

# Building Community Foundation

Bulletin #19

August 1995

## Grantmaking Consulting Program

*Sponsored by:* Philanthropic Ventures Foundation, Bill Somerville - President

*Funded by:* David and Lucile Packard Foundation

## Grant Making Consulting

Grantmaking consulting has been done at community foundations in the United States and Canada with an asset range from zero to over \$200 million.

A consulting visit is usually three days long and involves the foundation staff, board members, and committees. The visit is designed for a maximum of interchange, questions, and review. From this comes new ideas, insight and enthusiasm.

Inquiries about consulting are welcome - call (510) 645-1890

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## Community Foundations As Incubators

### Introduction

Public charities, namely community foundations are in a unique position to help new programs get started. One of the most comprehensive examples of this is the Tides Foundation in San Francisco. Established in 1976, this foundation has over 200 projects for which it acts as fiscal sponsor. None of these projects has 501(c)(3) status and all are considered a direct activity of the foundation and under the supervision and control of its Board of Directors. Projects can graduate to an independent status but most stay with the foundation which charges an 8% fee on revenue the projects receive from their fund raising.

The Tides Foundation treats employees of the projects as employees of the foundation. It covers payroll taxes, unemployment insurance, etc. It handles the bookkeeping and check writing for the projects. Again, this is possibly the furthestmost example of fiscal sponsorship. Can it be done less so?

It is possible for community foundations to help programs get started by acting as an incubator. If a new program is not yet incorporated, a community foundation can act as the repository for funds for the program until it becomes incorporated. This is a service more community foundations might want to consider in that it helps worthy programs to get

started and it gives new definition to the charitable services a community foundation can offer. Special considerations that apply are:

- This writer always uses the term “repository,” we are not the fiscal agent. The foundation receives funds and holds them for the program. It gives money out in allotments, i.e. the program personnel have a small checking account, which they spend down and report to the foundation which then gives another allotment.
- Programs accepted for the repository service are clearly charitable efforts run by persons in which the foundation staff has confidence.
- The foundation has an exchange of correspondence which represents an agreement with the program personnel about how long the repository relationship will last, e.g. until they receive 501(c)(3) status and that the foundation will charge an administrative fee of x% of all money it receives.

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Large private foundations such as the Hewlett and the Packard Foundations are willing to help fledging programs and as such are willing to consider giving grants to community foundations as the repository for these programs.

At the same time, such foundations cannot “launder” their funds through a community foundation to avoid expenditure accountability. An example of a questionable practice would be the donor foundation earmarking money given to a community foundation for a particular program.

It is possible for private foundations to have donor advise funds with community foundations. The community foundation can set up criteria for such funds to give support to fledging programs not yet 501(c)(3), such as geographic location, staffing requirement, budget expenditures, charitable activity, etc.

From time to time the donor foundation can recommend that a program be considered for support from the donor advise fund and if the community foundation deems that the recommendation meets the criteria, a grant can be made.

The private foundation is thereby extending its philanthropic services by using the expertise of a community foundation. In addition, the community foundation can be an advisor to the fledging program with regard to concerns in getting started. Such advice might relate to board staff relations, setting up a budget, helping the program personnel learn how to seek funding.

The Hewlett Foundation uses the following checklist of expectations which it considers in reviewing a proposal from an incubator organization (community foundation) relating to an affiliated project.

- It will review and approve the current year operating plan including the financial budget.
- It will determine that the activities are “charitable.”
- It will exercise sufficient oversight responsibility of the project to insure that the program is operating generally consistent with its approved plans and that funds are being expended on “charitable purpose” activities.
- It has assurance of adequate involvement by an advisory committee to the program.
- There is sufficient staff, either paid or volunteer, to make the program work.
- It has records of all receipts and disbursements related to the program. Further, it will make appropriate determinations as to whether individuals receiving payment for services to the program should be treated as employees or as independent contractors with appropriate related tax reporting.

The Hewlett Foundation expects that:

- Minutes of the advisory group meeting including proposed operating plans would be reviewed by an appropriate employee of the incubator organization.
- The Board Minutes of the incubator organization would record the approval of the project’s annual operating plan including its budget.
- The foundation executive would meet with the Board/Advisory group of the program to be clear on the specifics of the relationships.
- The incubator organization will determine that there is appropriate insurance coverage for risk exposures inherent in the project.

In summary, if one feels it is important to help new programs get started both public charities and private foundations can make grants if the activities are charitable. Quite possibly there is a special role to be played by public charities (community foundations) in receiving funds and giving support to programs that do not yet have their 501(c)(3).

Such a relationship can get complicated but this need not be the case. As with all donor advise funds, funding can only be for charitable activities; donors can only recommend, they cannot earmark their funds; the public charity must stay on top of the relationship by having direct contact with the program, its staff, and its governing body.

## Comments on Grantmaking Consulting

*"You gave us many terrific suggestions. Even if only one ever gets implemented, we will be the better for it."*

**Clover M. Drinkwater, Esq.**  
**Board Member**  
**Community Foundation of the Elmira-Corning Area, NY**

*"Your ability to quickly assess our board situation, current crises, grantee shortcomings, and grant process needs was truly amazing. The reaction to your presentation to the Board has been phenomenal. Many members expressed their appreciation of your frank discussion and pointed observations. I think you initiated a great deal of thought for the Board and staff in the coming months.*

*I personally benefited greatly from your gentle yet insightful advice regarding our grant making process. We intend to implement most , if not all, of the suggestions you made."*

**Kathy Huschke**  
**Senior Program Officer**  
**The Fremont Area Foundation, MI**

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