

Making Grants to a Pooled Fund: What Grant Managers Need to Know

By Jordana Belke and Lydia Guterman

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There are many ways that donors collaborate to advance their work in a particular field or issue. They might convene as a group to learn together, align their funding or operational strategies, and/or pool their financial resources to increase their impact. When donors wish to pool their resources, an intermediary can serve as a neutral and efficient platform to receive and deploy funds. Arabella Advisors manages several nonprofit intermediaries that have hosted more than 40 pooled funds over the past decade. We have learned many lessons along the way about what makes them successful. Below we share a few that are particularly relevant to grants managers.

What is a pooled fund?

In a pooled fund, multiple donors make grants to a single entity, often a 501(c)(3) intermediary, to have a greater and more coordinated impact on an issue. Dollars are combined to create a larger pool of funds, and participating donors jointly make recommendations about how these funds can be used.

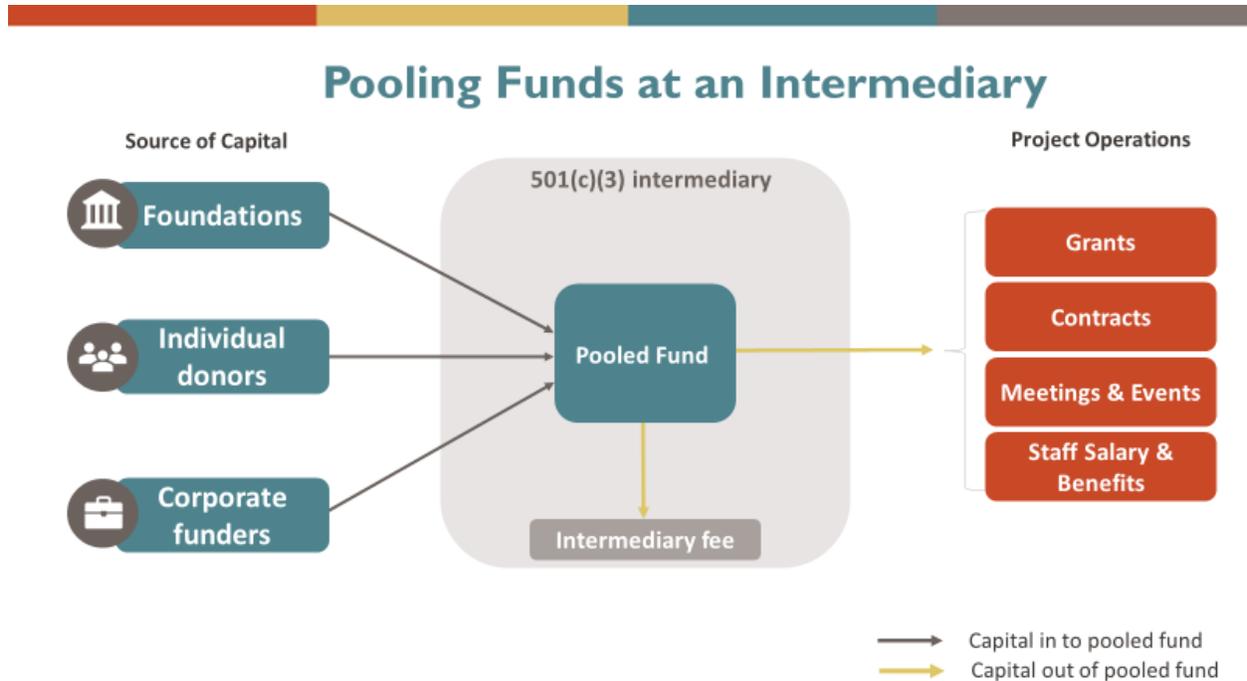
How do pooled funds work?

As you can see in the image below, dollars are aggregated into a communal pot and used to pay for activities such as grant making, contracts, fund employee salaries, and other programmatic and operational expenses. If the pooled fund is hosted at an intermediary, that intermediary would manage finances, compliance, lobbying restrictions, grant making due diligence, and human resources for the fund. Typically, the intermediary, with input from the donors, hires a director to set strategy, oversee day-to-day activities, and serve as the liaison between the intermediary and contributing and potential donors. Intermediary services are usually paid for as a percentage of contributions going into the pooled fund.

Pooled funds are guided by a governing body, usually comprised of its donors, with the option to include non-donors—such as issue experts—as well. The governing body is responsible for making recommendations to the board of the intermediary about the use of the funds.

Typically, the intermediary provides pooled fund donors with one set of financial and narrative reports about overall fund activities and expenditures. Each donor would not receive reporting on their specific contribution. For example, in a \$5M pooled fund, a donor who contributes \$50K would receive an annual narrative and financial report on how the full \$5M was spent, not their \$50K. This reporting structure streamlines fund administration and

allows donors and grant managers to focus their time and resources on achieving the fund's philanthropic goals, not juggling fund operations.



Joining a pooled fund: benefits and considerations

Pooled funds hosted at an intermediary provide philanthropists with unique benefits, such as:

1. Combining financial resources with others to more effectively advance shared goals
2. Executing fast, responsible, and efficient grant making and other project activities with little administrative burden
3. Flexibly making grants of various sizes and types that may be challenging for foundations to execute directly, including those for rapid-response, international, and small grants
4. Fostering opportunities for hosted initiatives to engage in lobbying activities. While private foundations are unable to directly support lobbying activities, they can make grants to support projects that include lobbying. When private foundations join forces in pooled funds, working in careful coordination with the intermediary, they can compliantly create lobbying capacity that otherwise would not be possible
5. Sharing information and learning as a group about an issue of particular interest

Pooled funds hosted at an intermediary are good for donors who are:

1. Motivated by collaboration and comfortable with shared decision making
2. Able and willing to accept narrative and financial reporting for the fund overall, not their specific contribution
3. Able to invest time in guiding the strategic programmatic direction of the fund and its resources

For grantmakers and managers looking to collaborate with peers to increase their impact on an issue, pooling funds at an intermediary can greatly alleviate administrative burdens that might be prohibitive to running the same grant-making program in-house. An intermediary that is set up to make rapid grants of all sizes across geographies provides grant managers with a new set of tools for designing and executing a strategy. For further reading on best practices for pooled funds, see [Three Ways to Maximize Impact Through Collaboration](#) and [Five Keys to Effective Donor Collaboration](#).

Jordana Belke

Jordana Belke joined Arabella Advisors in 2015. In her role as Associate Director, she oversees a diverse portfolio of projects and helps clients achieve their charitable goals by providing operational, financial, and human resources support. Her projects span a range of public interest areas, including gun violence prevention, education, and youth justice. Jordana specializes in managing and structuring donor collaboratives.

Lydia Guterman

Lydia Guterman is a senior director on Arabella's consulting team. She works on a range of strategy, evaluation, and donor collaboration projects for institutional, family, and corporate clients. Her work focuses on helping clients achieve their greatest impact by developing strategic and productive partnerships. Her projects span multiple issue areas including early childhood and English learner education, criminal justice reform, health equity, and housing and sustainable communities. Prior to joining Arabella, Lydia worked at The Leona M. and Harry B. Helmsley Charitable Trust and the Open Society Foundations, where she developed and implemented global and domestic grant-making and advocacy strategies to increase access to quality health care for underserved populations. In these roles, she managed capacity-building initiatives for emerging nonprofit organizations and oversaw funding for innovative training programs for health professionals.



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