Common Types of Grants

Most grants awarded by foundations and corporate giving programs can be categorized as one of two types:

- General Purpose or Operating Support Grants
- Program Development or Project Support Grants

General Purpose or Operating Support Grants
When a grantmaker gives your organization an operating grant, you can use it to support the general expenses of operating your organization, from a specific program to the heating bill. An operating grant means the funder supports your organization's overall mission and trusts you to make good use of the money.

Program or Project Support Grants
Aside from general purpose or operating support grants, most other grants are some form of program or project support. In general, a project grant is given to support a specific, connected set of activities, with a beginning and an end, explicit objectives and a predetermined cost. When a funder gives a grant for a specific project, it is generally a restricted grant and must be used for that project.

Typically project grants are given to support projects related to the mission of the nonprofit receiving the money. There are dozens of kinds of project grants. Here are some of the most common:

Planning Grants
If your organization is planning a major new program, you may need to spend a good deal of time and money just figuring out what it will look like. Before you can even write a proposal to fund the new effort, you may want to research the needs of your constituents, consult with experts in the field, or conduct other planning activities. A planning grant supports such initial project development work.

Seed Money or Start-up Grants
A start-up grant helps a new organization or program in its first few years. The idea is to give the new effort a strong push forward, so it can devote its energy early on to setting up programs without worrying constantly about raising money. Such grants are often for more than one year, and frequently decrease in amount each year. For instance, a grant might be for $25,000 the first year, $15,000 the second year, and $7,000 the last year. The funder assumes that the new organization will begin to raise other funds to replace the decreasing start-up grant.

Management or Technical Assistance Grants
Unlike most project grants, a technical assistance grant does not directly support the mission-related activities of the nonprofit. Instead, it supports the nonprofit's management or administration — its fund raising, marketing, financial management and so on. Such a grant might help hire a marketing consultant or pay the salary of a new fund-raiser position.

Facilities and Equipment Grants
Sometimes called "bricks-and-mortar" or capital grants, these grants help an organization buy some long-lasting physical asset — a building, computer or van, for instance. The applicant organization must make the case that the new acquisition will help it serve its clients better. Funders considering a request like this will

not only be interested in the applicant's current activities and financial health, but will also ask about financial and program plans for the next several years. They want to be sure that, if they help an organization move into a permanent space, for example, the organization will have the resources to manage and maintain it. No funder wants to help pay for a new building, only to have it close in four years because it is too expensive for the nonprofit to maintain.

Endowment Grants

Some nonprofits have set aside money that is invested and earns interest. The nonprofit spends only the interest and keeps the original sum (the principal) untouched. Such a fund is called an endowment and is commonly found within nonprofits with large physical plants, such as hospitals and colleges. Periodically, nonprofits launch fund-raising efforts to start, or add to, an endowment. Like facilities and equipment grant proposals, endowment requests will prompt funders to ask hard questions about the long-term financial outlook of the applicant. The funder wants to be sure that its gift to an endowment will stay in the endowment earning interest, and not be drawn out of the endowment to meet annual operating costs.

Program-Related Investments (PRIs)

In addition to grants, the IRS allows foundations to make loans — called program-related investments (PRIs) — to nonprofits. PRIs must be for projects that would be eligible for grant support. They are usually made at low interest, or even no interest. Unlike grants, PRIs must be paid back to the grantmaker. PRIs are often made to nonprofits involved in building projects.

Source: http://www.mcf.org/nonprofits/common-types-of-grants, 2015