Who Makes Charitable Grants?

Charitable grants are typically made by a variety of entities. They are as follows:

**Foundations:** Nonprofit organizations that give away money to achieve charitable goals. In exchange for a privileged tax status, foundations must benefit society. The IRS requires that private foundations pay out 5% of their assets annually for charitable purposes. They are generally established explicitly to donate money, and are in the business of giving. Giving patterns tend to follow the wishes of the founder, priorities of current board members, or the advice of professional foundation staff.

**Corporations:** Businesses giving back to society and customers through charitable contributions and investing in communities where they operate or have customers.

Other organizations: Professional associations, donor-advised funds, giving circles, etc. usually organized to support a specific goal of the individuals involved in the organization (such as scholarships or medical research).

Why do organizations make charitable grants?

**Foundations** primarily give for the following reasons:

- To foster good ideas—social, scientific, educational, technical or other forms of innovations—that might not get supported by the business community (constrained by the needs of the market) or by government (constrained by politics). This freedom to make a difference in society through charitable investments is what accounts for the collective name used to describe foundation grantmakers as the “independent sector.”
- To garner publicity and recognition
- To benefit the lives of a specific community of people, sometimes local, sometimes, global.

**Corporations** give for a variety of reasons, including:

- To improve employee relations and quality of life for employees and customers
- To exercise enlightened self-interest, such as:
  - providing grants to a university from which employees are often recruited,
  - offering employees the chance to participate in charitable activities, which raises morale and increases retention
  - to enhance the workforce, such as through specific education programs
- To advance knowledge in a field relevant to their business (research)
- To garner positive publicity and recognition

**Foundations** seem to have a lot of strange rules. Why is that?

Foundations operate within the context of tax law, their own founding charters and traditions, the vision of their leadership, and the reality of the places and people they try to help.

**Legal Context**—Tax law accounts for a number of “strange rules.” For example, though there are exceptions,
most foundations give only to U.S. organizations tax exempt under section 501(c)(3) of the Internal Revenue Code in order to ensure in a simple way that their giving is “charitable” in nature and will not raise questions at the I.R.S.

**Traditions**—The founding charters and traditions of a foundation often set the parameters of its giving program. For example, a founder may have determined that the purpose of the foundation is to “foster the arts in Cleveland.” In that case, even if the founder passed away many years ago, current foundation trustees and staff will continue to fund organizations that foster the arts in Cleveland, though they may have the flexibility to branch out to surrounding communities.

**How big a force is the charitable grants sector?**

- Nationally, there are more than 100,000 grantmakers.
- In 2011, Arizona nonprofits received 1,300 grants totaling nearly $140,000,000.
- In Arizona, there are more than 1,400 grantmakers.
- In 2011, the most recent year for which such data is available, grantmakers provided $24,592,924,732 in grant funding.