and community-based organizations to be more effective organizations so that they may serve more people and serve them well. Don't let the little quirks of this type of grant kept you from accessing capacity-building funding for your organization.

### About the Contributor

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Cheryl L. Kester is a principal of Thomas-Forbes & Kester, a consulting firm helping non-profits, institutions of higher education and faith-based organizations obtain grant funding. She has been a grants professional since 1999 and for several years ran a one-person grants office for a private college, where she also was called upon to draft strategic plans, case statements, magazine articles and thank you letters! Her favorite successful grant application won a Johnson & Johnson grant for a local health care clinic, but she has a secret love of federal grant applications.

She holds a bachelor's degree from John Brown University and a master's degree in English from Georgetown University. She is a member of the Association of Fundraising Professionals and is president of the northwest Arkansas chapter of AFP. She is holds the CFRE certification and is also a member of the American Association of Grant Professionals.

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