

UNITED STATES OF AMERICA

Community foundations

History

The modern development of community foundations was sparked in 1914 by the creation of the Cleveland Foundation, in Cleveland, Ohio, the first community foundation in the United States. Frederick H. Goff, a local banker, had the deceptively simple idea to consolidate a number of charitable trusts overseen by the trust banks into a single organization. This organization, a community foundation, would focus its grantmaking in a defined geographical area to meet the needs of all the people. The community foundation would exist in perpetuity and be governed by a local board of citizens.

The growth of community foundations began to take off after the Tax Reform Act of 1969, which gave community foundations the preferred tax status of public charities. Community foundation growth was further enhanced in the 1980s by the retreat of the federal government from funding social programs, and in the 1990s by the booming economy and the beginnings of the intergenerational transfer of wealth from the World War II generation to their heirs and philanthropic institutions.

Community foundations in the last two decades have increasingly focused their development efforts on attracting living donors through donor-advised giving programs. Donor-advised funds allow donors more direct participation in their philanthropy, which donors value. Although, many of the largest donations to community foundations still come from bequests, an increasing number of living donors, through the use of donor-advised funds, have furthered the culture of philanthropy in the community and allowed community foundations to grow more quickly.

More recently, US community foundations have begun to return to their historical roots and focus not just on the enhancement of their internal operations to support donor advisors but on leading and engaging in significant community leadership activities. In addition to their roles as grantmakers and philanthropic transaction agents, community foundations are increasingly using their financial and intellectual assets to become community change agents.

Current situation: Facts and figures

Number of community foundations formally established in total.	Over 700
Number of community foundations established in 2007.	Not known.
Number of community foundations at early stages of development.	Not known.
Percentage of territory covered by community foundations.	There are community foundations in every state of the nation, but there are not any statistics that provide for the percentage of territory.
Percentage of population that has access to a community foundation.	Not known. Widespread.
Total number of people with access to a community foundation.	Not known. Widespread.
Is the rate of community foundation formation steady/ increasing/ decreasing? Explain below:	Increasing, slightly.

Nearly 100 years after the founding of the first US community foundation, the movement in the United States is maturing. All major portions of the United States are covered by at least one community foundation. Growth is seen in rural areas.

Total sum of grants made by community foundations.	Latest data is for 2006: Columbus Foundation Survey of 631CFs: \$3.7 billion
Total number of grants made.	Not known
Total sum of the income/donations.	Columbus Foundation 2006 data: \$5.7 billion
Single largest source of income for community foundations	Administrative fees from managing the charitable assets.
Total sum of endowments.	Columbus Foundation 2006 data: \$51.2 billion
Community foundation with the largest endowment and size of its endowment.	Columbus Foundation 2006 data: Tulsa Community Foundation (Oklahoma): \$3.07 billion.

Complete list of community foundations

A list of US community foundations can be found at: www.CFLocate.org

Community foundation staffing

Most community foundations in the United States are professionally staffed, and new community foundations usually hire at least one professional staff member, typically the CEO, as part of their start-up process. US community foundations work extensively with volunteers in all phases of their operations. In

addition to their volunteer Board members, volunteers are often used: to review applications and make site visits as part of the grants review process; on Board committees where outside expertise is needed – such as the investments and audit committees; on special projects, where the views of the community are sought to help set grantmaking priorities; on the selection committees for scholarships and awards.

Community foundation income

Income

Donations to community foundations in the United States come overwhelmingly from individuals. Some contributions come from local and national private foundations and from family foundations. Relatively little funding comes from corporations and governments.

Purposes

Donor advised funds.

Permanent funds/Sustainability

It is not possible to say what proportion are endowed funds. There is a movement in the United States to be less concerned about whether or not a fund is permanently endowed.

Economic sustainability of community foundations in the US is an issue. The Community Foundations Leadership Team recently worked with FSG: Social Impact Advisors to develop an organization called Community Foundation Insights. This organization helps community foundations to compare their fees and administrative expenses with like organizations and to do cost/revenue modelling. This helps community foundations to understand the real costs of delivering services and what is the right mix of products and services they can deliver and remain economically viable. Also, some community foundations have merged or have shared back office services. This is not a major trend at this point but it is something that may be an emerging trend.

In addition, some community foundations have enhanced their financial stability by relying on annual giving campaigns to supplement their earned revenue.

Environment for philanthropy

Local attitudes

Even though the United States has had large social welfare programs beginning with the Great Depression of the 1930s, it has never been a social welfare state. From its earliest days, citizens of the United States have been accustomed to seeing to the needs of their families and their communities. Local giving has taken place through houses of worship and through direct contributions to non-profit organizations for the services they provide and the causes they represent. More recently, philanthropically-minded individuals have found that giving through community foundations is an effective way to provide for their community's needs now and into the future.

Legal and tax environment

The tax, legislative and legal environments in the US are highly supportive of charitable giving. Community foundations have the preferred tax status of public charities, which means they are not subject to the taxation that falls on private foundations. Donations to community foundations receive the highest tax deductions allowable under the law for gifts from individuals.

There is a trend for state governments to also offer special tax incentives for donations to community foundations.

A slight change in the federal government's interest in regulating foundation charity appears to be taking place. New charitable provisions have been included in the Pension Protection Act and the IRA Charitable Rollover Act, which allow donors to make gifts from their individual retirement accounts directly to charities without having to pay personal income taxes on their assets. This provision has yet to be made permanent.

Changing attitudes and the national or local environment

The attitudes in the US toward organized philanthropy in general, and individual philanthropy in particular, are highly positive, although much work needs to be done to maintain trust in the foundation sector.

Community foundation activity and impact

Example 1. Social Justice Philanthropy: Leading a Community-wide Agenda. For decades Washington, D.C. has been divided along racial and class lines with a mostly working-class African-American population across the Anacostia River in the east and a mainly middle and upper-class white population in northwest D.C. The eastern section of the city has historically faced inequities based on race and class – including inadequate housing, underemployment, education achievement gaps and limited access to quality healthcare. The economic boom of the 1990s created a gentrification process that has shifted some of the boundaries, with white wealth spreading and poverty moving out of the city into the surrounding counties.

Adding to the dynamic has been massive immigration since the mid-1960s. Nearly half a million new residents arrived in the 1990s alone. Prior to changes in the U.S. immigration laws in 1965, less than half on one percent of the regional population was foreign born. Thirty years later, 800,000 newcomers had arrived from over 200 countries. The huge demographic shift has influenced almost every area of community life. It has also necessitated the rise of new organizations and programs to aid immigrants, educate residents, and enable diverse communities to bridge differences.

The Community Foundation for the National Capital Region has put forth a bold social justice agenda to ensure equity, access and opportunity for all. Of particular interest to the foundation are issues relating to the connection between education and workforce development for local communities. As part of this effort, two of the foundation's flagship initiatives are The Common Ground Fund and The Washington Area Partnership for Immigrants. Both projects work to ensure that minority and immigrant communities can contribute to and benefit from the prosperity often associated with the region.

The Common Ground Fund aims to support non-profit organizations and grassroots groups working to provide sustainable futures for their children and families – tackling problems in housing, education, and

health services. The Fund focuses on building the capacity of parents and residents to advocate for themselves and to organize for community change. The foundation leveraged the contributions of several national and local philanthropies for the Fund, including financial resources from many of the donor-advised and special projects funds under its stewardship. The Common Ground Fund has granted more than \$2 million to ensure access for educational, housing, health care, and political equity in traditionally disenfranchised communities throughout the greater D.C. area.

The Washington Area Partnership for Immigrants began as a loose group of local funders interested in immigration issues. With funding from the Emma Lazarus Fund of the Open Society Institute the group became formalized and focused on supporting immigrants to obtain U.S. citizenship. It then expanded its agenda to include building strong regional leadership in immigrant communities in D.C. It has made grants in excess of \$2.6 million to improve public awareness of immigrant-related issues and for advocacy, leadership development and capacity building. With the foundation's stewardship, the Partnership has developed into a public/private partnership that, despite its members' institutional constraints and individual funding priorities, functions effectively as a collaboration leveraging multiple investments and public and private resources.

Both The Common Ground Fund and The Washington Area Partnership for Immigrants make use of grantmaking, awareness building, and convenings to ensure equitable access to community resources and fair practices for residents. Because the projects inform each other and cut across traditional grantmaking program areas, the work of these two projects provides opportunities for cross-cutting dialogue, exchange, and agenda setting. In 2005, The Common Ground Fund and The Washington Area Partnership for Immigrants released a joint publication, *Parent Leadership: Investing in Children's Academic Success*, which information the foundation's new grantmaking goals for helping minority and immigrant parents advocate for their children in public schools.

Example 2. Promoting Economic Development. The greater Kalamazoo, Michigan area has experienced both economic challenges and breakthroughs. The **Kalamazoo Community Foundation** has played an instrumental role in shaping the community's future and economic vitality, by using program and business-related investments (PRIs and BRIs) – low-cost loans and loan guarantees – to leverage economic and redevelopment activity in the greater Kalamazoo area. The benefits are many. Loans can be made to support projects not eligible for conventional financing. They can also be used to leverage private capital. Because loans will eventually be paid back, the foundation retains the assets.

Since 2000, the foundation has authorized \$19.1 million in targeted investments to assist with community redevelopment projects.

- Downtown Tomorrow Inc. received a \$748,000 loan to purchase a property in the central business district and advance the construction of 20 condominiums.
- A foundation PRI of \$1.5 million allowed the creation of a nine-acre parcel of land slated for future development west of downtown.
- A \$2 million PRI completed financing for the \$12 million Innovation Center in the Business Technology Research Park of Western Michigan University, already home to 14 biotech and life science businesses.
- A \$1 million loan helped launch the Air Zoo, an entertainment-based aviation museum and national tourist attraction.

By partnering with organizations dedicated to enhancing the vitality of the greater Kalamazoo area, the community foundation is leading the community as it fosters entrepreneurial spirits, instills philanthropic values, and invests in strategic, economic growth.

The Kalamazoo Community Foundation's PRI for the Innovation Center, a business incubator designed to create new high tech jobs in the wake of job losses in the local pharmaceutical industry, received a 2007 Critical Impact Award, one of only two awarded that year by the Council on Foundations to community foundations. Critical Impact Awards are given to "those who truly make a difference in their grantmaking, while sharing with the public examples of how philanthropy seeks to enhance the common good".

Current challenges and future developments

Following corporate scandals and media reports of wrongdoing in the broader US philanthropic sector, US grantmaking foundations – including community foundations – face the potential of eroding public trust and, for the first time in more than 38 years, stricter governmental regulation. Partially in anticipation of such threats, as well as in recognition of the need to differentiate community foundations from other charitable giving options, in 2000 the US community foundation field adopted National Standards for US Community Foundations. Currently, over 575 US community foundations have declared their intent to comply with the National Standards, and the field has confirmed more than 400 organizations as compliant.

Community foundations in the US also continue to face challenges from competitors caused by the success of the community foundation model. Financial institutions, institutions of higher learning, and other nonprofits have discovered that donor-advised funds are a way to increase charitable giving to benefit their organizations. The commercial charitable gift funds, such as those run by Fidelity Investments and Vanguard, have been aggressively marketing their donor-advised products.

As pointed out in the seminal report on the field, "On the Brink of New Promise," the challenge for the US community foundation field is to see its distinctive value as community change agents not just as grantmakers or agents of charitable transactions. Community foundations have rich expertise in grantmaking and knowledge of community needs and the local nonprofit sector that can be turned into powerful forces for significant community change.

Future developments may be along the lines of increasing the number of affiliate funds. While there are over 700 community foundations in the US, a recent Aspen Institute study indicated that there are over 3,000 geographic affiliate funds of these community foundations. These affiliates often are a group of funds dedicated to a specific community located in proximity to the "parent" community foundation. In many ways they may act like a community foundation (funds overseen by a volunteer group of local citizens), but their administrative work and legal structure is assumed by the parent organization.

Additional resources

See the Chronicle on Philanthropy article on the Columbus Foundation 2007 survey of US community foundations, which reports on 2006 data on US community foundations at:

<http://philanthropy.com/premium/articles/v19/i23/23001801.htm>

The Columbus Foundation Survey data can be found on the Columbus Foundation website at:

www.columbusfoundation.org/find/survey/index.aspx

Support Organization: Council on Foundations

Community Foundation Services

History and purpose

The Council on Foundations is the national membership organization for all grantmaking foundations in the US. Its Community Foundation Services department addresses the needs of member community foundations through information, training, technical assistance and networking services on a wide range of issues affecting community foundation operations and development.

The department also staffs the Community Foundations Leadership Team – a group of elected leaders who work with the Council to set strategic direction and policy for the community foundation field. The Leadership Team has identified several areas of work as part of its 2007-2010 Plan of Action. The link to the Plan of Action is given in the next section.

The Council's Fall Conference for Community Foundations, held annually, regularly attracts more than 1800 community foundation staff and board members from the US and around the world.

In addition to Community Foundation Services, several other Council departments provide services to community foundation members including International Programs, which serves the international interests of US community foundations, as well as the general interests of non-US community foundations.

Other organizations that support and promote the development of community foundations

The United States is well served by organizations that support the development of community foundations at the national and regional levels.

There are numerous regional associations of grantmakers, some of which have programs specifically tailored for community foundations in their areas. These include the Council of Michigan Foundations, the Indiana Grantmakers Alliance, the Ohio Grantmakers Forum, the Southeastern Council on Foundations, the Donors Forum of Wisconsin, the Connecticut Council for Philanthropy and the Association of Baltimore Area Grantmakers (for the state of Maryland). Statewide associations or networks of community foundations also exist in many areas including California, Florida, Iowa, North Carolina, South Carolina, Virginia and West Virginia.

In some areas community foundations in a region will coalesce around common issues such as the environment or shared grantmaking. The US is also home to a large number of national funders that have recognized the ability of the community foundation model to address local issues. National funders that are currently active include: the Charles Stewart Mott Foundation, the Ford Foundation, the W.K. Kellogg Foundation, the Lilly Endowment, and the John S. and James L. Knight Foundation.

Structure and organization

The Council on Foundations is a membership association of all types of foundations. Total membership is about 2,100, of which 25 percent are community foundations. The Council employs about 90 full-time staff.

The Community Foundations Leadership Team serves as the main group that governs the work of community foundations. It is composed primarily of board members and senior staff of community foundations. The Leadership Team chair attends Council board meetings as a guest. While the Council's Community Foundation Services department is the primary provider of services to community foundation members, several other departments also provide assistance including Legal, Government Relations and Research.

Recent accomplishments

See the Community Foundations Leadership Team 2007-2010 Plan of Action at:

www.cof.org/files/Documents/Community_Foundations/CFLT/CFLTActionPlan.pdf

Current challenges/future developments

See the Community Foundations Leadership Team 2007-2010 Plan of Action at:

www.cof.org/files/Documents/Community_Foundations/CFLT/CFLTActionPlan.pdf

Additional resources

COF resources for community foundations are available under the Community Foundations section of the Council on Foundations website at: www.cof.org

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