

DANIELS FUND

HOW CAN THIS  
COLORADO GRANTMAKER  
FUZE DONOR VISION  
WITH COMMUNITY NEEDS  
FOR GREATER IMPACT?

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**philamplify**

honest feedback to improve philanthropy

# EXECUTIVE SUMMARY

The Daniels Fund is one of the largest grantmakers in the Rocky Mountain region. In 2012, the foundation held \$1.29 billion in assets and gave away \$47 million in 11 different program areas and four states: Colorado, New Mexico, Utah and Wyoming. Created in 1997 by William “Bill” Daniels, an early pioneer in cable television, the Denver-based grantmaker is governed today by his friends and business associates, all but one of whom knew the founder personally before his death in 2000.

Daniels specified that 30 percent of the foundation’s grantmaking would go toward funding scholarships for lower-income students. The other 70 percent is dedicated to the areas of aging, alcoholism and substance abuse, amateur sports, disabilities, early childhood education, K–12 education reform, ethics and integrity in education, homelessness and disadvantaged populations youth development and, finally, Young Americans Bank, which Daniels created in 1987 to teach kids financial responsibility through hands-on learning.

The Daniels Fund is unique among larger grantmakers in the seriousness with which it approaches its connection to its founder. The explicit embrace of donor intent as a guiding philanthropic principle represents an important test for the methodology of Philamplify: is strategic, social justice philanthropy compatible with donor intent? This report concludes that they are.

In 2002, Hank Brown, the former Republican senator and congressman from Colorado, took over from the foundation’s first executive director, Phil Hogue, former president of Daniels & Associates. Believing that the foundation had

drifted away from its founder’s intentions, Brown and the board initiated a significant restructuring in 2004. Shortly after opening a new multimillion dollar headquarters in Denver, the foundation closed its field offices in New Mexico, Wyoming and Utah and let one-third of the staff go. In 2005, Brown departed to become president of the University of Colorado and Linda Childears, a board member of the Daniels Fund, stepped into the role of CEO. Under her leadership, the foundation has undertaken considerable effort to explicitly ground all of the fund’s activities in Bill Daniels’ life, work and words. Most recently, the foundation has elected to concentrate on “cradle to career” education in New Mexico while de-emphasizing other program areas in the state.

Stakeholders widely praised the Daniels Fund for its commitment to underserved communities, especially the Daniels Scholarship program, its positive impact on the lives of many individuals and families, the professionalism and responsiveness of its staff, and the care the organization exhibits for the vision of its founder. The foundation can increase its impact, in line with the vision of founder Bill Daniels, by engaging its stakeholders more consistently, communicating strategy and decision-making more transparently, expanding its use of systemic change approaches into more program areas, aligning investments with mission and providing larger, multi-year grants.

## KEY FINDINGS

- 1. The Daniels Fund prioritizes underserved communities and thoughtfully devotes resources to create opportunities for individuals and families who might not otherwise have them.** The Daniels Scholarship is designed to find students of character who may not score

well on standardized tests or have a stellar grade-point average but show potential in other ways and qualify for financial aid. Because of the program's engagement of the community in the selection of scholars and the foundation's monitoring and support of the scholars once in college, Daniels Scholars graduate from college at twice the rate of lower-income and first-generation college students generally. The very nature of the program areas assures that underserved communities benefit substantially from the foundation's work.

**2. The Daniels Fund underinvests in systemic change efforts, thereby limiting its impact in many of its program areas.**

The foundation's resources are divided according to its bylaws into 11 program areas in four states. The majority of the Daniels Fund's grant-making supports service delivery. "Its focus is on individuals and not community or systems change," said one grantee. The foundation overwhelmingly prefers direct services and capital projects to more upstream, preventive efforts and is not substantially involved in advocacy, civic engagement or public policy efforts. While there are notable exceptions, it is unclear why the foundation pursues advocacy in some program areas and not others. This limits the ultimate impact of the fund's resources in any particular area, many of which are chronically underfunded by philanthropy.

**3. Community collaboration and stakeholder engagement is strong in some key initiatives and less present in other areas.**

The selection process for the Daniels Scholars recruits nonprofit and philanthropic leaders to interview and help select finalists to build a network of mentors and support for college-bound students. A Youth Advisory Board guides the Young Americans Bank. Yet, the foundation does not general-

ly look to grantees for input, and when it does, it does so informally and sporadically with little indication that the feedback affects its processes and decisions.

**4. Grantees and other stakeholders view the Daniels Fund's strategy as effective and there is extensive evidence of impact on the lives of individuals in most program areas.**

A majority of survey respondents strongly agreed that the foundation's current strategies in their program areas were likely to achieve the foundation's intended objectives and that the foundation is having an impact.

**5. A majority of grantees view the foundation's program staff as helpful and effective, but perceptions of the board are more mixed.**

Grantees overwhelmingly praised the foundation's staff and its helpfulness, but some perceive the board to be isolated at times from outside perspectives and those of its own staff, which limits the foundation's effectiveness and responsiveness.

**6. Though it provides operating support grants, the Daniels Fund does little to no true multi-year grant-making, which undermines grantee effectiveness.**

Grantees require flexible, long-term capital to achieve their goals. The Daniels Fund provides general operating support, but almost no multi-year grants. In fact, it appears to give 12-month grants on an 18-month grant cycle.

**7. The Daniels Fund invests its assets and makes grants with a view to perpetuity and sometimes invests in businesses at odds with its mission.**

Bill Daniels established the Daniels Fund as a perpetual institution, and the foundation maintains a conservative payout to preserve its corpus. It does not screen

its investments or attempt mission investing beyond its commitment to the Young Americans Bank. Despite Bill Daniels' own struggles with alcoholism, and the fund's commitment to combating alcoholism and substance abuse, the fund's portfolio includes the world's largest brewers and distillers.

## RECOMMENDATIONS

1. **Maintain the foundation's strong commitment to serving marginalized communities and to providing general operating support.** Bill Daniels' and the foundation's explicit commitment to "the underdog" and their practice of providing flexible capital to effective nonprofits should continue.
2. **Deepen the engagement of grantees as the foundation continues to identify and prioritize key areas for stronger emphasis.** Grantees suggested that the foundation concentrate its efforts in a few areas. The foundation is following up its changes in New Mexico with similar examinations of its priorities in Utah in 2014 and Wyoming in 2015. Strategic shifts could be highly impactful, provided the foundation involves more current grantees and other community leaders in the learning process with clearer, more consistent communication. The foundation should provide for those program areas it de-emphasizes, seeking creative ways to fund and support collaboration across issue silos.
3. **Increase investments in advocacy and civic engagement to improve the foundation's impact on entire systems related to program priorities.** With only 4 percent of sampled grant dollars going annually to structural efforts to improve the lot of those most in need of opportunities or second chances, the foundation should increase its investments in advocacy, civic engagement
- and public policy. Grantees suggested more systemic investments in areas like disabilities, where the foundation could do much more to make systems accessible and accommodating for disabled persons.
4. **Improve transparency and communications among board members, the grants committee, program staff and current and potential grantees.** The board can and should exercise oversight over the grantmaking process while empowering the chief executive and program staff to be more responsive. Advisory boards or committees composed of local community members might also be a helpful addition to the foundation's work and serve as a training ground for future board members. The creation of an internal grants committee in 2007 was a step in the right direction. The foundation should make grantees more aware of its existence and expand the committee's size and scope of grantmaking authority.
5. **Increase multi-year funding and minimize gaps in funding between grant cycles.** Make three- to five-year commitments to trusted grantees, checking in annually but guaranteeing funding through the entire grant period. Research shows this to be an effective philanthropic practice that supports nonprofit capacity to achieve missions. Also, allow grantees to apply for grant renewal prior to a grant's end, or provide grants of appropriate size, given the grant's actual duration.
6. **Align the foundation's investments, compensation policies and payout policies with its goals.** Divest the fund of alcohol accounts, end or reduce board compensation and increase its payout while maintaining its commitment to perpetuity.

## ABOUT PHILAMPLIFY

Philamplify is an initiative of the National Committee for Responsive Philanthropy that aims to maximize the impact of our country's grantmakers. At the center of Philamplify is a series of comprehensive reports conducted by highly regarded researchers assessing foundation grantmaking and operations. Assessments include key findings and recommendations, along with in-depth analysis of foundations' funding strategies and feedback from peer funders, nonprofit leaders, issue experts, community members and more. By making these assessments public, Philamplify seeks to build a culture of transparency, mutual accountability and knowledge sharing.

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