

## **PUERTO RICO**

### **Puerto Rico Community Foundation**

#### **History**

The idea of establishing the Puerto Rico Community Foundation (PRCF) was originated in 1983, when the Washington-based National Puerto Rican Coalition (NPRC), one of the leading organizations established by Puerto Ricans in the United States, became interested in the island's issues. A first meeting took place with approximately 90 representatives drawn from non-profit organizations and from the local and US donor community. The US donor community included: the Rockefeller Foundation, Carnegie Corporation, and the Ford Foundation. Also in attendance was a representative of the local pharmaceutical Schering-Plough Corporation.

Further meetings took place between NPRC, Schering-Plough and the Ford Foundation to explore the possibility of setting up a local grant making organization. The Ford Foundation gave a grant to NPRC to conduct an Opportunity Assessment. The results and overview of the Puerto Rican market proved to be favorable for a community foundation to be established.

The CEO of Schering-Plough accepted the chairmanship of the foundation's Development Committee, making it one of the first corporations to actively commit with a contribution. Other key players were: the President of Banco Popular de Puerto Rico, the island's largest bank; who soon thereafter became the first President of PRCF's Board of Directors; and from the Ford Foundation, Homer Wadsworth, former CEO of The Cleveland Foundation, whose contribution was key in defining the composition of the Board of Directors and the first draft of the mission statement. Rafael Fabregas, a certified public accountant who had presided over the Puerto Rico Chamber of Commerce, and was closely identified with several civic organizations, became our first president. Dr. Ethel Ríos de Betancourt, one of the founding members of the Board of Directors, accepted the position of Vice President of Program, later assuming the position of Executive Director, and eventually becoming President of PRCF.

The preparatory work had been funded by seed money granted from the Ford Foundation, and by the commitments from four other US national foundations: Rockefeller, Carnegie, Mott and MacArthur. It also had commitments from thirteen local companies, including two banks and several smaller donors.

The Puerto Rico Community Foundation is the first and oldest community foundation in Latin America and the only one in Puerto Rico. From its inception in 1985, the PRCF was conceived as a vehicle for social change. During the last 22 years it has granted over \$34 million dollars to more than 4,000 community initiatives addressing pressing needs in the areas of education, health, community leadership, housing, economic development, arts, and drug prevention; and has also provided invaluable technical assistance, leadership, capacity-building and advocacy.

### Current situation: Facts and figures

<b>Geographic area served:</b>	Island of Puerto Rico
<b>Population size</b> of service area:	4 million people
<b>Total sum of grants</b> made in 2007:	\$1,093,508
<b>Total number of grants</b> made in 2007:	160
<b>Total sum of the income/ donations</b> in 2007:	\$2,354,018
<b>Single largest source of income</b> in 2007:	Local government
Is there <b>an endowment?</b> Yes/No.	Yes
<b>If Yes, the size of the endowment:</b>	\$27.6 million

### Activities and impact

Two recent stories are worth mentioning, one because of its relevance to the transformation of the island's education system; and the other, which is comprised of stories about two donors, to illustrate PRCF's role in philanthropic education.

#### **Example 1. Citizens' Movement for a World Class Education.**

Since 2006, when it publicly launched the Citizens' Movement for a World Class Education, PRCF has been able to draw the attention of the different sectors of the community to join in this crusade to achieve educational reform in order to change Puerto Rico's socio-economic future. With over 715,000 school age children in Puerto Rico and 80% of them attending the public school system, the need for restructuring the system is critical. Nearly 40% of students in the Puerto Rico Public Education System are dropping out of school. The residual aftermaths of this trend are: a high unemployment rate, poverty, increased crime, and a souring local economy.

PRCF developed a Citizens' Pact for a World Class Education, a document that envisions the education the community wants for the students of our public education system. The Pact has six guiding principles (here condensed into five) which envision:

1. Schools able to manage and administer their resources and programs
2. Schools able to create a range of academic opportunities for parents to choose among that are the most appropriate for their child's skills and talents
3. Schools able to continuously enhance their curriculum
4. Directors and teachers' supported in their professional development
5. Schools being held accountable

PRCF understood the importance of presenting our proposal for the scrutiny of the different sectors of the community, prior to a public presentation. But we also knew that to really ignite the process, we had to provide compelling information regarding our education system and its decreasing achievement over the years – going from a system highly recognized by neighboring countries in the Caribbean and Latin America, to a system with the lack of capacity to adjust to the natural evolution of our socio-economic system and our immersion into the global competitive market. The initial response of the general public was outstanding; everyone understood our intention and responsibility in undertaking leadership to transform the education of our Island. Since then PRCF has implemented the following:

- One multi-sectorial Summit for a World Class Education in San Juan

- Two town meetings
- A communications campaign to engage 1 million citizens in signing our Citizens Pact (25% of our population)
- International exchange experience (Finland, Chile and Israel)

Our achievements are:

- 130,000 thus far persons have signed the Citizens Pact
- Over \$1.2 million in non-paid media
- Two labor unions engaged
- Commitment from Governor and aspiring candidate from the other political party
- Over 70 corporations and organizations to undertake a signature commitment
- Approximately \$400,000 raised for the initiative

### ***Example 2. Two Families and \$2.8 Million***

Puerto Rico is a very generous community, especially during local crises and emergency situations. However, it has lacked a structured pro-active sense of philanthropy. This perhaps is due to the very low affluent population in the island and to the large number of non-profits that tend to spread philanthropic money too thin to make an impact. It is said that the non-profit sector in the island is composed of approximately 6,000 active community based organizations – over 20,000 non-profits are registered with the Department of State.

Under such a competitive philanthropic environment, PRCF has positioned itself as a philanthropic advisor, increasing its donor advised and designated funds from 28 funds in 2000, to 58 in 2007; while increasing its philanthropic restricted portfolio to approximately \$9 million.

#### *María Lina vda.de Saldaña Fund*

This Fund was established 15 years ago to support a wide range of non-profit organizations that support the well being and health of communities. The family also had a private foundation to directly support projects they were committed to. In 2006, this family became concerned about the succession of their private foundation and decided to consolidate their foundation's assets within their fund at PRCF. The original Fund's assets were worth approximately \$300,000. After the private foundation assets, worth \$1.8 million, were transferred, the total value of the Fund jumped up to \$2.1 million. This is the largest personal contribution that PRCF has received. It took a 15-year relationship building process and philanthropic delivery of services to accomplish this.

#### *Stanley and Georgene Pasarell Fund*

This couple wanted to encourage children living in the north region of the island, where they also live and have their business, to attend college. The relationship building process with the donors took approximately six months. During this period PRCF was able to develop a plan and advise them on the different ways they could accomplish such a venture. They entrusted \$1 million to PRCF to pursue their philanthropic goal. The Fund generates approximately 10 scholarships for bachelor's degrees (providing support during four consecutive years); and four scholarships for master's degrees. This year, PRCF will implement the first cycle of student scholarships.

## **Operations and staffing**

The PRCF has a paid staff to support its areas: Administration, Program and Development.

## Community foundation income

Income categories: 2007 data

Foundations	\$ 169,474	7%
Individuals	\$ 94,752	4%
Corporations	\$ 909,515	39%
Local Government	\$ 1,046,658	45%
US Government	\$ 127,885	5%
Total	\$ 2,348,284	100%

See historical chart attached (Annex 2 – Income by Donor Report).

### Purposes

- Foundation money – mainly programmatic and for pass through purposes.
- Individuals – mainly for advised and designated funds
- Corporations – mainly for advised and designated funds; and local pass through (grants)
- Local government – mainly to support our Educational Program
- U.S. Government – to support Community Development Unit, within the programmatic area, to support Community Housing Development Organizations.

### Permanent funds/Sustainability

In 2007 only 7 percent of our fundraising went to endowment. However, since 2004, 61 percent of the total contributions have been to support our endowment.

See historical chart attached (Annex 2 – Income by Donor Report).

## Environment for philanthropy

### Local attitudes

There is no philanthropic culture in the island. As stated above, the affluent segment is very low and there is a huge competition among the non-profits. Local philanthropists see themselves as remediative funders, spreading their giving into multiple non-profits, without a strategic view of their impact. During recent years PRCF has undertaken a philanthropic education process, which involves a relationship management structure – supported by Asset Development and Donor Services. We’ve also taken our “selling proposition” to another level, where we see ourselves as philanthropic advisors and develop strategic philanthropic plans for our donors.

In 2004, we were able to include PRCF in a higher tax bracket range to benefit our Donors (Law 463 – September 22, 2004). This provided our donors up to a 30 percent tax deduction of their Adjusted Net Income – donors to other non-profits only can deduct up to 15 percent of the donor’s Adjusted Net Income.

### Legal and tax environment

**Corporations:** The tax incentives for corporations allow a deduction that doesn't exceed 5% of the net income, computed without the benefits of this deduction. The payments and contributions made in excess of this 5% can carry over for the next five years, but the deduction amount is still the same percent each year.

**Individuals:** Individual and families can claim a 15% maximum of the gifts made during the year, not in excess of the 3% of the adjusted net income. As stated before, PRCF has an additional 15% incentive that elevates the deduction up to 30%.

The tax incentives limit a more active philanthropic activity in the Island.

### Changing attitudes and the national or regional environment

1. **Research on Community Impact:** PRCF needs to continue to show the impact of community and donor's giving. PRCF has teamed up with other grant making foundations in the island to investigate the impact that philanthropy has in the communities and communicate it.
2. **New Tax Incentives:** A new tax incentive could re-position philanthropy as an efficient way to promote active participation and community transformation. After Law 463, PRCF has shown a tremendous increase in its funds managed. This is certainly information we have been willing to share to show the impact in philanthropic activity.
3. **Communication:** PRCF should be able to count on grants earmarked for communications, so that we can continue to communicate community success and donor's turnkey role in this success.
4. **Philanthropic mechanism:** There is no certainty regarding the non-profit sector in the Island. PRCF has developed a mechanism using technology that will contribute to better understanding of the range and impact of this Sector, but will also become a mechanism to support philanthropic collaboration and giving. This mechanism is called REDTS.org (Red Digital del Tercer Sector – Third Sector Digital Network), also funded by the Ford Foundation.

### **Current challenges and future developments**

PRCF has been proactive in identifying some of the most pressing needs in the community and focusing its programmatic intervention towards them: education; economic community development; affordable housing.

As mentioned above, in education, the Foundation has launched the Citizens' Movement for a World Class Education to call on citizenship participation to transform the public education system. This is a result of proven PRCF intervention in schools, supported most recently by a \$5 million educational fund, provided by the Ford Foundation.

Regarding economic community development and affordable housing, there is an economic consortium – composed of community and banking representatives – that has been convoked by PRCF to guide its grant making strategies and the impact of the community work.

### **Meeting organizational support needs**

In Puerto Rico, there is an informal group call Foundations' Network. It is composed of grantmaking foundations, many of them private and corporate, including the United Way. PRCF teams up for research development regarding the sector.

The Foundations' Network has been instrumental in the development of the Third Sector Digital Network.

### **International links**

The president of PRCF has been an active participant in IISP (International Initiative to Strengthen Philanthropy – Ford Foundation). He is a board member of HIP (Hispanics in Philanthropy), and has also been a Synergos Senior Fellow.

These relationships have been crucial in exchanging experiences and opening doors to help us strengthen our institution.

### **Additional resources**

See attached Audited Financial Report (Annex 1) and Income by Donor Report 2007 (Annex 2). The Puerto Rico Community Foundation website is: [www.fcpr.org](http://www.fcpr.org)

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