# SPEND-OUT LESSONS AND TIPS

## DEVELOPING A SPEND-OUT BUDGET

A spend-out foundation does not have the luxury of a three-year rolling average of 5 percent payout. So how do you develop a fiscal plan? Here are some tips:

1. **Develop a comprehensive financial plan**—with expense and income projections—that covers the life of the foundation.

2. R**evisit early and often and adjust as necessary** to sustain grant making commitments and ensure the foundation does not run out of money in the final year.

3. **Develop spending plans for different scenarios**—best case, likely case, worst case.

## MANAGING STAFF IN THE FINAL MONTHS

All good things must come to an end. For Beldon, as with any foundation, one of the biggest challenges was ensuring that key personnel stick around until the last day. Here's how they did it:

1. **Communicate Staffing Plans Clearly and Early.** With the final round of grants slated for June 2008, the board and executive team laid out an attrition plan in early 2007. They slated four people to leave by September 2008 and the remainder to stay until the final day.

2. **Help People Find their Next Job.** Staff members were given plenty of warning networking assistance and significant leeway in finding their next job.

3. **Create Incentives to Retain Key People.** Beldon provided modest financial incentives to encourage people to stay until the end.

4. **Be Flexible in Letting People Go.** The foundation was practical enough to recognize that people would leave earlier than expected.

5. **Consider Hiring Senior-Level Consultant Back-up.** Beldon placed a consultant on retainer its last year to serve as a "utility infielder" should a staff member leave earlier than anticipated and to back up remaining staff.

**BUILDING A FIELD OF PRACTICE**

As a foundation with an ambitious policy agenda and a limited time frame, Beldon pushed the envelope in several areas: funding sophisticated nonpartisan civic engagement activities, encouraging collaboration among grantees, and reaching out to new allies. To help ensure this work would continue after Beldon's exit, the foundation sought to build support among other funders for specific approaches to policy advocacy. Here's what we learned:

1. **Establish Leadership.** Leadership based on expertise and demonstrable results can attract other funders to your work.

2. **Cultivate Other Funders.** Peer-to-peer networking helps position other funders to take over as field leaders and supporters of key grantees.

3. **Invest in Funder Networks.** Funder networks will provide important infrastructure that can sustain your work after you're gone, so invest in them early on.

4. **Invest in Grantee Networks.** Provide peer learning opportunities that will foster productive relationships among grantees.

5. **Capture Stories and Distill Lessons.** Sharing what you learn along the way builds the field's knowledge base and will help strengthen your own and other funders' grant making.

beldon fund

**ACHIEVING IMPACT IN A LIMITED TIME FRAME**

Beldon's ten-year horizon for accomplishing its goals carried its own set of advantages and challenges. On the one hand, having a limited time frame created a sense of urgency that led to bolder grant making. On the other hand, it meant the foundation had a smaller margin for error because there was less time to learn from mistakes.. Here's what we learned about achieving impact in a limited time frame:

1. **Learn Quickly.** Having a sunset date means there's limited time to learn from mistakes and adjust course.

2. **Use Evaluation to Refine Strategy**. Develop programmatic benchmarks of success and use external evaluations with anonymous feedback to assess progress. An evaluation that looks at the overall impact of program strategies, rather than just individual grants, will indicate if you're on the right track or need to make changes.

3. **Keep a Tight Focus.** It's better to start with a few areas where you are likely to make a difference than to take on too many issues and then have to pare down.

4. **Be Bold.** Develop or adopt innovative strategies geared to bring change within a limited time frame.

5. **Manage Risk.** Taking chances can lead to breakthrough solutions, but not all bets pay off. Learn from those that don't work out and move on.

6. **Look for Synergy Across Program Areas.** Develop a strategy early on to connect, where possible, the work of major programs in order to achieve greater scale and deeper impact.

7. **Ensure Budget Flexibility.** Allocate assets to allow flexibility to respond to unanticipated funding opportunities or critical needs in the field.

8. **Build the Field.** Hire staff members who can bring other funders to the work.

9. **Use All the Foundation's Resources – Not Just Money.** Capitalize on staff's issue expertise, funder connections, and ability to serve as a sounding board for problems and ideas.

## RESPONSIBLE EXITING PRINCIPLES

1. **Communicate Clearly with Grantees.** Beldon gave ample notice of its impending sunset and provided the resources grantees needed to plan for their futures beyond 2008.

2. **Begin Early to Position Grantees for Exit.** Beldon provided long-term general support that strengthened grantee organizations and better positioned them to attract other sources of funding.

3. **Help Grantees Find New Funding.** Beldon supported training that bolstered grantees' fund-raising skills and it played an active role helping grantees connect with other funders.

4. **Establish Expertise that Will Attract Other Funders.** By sharing its expertise about trends in the field and effective strategies and demonstrating through its own grant making the viability of new approaches, Beldon was able to draw other funders into supporting this work.

5. **Structure Final Grants to Prepare Grantees for Transition.** By offering matching or challenge grants one to two years before Beldon's exit, and by tapering its support, the foundation encouraged grantees to develop new sources of funding.

6. **Encourage Grantees to Forecast in Anticipation of Your Exit.** Knowing that denial is a powerful mechanism, Beldon asked all grantees to provide with their final grant request a multi-year income and expense budget showing how they planned to fill the gap left by Beldon's exit. Most grantees indicated that they intended to bank a portion of their final grants to ease their transition to other sources of funding.

7. **Set a Cutoff Date for Accepting New Grant Letters of Inquiry and Communicate it Early.** Beldon had neglected to clearly communicate its cutoff date, engendering confusion—and some resentment—among rejected grant applicants.

8. **Maximize Impact by Sharing Lessons.** In its final year, Beldon sought to capture its story, distill useful lessons, and develop a strategy to share this information. The purpose was to inform and influence funding and advocacy practices in the field going forward. In retrospect, the foundation concluded it would have been wise to conduct this kind of communications throughout its lifetime. But an exit provides a compelling opportunity to distill insights gleaned from the entire arc of your grant making.