



IN PRACTICE:

**HOW FOUNDATIONS CAN
COMPENSATE STAKEHOLDERS
FOR THEIR TIME**

AMBASSADOR INSIGHTS

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HOW FOUNDATIONS CAN COMPENSATE STAKEHOLDERS FOR THEIR TIME

If a foundation convenes key stakeholders, including grantees, to inform a project like its strategic plan, should it compensate interviewees for their time and knowledge?

While it wasn't common practice in the past, **Janeen Comenote**, Executive Director of the National Urban Indian Family Coalition, believes it should be an industry standard: "If the foundation is gathering information to inform their practice and strategy, the stakeholders should be compensated." Managing Director **Melinda Tuan** at Fund for Shared Insight adds, "Those who are most impacted by our decisions, but often least consulted, can offer unique and valuable insight into how to bring about lasting, meaningful change that improves people's lives in ways they define for themselves."

Tim Delaney, President and CEO of the National Council of Nonprofits, the largest nonprofit network in the United States with more than 25,000 organizational members, agrees: "If a foundation asks a consultant, attorney, or other professional for advice or insights, it compensates them. When a foundation asks nonprofit leaders for their professional insights or expert advice, it should do the same." He cautions, however, that a "rule of reason" needs to be applied. "If a funder is curious about, for example, how its grants portal works from a grantee's perspective and simply asks some questions during a conversation, no one should expect any compensation for casual opinions. But if the funder asks a grantee to spend half a day beta testing a portal or to attend lengthy meetings to benefit the foundation, then it's only fair to compensate the person."

As foundations are coming to grips with what equity in philanthropy means, a consensus that nonprofit expertise should be valued—monetarily—is emerging. In the words of **Antony Bugg-Levine**, Managing Director at Lafayette Square: "If you are asking people to share their time, you should pay for it with money, not 'publicity' or 'a chance to contribute to the mission.'"

Catherine Dun Rappaport, Senior Vice President of Impact Management at BlueHub Capital, agrees that it's a "great practice" and points out that equity evaluation circles like [We All Count](#) recommend it. Anything else fails to take into account the power differential—how can a nonprofit leader comfortably decline a request from those who hold the purse strings?

When **Lowell Weiss**, President of Cascade Philanthropy Advisors, asked his fellow Leap Ambassadors for guidance on requesting nonprofit expertise for a foundation's benefit, he wanted to dig into implementation. So, he posed a series of questions; here's a summary of ambassadors' insights.

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MONEY OR GIFT CARDS? WHAT'S AN APPROPRIATE AMOUNT?

When Weiss asked whether foundations should cut checks or provide charitable gift cards to the interviewees, ambassadors favored the former: Foundations should cut checks directly to contributing stakeholders.

Some foundations go the route of stipends, honoraria, and additional benefits. Seven years ago, **Denise Zeman** led a philanthropic organization that paid a \$100-\$150 honorarium, and “in addition, we offered hospitality in the form of a nice meal, depending on the time of day. We also frequently gave them a relevant book as a token of our appreciation.” **Dave Coplan**, Executive Director of the Human Services Center Corporation, recently received a \$100 honorarium when he provided insights to The Pittsburgh Foundation. According to President and CEO **John Hecklinger**, Global Fund for Children provides a combination of honoraria and communications stipends when recruiting youth in Africa, the Americas, and South Asia to take part in its Spark Fund program. Interim CEO **Donna Callejon** shared that GlobalGiving is experimenting with a number of compensation framework alternatives as it continues to develop new tools to engage its nonprofit stakeholders in co-creation style processes.

Tuan shares that, as a part of Fund for Shared Insight’s move to greater equity in operations, they have committed to “compensating people fairly and generously for their time and lived experience.” Here are some examples:

- When they invite participants of grantee organizations to speak about their experiences with the initiative, they typically give Visa gift certificates of \$50-100.
- When individuals from nonprofits are invited to speak at funder events or nonprofit/funder conference sessions, they get \$300 honoraria, per diem for food, and coverage of expenses for travel and accommodations.
- When organizations share their feedback stories publicly, they receive \$1,500. Videos are more time consuming, and Fund for Shared Insight recently paid \$6,000 to cover staff time and compensation for featured clients’ transportation costs and missed work in connection with “[This is My Story](#),” in collaboration with the Center for Employment Opportunities.

Others believe foundations should pay a generous hourly fee. “Most foundations who have compensated me for my time and expertise have paid from \$250-\$500,” Comenote writes. She recommends that \$250 be the hourly baseline, especially if the purpose is to inform philanthropic strategy. She reasons,

When it’s philanthropy benefiting from the time and expertise of a stakeholder, it subtly acknowledges the power imbalance embedded in the foundation-grantee

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relationship. Being generous with immense wealth sends the right kind of message philanthropy should have for the citizen and grantee community it serves. Especially during a time when people are legitimately suffering under extreme wealth inequality coupled with a skyrocketing cost of living. Philanthropy is a 'have' when so many 'have not.'

Other ambassadors argue for what Dun Rappaport calls a “professional-level” compensation, especially when it comes to strategic-planning scenarios. That means, first, paying what you would pay a consultant. In Delaney’s view, it’s a matter of equity: “... instead of paying a low amount that is basically tokenish or pulling an arbitrary number out of the blue, pay the same amount as the highest hourly fee being charged by the consulting firm.” He explains, “If, for example, a foundation has hired a consulting firm for a project and pays the firm at a rate of \$300/hour for the partner in charge, \$200 for the standard-level consulting staff, and \$100 for the junior staff, then pay the nonprofit leader at least \$300/hour, because the foundation is asking the nonprofit leader to provide professional perspectives that the consulting firm’s lead partner cannot provide.”

Second, Delaney argues, “Pay for the full time consumed and not just the time for the interview. Consulting firms routinely charge for time traveling and preparing. Just like a foundation leader would spend time preparing for an interview with the media so as not to look foolish, nonprofit leaders will want to prepare when being interviewed for a foundation.” Again, the power dynamics come into play.

WHERE SHOULD THE MONEY GO?

Weiss also asked whether foundations should encourage interviewees to use the money on themselves rather than their organizations. “This is not for the foundation to determine, encourage, or indicate,” Comenote insists. Dun Rappaport, Bugg-Levine, **Meridith Polin**, and **Andrew Niklaus** agree that leaving it to the person interviewed is the most respectful approach.

At The Pew Charitable Trusts, where Polin directs the Evaluation Capacity Initiative, the interviewees are asked whether the check should be cut to them or their organization. Posing this question is good practice, Bugg-Levine explains, because “if a person wants the money to go to their organization, the funder should send it directly. If it first goes to the person, who then donates it to their organization, there could be unanticipated taxes.”

Delaney adds, “A foundation should not interfere with the relationship between the nonprofit leader (or other interviewees) and their employer. Employment agreements or employee policies sometimes contain a provision that any money earned in connection with the job must go to the organization (e.g., speaker’s or consulting fee). By paying a

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government employee directly, the foundation might unwittingly subject that person to charges of violating ethics laws, which differ between jurisdictions. So it's best to ask the person."

COMPENSATE EVERYONE?

"Should the foundation compensate ALL interviewees or just the nonprofit leaders?" Weiss asked. Comenote believes all interviewees should be compensated, and **Chris Shearer**, Founder and Principal of Third Sector Strategies, argues that all interviewees should be paid the same, regardless of their role: "If the foundation thinks someone's expertise is worth a targeted 60-minute interview," their status shouldn't make a difference. In the context of strategic planning, whatever they are paid will amount to "a rounding error," in his view.

At The Pew Charitable Trusts, Polin says they don't currently offer honoraria to interviewees representing other funders, partners, or field experts: "We generally see their engagement as part of their core mission." If a foundation does pay non-charitable interviewees, Delaney suggests giving them the option of identifying a particular charitable nonprofit to receive the payment as a donation from the foundation: "This approach—a nudge of awareness to the possibility of helping the greater good—likely will result in more money going to the nonprofit community, where it is needed."

LEARNING AS YOU GO

This is new territory for funders and nonprofits and an opportunity to learn together. Fund for Shared Insight, for example, became very aware of the transaction costs involved with providing relatively small sums of money. Tuan says, "In some cases, individuals have turned down our offer of \$1,500 because there were too many forms and steps involved." They've also become "careful to alert recipients of our honoraria that the payments are counted as taxable income and should be reported as such on their tax returns." They consult with nonprofit partners and are working to make the payment process more equitable and accessible.

BEYOND COMPENSATION

Dun Rappaport urges foundations to "share back, for example, summarize what you learn and give it back to participants so that (1) there's transparency in how you're using what you learn, (2) they can also access and benefit from the learning, and (3) they can opine about how what they're sharing is interpreted or used." Shearer describes this process as "closing the loop."

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ONE SIZE DOES NOT FIT ALL

There are many scenarios in which the question of paying grantees for their time can come up. “What if the foundation wants to undertake site visits [as] part of its strategy?” Shearer asks. When Fund for Shared Insight takes funders to visit one of the organizations that have participated in the Listen4Good initiative, they pay a \$1,000 honorarium. Tuan writes that they have received positive feedback, with “many saying that they have never had a funder compensate them for hosting a site visit.”

Some, like The Pew Charitable Trusts, have worked out internal guidelines. Polin and her colleagues decided that if a grantee or individual is asked to engage in certain activities where the expressed benefit is for the funder and not the grantee, they must be paid an honorarium. Fund for Shared Insight, however, goes as far as compensating grantees for submitting grant applications:

In our most recent grantmaking initiatives, we invited organizations to submit a letter of inquiry (LOI) and then asked a smaller number to submit full applications. To recognize the efforts involved in applying, we provided invited organizations with honoraria. In the case of our Funder Listening Community of Practice, this meant providing \$1,000 honoraria to eight organizations that submitted LOIs and were not invited to submit full applications; and \$2,500 honoraria to three organizations that submitted full applications but were not selected for a final grant.

In another initiative, Tuan shared, the honoraria were even larger:

For our participatory grantmaking initiative in climate justice, through a nomination process we invited 38 groups to be considered by the participatory grantmaking group for one-year grants from a \$2-million one-time fund. We offered each group a minimum \$10,000 grant to participate in the process, and 35 groups took up our offer to be considered for a larger grant.

What about settings where the nonprofit is the beneficiary? Evaluation consultant **Kylie Hutchinson** wonders whether “this practice [is] extending to when the nonprofits themselves are interviewing stakeholders. This would have significant implications for evaluation budgets.” Comenote highlights, “It depends on the budget and type of nonprofit. Human services nonprofits that derive their budgets from government funding have their hands tied with restricted revenue sources.”

Some nonprofits already pay stakeholders for their time when soliciting information for the organization’s benefit. Bugg-Levine writes, “After thinking through our equity practices and impacts [when I was at the Nonprofit Finance Fund], we made the shift to pay our nonprofit partners and clients who, for example, came to speak at our board meetings

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or hosted us for visits during staff retreats. We also started paying our clients for the time they took to share their experiences in the stories we wrote for our marketing and communications purposes, including annual reports.”

Amounts vary, depending on factors like geographic region and organizational size. The Children’s Village in New York compensates “all stakeholders, including parents, families, teens, young adults and foster parents for their time,” according to CEO and President **Jeremy Kohomban**. “Depending on the project, \$100 is the minimum, \$250 is the median, and if it’s a full day or participation in meetings that requires preparation, \$500. All children and youth in jobs are compensated at \$15 per hour.” Among the National Urban Indian Family Coalition members, Comenote has seen large (\$3 million+) and mid-size (\$1-3 million) nonprofits “who deeply understand that their client base really needs the help” compensate stakeholders. Smaller nonprofits (under \$1 million) often do so in the form of gift cards (\$25-\$100).

As Year Up’s Chief Research Officer, **Garrett Warfield** would like “to give participants and respondents as much money as possible for their time, especially when thinking about Year Up’s students, interns, alumni, or other vulnerable groups.” In addition to budget constraints, Year Up must follow the guidance “from external partners’ Institutional Review Boards (IRBs) that might be tied to data collection for research purposes.” Most IRBs have a point of view on appropriate rates that are sufficiently incentivizing without being coercive, especially if collecting sensitive information that participants might otherwise hesitate to disclose. “These guidelines often lead us to compensating at approximately \$15-\$30 for a short survey and around \$50 for a 45- to 60-minute interview with young adults.”

At The Pew Charitable Trusts, Polin says they encourage “grantees to pay participants for their time to engage in research, evaluation, and insights activities.” Her grantmaking team, the Pew Fund, provides flexible operating grants for nonprofits; many choose to use funds to support evaluation activities.

CHANGING MINDS AND BUDGETS

Ambassadors hope the practice of paying grantees for their time contributing to formal strategy processes that benefit their funders will become, in Comenote’s words, an “industry standard.”

Yet, this mindset shift also requires a budgetary shift, and some foundation leaders may refer to their own budget constraints. Delaney responds that nonprofit leaders also have budgets of time and money and “flipping the budgetary burden from the foundation to the backs of nonprofits is fundamentally unfair. As a matter of equity, compensate nonprofits for their time and expertise consumed by the foundation; don’t just ‘honor’ them with token honoraria.”

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