

# For-Profit Grant Funding Guidance<sup>1</sup>

JANUARY 2025

---

## PURPOSE

---

Many early-stage businesses, especially those with a clear social or environmental purpose, are unaware that they may be eligible to receive non-dilutive capital from charitable entities in the form of grants. While this funding can offer many benefits (lack of financial obligation or economic dilution, validation of intended social benefit, etc.), it comes with a unique set of considerations and potential complications. This overview provides a summary of how for-profit businesses can position themselves to receive these funds and a summary of some of the challenges that can accompany this form of financial support.

---

## CONTEXT

---

While most foundations in the United States rely on grants to nonprofit entities to pursue their social goals and fulfill their charitable charter, there are three mechanisms they can use to direct funds to for-profit ventures that align with their impact goals:

- **Mission-related investments (MRIs)** are made from a foundation's endowment with the dual objective of achieving both financial returns and

advancing the foundation's mission. These are typically market-rate investments, directed towards businesses or ventures that promote goals aligned with the foundation's purpose.<sup>2</sup>

- **Program-related investments (PRIs)** are designed to further a foundation's charitable mission by investing in for-profit entities with below-market returns. Unlike MRIs, PRIs are not focused on financial return; rather, they support high-impact ventures (such as social enterprises) that deliver measurable social or environmental outcomes. PRIs count towards the federal requirement that private foundations distribute 5% of their net investment assets annually for charitable purposes.<sup>3</sup>
- **Grants** or donations, without any return of capital, can be provided to for-profit businesses under certain circumstances. Grants are the focus of this overview.

### Grants to For-Profit Entities

To make grants directly to for-profit businesses, foundations must meet an "expenditure responsibility" standard of diligence, oversight, and management set by the IRS to ensure that these funds are exclusively used for a charitable purpose.<sup>4</sup> In large part because of this requirement, foundations generally will not make

---

<sup>1</sup> **DISCLAIMER:** This resource is for educational purposes only and is meant to provide general practical guidance. It is not intended as legal advice and should not be considered legal advice.

<sup>2</sup> Kavita Dolan, *Mission Related Investments – Advantages, Rules, and Risks*, Perlman and Perlman (Jan. 24, 2024).

<sup>3</sup> Kavita Dolan, *Are You Looking to Make an Impact? Consider a Program Related Investment*, Perlman and Perlman (Jan. 25, 2022).

<sup>4</sup> "Expenditure responsibility" means that the foundation must "exert all reasonable efforts" and "establish adequate procedures" to ensure that a grant to a for profit is spent only for the purpose for which it is made. This includes getting reports from the grantee on how the funds are spent. The foundation, in turn, must make detailed reports on the expenditures to the IRS in its annual tax reporting. <https://www.irs.gov/charities-non-profits/irc-section-4945h-expenditure-responsibility>; <https://www.irs.gov/charities-non-profits/private-foundations/grants-by-private-foundations-expenditure-responsibility> (last visited Jan. 1, 2025).

unrestricted or general operating grants to for-profits. Rather, foundation grants funding will be project-based, time-bound and mapped to certain activities, outputs, or outcomes. Foundations may also ask a business to undertake a number of tasks that often differ from and will likely be more onerous than those imposed by return-seeking investors, including the following during the grant application process and after the grant has been received:

### **While Seeking Grants**

**Pitch:** Provide a thorough explanation (typically in writing) that specifies the detailed charitable purposes of the proposed project and why the proposed grant is the most efficient or effective means of achieving that purpose.<sup>5</sup>

**Budget:** Submit a detailed, project-based budget that shows in detail how grant funds will be utilized only in service of a narrowly articulated charitable purpose.

**Choose metrics:** Agree with a charitable funder on specific metrics to capture charitable impact, and report regularly on those outcomes.<sup>6</sup>

**Due diligence:** Undergo a thorough due diligence process designed to ensure the business's capacity to achieve the intended charitable purpose, use funds only as intended, and track and report on impact outcomes.<sup>7</sup>

**Legal:** Sign a grant agreement that complies with [IRS specifications](#). Provide legal documentation of your company, including articles of incorporation, bylaws, and IRS Form W-9.<sup>8</sup>

### **After Receiving a Grant**

**Safeguard funds:** Maintain grant funds separately from other assets and be prepared to demonstrate that funds were deployed as proposed through the provision of records and receipts.<sup>9</sup> This also applies to dual-use technology. If purchased with foundation funds, it can only be used for the use approved by the foundation.

**Measure time:** Track time spent by employees on activities funded through the grant.

**Track impact:** Measure and report on impact metrics that align with the intended charitable purpose, including an annual narrative and financial report the grantee must provide to the foundation at the close of the grantee's fiscal year.<sup>10</sup>

**Report changes:** Any changes to the project from the proposal, including budget changes, new impact goals, or learned best practices should be reported to the foundation.<sup>11</sup>

**Return unused funds:** At the end of the grant term, unused funds must be returned to the grantor.<sup>12</sup>

Founders should also factor in the possibility that even after funding has been approved, there may be delays in receiving funds from a foundation due to operational complexity and compliance with these IRS requirements.

---

## **INTELLECTUAL PROPERTY CONSIDERATIONS**

---

In addition to these procedural requirements, startups may also have to contend with grantor-specific requirements related to their development of intellectual property. Be advised that these requirements may affect future strategy and fundraising, so the startup company should carefully consider the pros and cons of making these commitments and should seek the advice of experienced legal and business advisors. For example:

- The Gates Foundation requires that the grant align with its [Global Access principles](#) (including a [Humanitarian License](#) clause). Global Access principles require that innovations developed with foundation

---

<sup>5</sup> Gates Foundation, [Overview of Bill & Melinda Gates Foundation Grants to For-Profit Organizations](#) (March 2017).

<sup>6</sup> Gates Foundation, [Overview of Bill & Melinda Gates Foundation Grants to For-Profit Organizations](#) (March 2017).

<sup>7</sup> The Commonwealth Fund, [Expenditure Responsibility](#) (April 2023).

<sup>8</sup> Hewlett Foundation, [Overview of Organizational Documents](#) (Jan. 2022).

<sup>9</sup> Charities Aid Foundation America, [What is Expenditure Responsibility?](#) (Apr. 23, 2024).

<sup>10</sup> Gates Foundation, [Private Foundation Expenditure Responsibility Guidelines](#) (June 2022).

<sup>11</sup> Gates Foundation, [US Program Final Report Guidelines](#) (last visited Dec. 1, 2024).

<sup>12</sup> Gates Foundation, [Private Foundation Expenditure Responsibility Guidelines](#) (June 2022)

funding be made available to areas that need it most. This means that companies are able to use intellectual property protections in developed countries to sell their innovations at a profit. However, the products must also be made available to the people the foundation is trying to help at an affordable price, in a sufficient quantity and time frame. This means that the company can earn a profit in developed countries but may be required to offer a much lower price in developing countries. Each grantee has their own plan for achieving the foundation's Global Access principles and outcomes.

- The [Chan-Zuckerberg Initiative](#) requires that intellectual property from a funded project be made freely available for all academic and non-commercial purposes, including pre-commercial use by for-profit companies.
- The [Hewlett Foundation](#) similarly requires that the products of project-specific funding be made available through open licensing. Like the Gates Foundation, they have a stated willingness to work with grantees for a licensing arrangement that makes sense for the organization while maximizing the impact of their dollars.
- Numerous charities funded private-sector COVID-19 vaccine development efforts in the hopes of saving lives by bringing mRNA vaccines online quicker. Although large amounts of funding for Moderna and BioNTech came from governments for scientific developments, the Gates Foundation, for example, focused their grantmaking to Coalition for Epidemic Preparedness and Innovation and Gavi, the Vaccine Alliance who in turn gave grants to vaccine developers or used the money to make vaccines more widely available.<sup>13</sup>
- The Gates Foundation provides grants to a number of companies in line with their various focus areas. For example, they have provided the following grants in 2024:
  - [\\$3.5 million](#) to [Propel](#), to integrate AI into their services, which help low-income Americans manage their benefits, in line with goals for economic opportunity and mobility.
  - [\\$1.6 million](#) to [Legume Technology](#), a company developing fertilizers to reverse deteriorating soils in Africa, in line with their goals to promote agricultural development.
  - [\\$3.5 million](#) to [C16 Biosciences](#), a company developing non-agricultural alternatives to palm oil for food products to improve food security.
  - [\\$1.5 million](#) to [Phase Genomics](#), a company addressing methane production of cows.

---

## EXAMPLES OF GRANTS

---

- The Ford Foundation's mission is to reduce inequality around the world. They have provided numerous grants to the [New York Times](#) as an organization that advances creativity and free expression. Since 2020, these grants to the New York Times have included \$3 million for the Headway journalism initiative and \$300,000 for a Disability Journalism Fellowship.
- Stanford also provides grant and fellowship opportunities to impact-focused Stanford startup founders. For example, [Stanford](#)

---

<sup>13</sup> Gates Foundation, *Gates Foundation COVID-19 Response FAQ*, <https://www.gatesfoundation.org/ideas/articles/covid19-faq> (last visited Dec. 1, 2024)

[Ecopreneurship](#) (a partnership between the Graduate School of Business and the Doerr School of Sustainability) maintains a list of grants, fellowships, and other opportunities available to sustainability-oriented founders on its [Resources Landscape](#) page.

---

## FINDING GRANT OPPORTUNITIES / RESOURCES FOR FOUNDERS

---

Writing grants is difficult, and figuring out the range of grant offerings can also be challenging. Several grant aggregator services tools exist to help match founders with grant opportunities. These include:

- [Open Grants](#) (opengrants.io)
- [Streamline Climate](#) (this service also includes an AI grant writing tool)
- [Scout Climate](#)
- [Candid](#)

In addition, there are consultancies or accelerator programs that help perform similar services. This includes [Climate Finance Solutions](#), [Camelback Ventures](#), and the [Center for Advancing Financial Equity](#). There are also entities (e.g., [Enduring Planet](#)) that will provide grant advances, which could be useful if receipt of funds is delayed, but this comes at a price (APR of 15 - 20%).

Many foundations prefer not to publish funding opportunities or issue public calls for proposals. For these prospective funders, grant-seeking businesses would do well to pursue networking strategies by seeking information and introductions from fellow founders, their existing investors, and other mentors and advisors. For example, the [Mulago Foundation](#), which provides grants to for-profits and nonprofits as well as guidance in seeking other grant funding, does not issue calls for proposals, opting instead to source

entities from their network. As in VC fundraising, foundation networking is critical; grant makers are diverse, there are a lot of them, and the vast majority will say no.

Before applying for a grant, founders who have never written grants before should seek assistance with grant writing, should understand the research and outcome priorities for the grantmaking institution, and should understand the general minimum Technology Readiness Levels the grant maker requires. Many grants are not focused on early proof-of-concept but are more geared toward R&D and commercialization.

---

## OTHER FOR PROFIT / NON-PROFIT PARTNERSHIPS

---

Rather than directly receiving grant funds, businesses could also consider the following mechanisms:

- Creating a Model C Fiscal Sponsorship, which allows a designated non-profit to receive and manage charitable funds on behalf of a separate legal entity (such as a business) that seeks to carry out a specific charitable project. The fiscal sponsor's role is limited to managing the funds in compliance with tax-exempt requirements, while the sponsored entity retains full control over its operations and governance.<sup>1</sup> This is especially relevant for early-stage companies that might consider nonprofit conversion.
- Partnering with an established nonprofit or academic institution with an aligned social mission in a manner that allows the business to receive passed-through grants (in the form of subgrants or subcontracts) in pursuit of a specific charitable purpose.

---

<sup>14</sup> <https://fiscalsponsorshipallies.org/model-c-fiscal-sponsorship/>. For more information on fiscal sponsorship, visit [Tides](#), [NEO](#), and [Realize Impact](#).

## Exhibit A – Grant Maker Rubric

Each individual grant maker will have their own rubric, which may weigh the following components differently or have an additional set of criteria.

Generally, grant makers will focus on:

1. Impact
  - a. How will the project address a societal challenge or benefit a charitable cause?
    - i. UN Sustainable Development Goals
    - ii. Charitable purposes; examples include:
      1. Education
      2. Scientific purpose
      3. Literary purpose
      4. Public safety
      5. Poverty alleviation
      6. Reducing discrimination or prejudice
      7. Improving government efficiency and efficacy
  - b. Is the application grounded in research/data about the problem and proposed solution?
  - c. What are the expected outcomes?
  - d. How will findings/best practices/public goods be shared with the global community?
2. Scalability
  - a. Can the project be scaled beyond the initial proposal?
  - b. Can the project serve as a model for others or advance the field?
3. Financial Sustainability
  - a. How will the project continue beyond the funding of the grantor?
4. Feasibility
  - a. Is the team's plan well-developed and realistic?
  - b. Does the team have the right expertise and partners to implement their plan?
5. Private Benefit
  - a. Is any private benefit gained by the grantee "incidental"?
  - b. While the grantee can gain profit, when compared to the benefit derived from accomplishing the charitable purpose, profit must be incidental.
6. Industry/Grant Specific Criteria
  - a. Example from [Google.org Call for AI Grants](#)
    - i. Is AI the appropriate tool to be using?
    - ii. Does the team have a plan to access a meaningful dataset?
    - iii. Does the proposed use align with principles on responsible use of AI?

## Exhibit B - Grant Application

Grant Applications will vary broadly by organization. Each grant application will want you to share information about the desired impact, how the company will go about making an impact, how feasible and scalable the project is, and how success will be measured.

The Gates Foundation provides a few examples of grant applications. This [blank application](#) for a global development grant provides a good overview of the questions that may be asked. The Gates Foundation has also provided two sample Objectives and Outcomes tables, which collect the vision, objective, activities, outputs, and outcomes for two different sample projects. Both of the sample grants are for agricultural developments, but the types of information included in the table will be similar for projects in other sectors.

Also, keep in mind that the Gates Foundation application process may be more detailed and rigorous than other grant applications, especially if there is less money at stake. The blank application from the Gates Foundation and the excerpt below are provided to show what an extensive application process may look like.

<b>Vision of Success:</b>	To increase production of groundnut by 15% and cover about 20% (in sub-Saharan) to 33% (in South Asia) of crop area of the target regions with new varieties in 10 years resulting in an additional income of US\$ 65 million per year for 4 million groundnut farmers	
<b>Project Objective:</b>	Enhancing groundnut productivity and production in drought-prone areas of sub-Saharan Africa and South Asia	
<b>Activities</b>	<b>Outputs</b>	<b>Outcomes (Short- and Long-Term)</b>
2.1. Assemble 10-15 advanced breeding lines and ‘on-the-shelf’ pre-release varieties with farmer- and market- preferred traits and evaluate them in farmer participatory on-farm trials in drought prone areas for local and wide adaptation	<ul style="list-style-type: none"> <li>● 3 farmer- and market-preferred groundnut varieties identified for cultivation in focal regions in each partner country.</li> <li>● The above 3 identified varieties entered in formal testing system in each country, if required by the national seed policy for official release.</li> <li>● At least 5000 farmers made aware of the improved groundnut varieties in each country.</li> <li>● Nucleus and Breeder seed of farmer-preferred groundnut varieties as required produced each year to support Seed System activities in focal regions in each partner country</li> </ul>	<ul style="list-style-type: none"> <li>● 3 years: 10-15% increase in groundnut productivity in project location areas</li> <li>● 3 years: Farmers’ income from groundnut increase by 15-20%</li> </ul>

<b>Vision of Success:</b>	After four years > 90,000 smallholder households and employees of more than 135 village processing units and at least 10 intermediaries in two areas per country will increase their incomes by a minimum of US\$200/household/ year by improvements to High Quality Cassava Flour (HQCF) value chains.	
<b>Project Objective:</b>	By the end of 2011, > 90,000 smallholder farmers are earning an additional \$0.50 per day from each producing 0.8 tons of consistent quality cassava grits per annum for the HQCF industry in 5 SSA countries.	
<b>Activities</b>	<b>Outputs</b>	<b>Outcomes (Short- and Long-Term)</b>
1.2 Strengthen capacity of Village Processing Units	At least 135 Village Processing Units in five countries strengthened capable of servicing the unit operation processing needs of 90,000 farmers who are supported in Activity 1.3.	Up to 135 Village Processing Units operating as viable businesses for at least five years creating local employment opportunities (at least 2 per processing unit) and providing a service to at least 90,0000 small-holder households after four years.
1.3 Strengthen farmers' organizational, production, processing and basic business management capacity.	<ul style="list-style-type: none"> <li>● 18,000 hectares planted to improved cassava varieties suited to processing</li> <li>● Where appropriate producers organized in marketing groups to facilitate marketing of product (target at least 50% of farmers).</li> <li>● At least 90,000 farmers engaged in selling cassava grits</li> </ul>	75,600 tons of cassava grits from 90,000 direct project beneficiaries made available annually to 10 intermediaries by end of Year 5 creating an average increased income per farming household of \$200/annum.

## Exhibit C - Ongoing Reporting Example

As with the application process, the Gates Foundation is likely more rigorous in their reporting requirements than other grant issuers, especially those who issue smaller dollar grants. For reporting on their grants, the Gates Foundation asks for reports to include the following:

1. Executive summary of progress
2. Progress towards milestones/outcomes identified in the proposal
3. More information on particularly successful or challenging outcomes
4. Has the project been assessed by an evaluator? If so, share findings and how they were implemented.
5. Intellectual property updates, including rights to the project owned by third parties
6. Updates on organizational changes, if included as a part of proposal
7. Budget update, including a description of any major changes
8. Plans for financial sustainability of the project, especially beyond the funding provided by the foundation
9. Reports/publications from the project
10. How the foundation/grantee relationship can be improved

For more information on these reporting steps for the Gates Foundation, follow links to [Progress Report Guidelines](#) and [Final Report Guidelines](#). The two documents have a significant amount of overlap.