

PLEASE ROUTE:

EXECUTIVE DIRECTOR \_\_\_\_\_

PROGRAM OFFICER \_\_\_\_\_

CHAIR GRANTS COMMITTEE \_\_\_\_\_

# BUILDING COMMUNITY FOUNDATIONS

GRANTMAKING CONSULTING PROGRAM

*Sponsored by:*

PHILANTHROPIC VENTURES FOUNDATION-  
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## ACTIVATING DONOR ADVISE GIVING

**Historically** donor advise giving through community foundations has been very passive. The donor sets up an advise fund and the foundation waits for recommendations. This need not remain the case.

When a donor sets up an advise fund, three questions should be asked. First, would you (the donor) consider giving a percentage of contributions to your fund to the unrestricted endowment of the foundation? In other words, would you help philanthropy grow in our geographic area by making a grant to the foundation? (If you don't ask, it won't happen.) There are examples where donors have said, "You keep 20% of what I give to my fund."

Second, you ask what things the donor is concerned about, e.g. youth issues, keeping the family together, the arts. Third, you ask if the donor would have any objections to your calling outstanding programs to his/her attention that fall into these areas of concern.

The donor might say 'no' to questions one and three but not always. In most cases it is a way to 'activate' donor advise giving.

**Note:** *If the foundation Board has approved the procedure, donor advise giving can be immediate giving. You call the donor with an idea, the donor approves it, you give out the check right away. In other words, the Board has approved the Executive Director making donor advise grants immediately when the Executive Director is sure the program is charitable. Such grants are reported to the Board for confirmation.*

*Another procedure for approving donor advise grants is to list all donor recommendations for a given week, fax this list to members of the grants committee who will indicate their approval and fax the list back. When a majority of the committee has responded, the grant can be given.*

**In the past**, foundation personnel have presented the donor advise option in such a manner that the donors often didn't follow through - they created their own foundations. Donors were told that they must lose control of their money, they can only recommend, the final say is with the foundation Board, they should give primarily in the foundations geographic area, etc.

Why not be more positive? One sentence sums it up. We can tell the donor "Not one penny will be given out from your Fund without your recommendation."

First of all, the control issue is misunderstood by all parties. It means after a tax deduction has been taken, you can't have the money back. That's all. This applies if the donor starts his/her own foundation or a donor advise fund. It also means the donor can only recommend but if the recommendation is for a charitable cause there is no reason for not making the grant. Nevertheless, we need to be more sensitive to the control issue because many donors start small private foundations rather than donor advise funds with the misbelief they will have more control of how the money is given out.

Second, donor advise funds can give anywhere the donor wishes, if the Community Foundation By Laws allow for this. "The \_\_\_ Community Foundation will primarily give in the \_\_\_ area and elsewhere as approved by the Board of Directors."

Third, donor advise funds are an avenue to involve the sons and daughters of donors who are eager for their children to become enthusiastic about giving and community foundations should market this idea.

It is a oxymoron to talk about donor advise endowments. If a donor creates a \$50,000 fund and this fund is set up as an endowment, the donor ends up only giving out \$2,500 a year. How is enthusiasm to be developed when so little is given?

There are no examples of donors going into poverty as a result of creating a donor advise fund. This is discretionary money. One can probably assume there is additional discretionary money to be given to the foundation if the donor gets excited about giving.

Thus, donors should be encouraged to spend down their advise funds and when the balance is low, to give additional funds to the foundation. These donors, with new enthusiasm, might be prone to write the foundation into their Wills, to give to the foundation's endowment, to call the foundation to the attention of friends.

To limit the amount a donor can give out by labeling the advise fund an endowment is to cut off the opportunity to get the donor excited about giving.

**Administrative fees** for donor advise funds cover the spectrum. The larger the community foundation usually the smaller the fee. Some foundations keep the interest, others charge 1% to 2%, some use a sliding scale. The Editor recommends 2% of corpus per annum as a fair and simple administrative fee.

**The Minneapolis Foundation** in its Spring 1997 newsletter describes an 'active' donor advise relationship wherein the foundation ascertains the areas of interest a donor has for giving. Proposals in these areas are forwarded to donors and over \$750,000 was granted in one year from donor advise funds using this principal (612- 339-7343).

**There are examples** of community foundations creating custom stationary for donor advise funds in order to give the donor more acknowledgment for grants made.

**The normal phrasing** of a donor advise grant is "This grant comes to you from funds contributed by and at the recommendation of Mr. & Mrs. \_\_\_." One last thought relates to donors who want to give anonymously from a donor advise fund. Try to get the donor to give a name to the fund and then give acknowledgment to the named fund when a grant is made. Otherwise, credit goes to the community foundation for the grant and donors sometimes have mixed feelings about that.

**A lot of concern** is focused on Fidelity Investments Charitable Gift Fund which is nothing but a donor advise fund. Community foundations are far more able to serve donor wishes than is Fidelity but they need to market themselves better. For example, community foundation donor advise funds allow for 'initiative funding' and 'customized giving' by donors.

Community foundations can not only call things to the donor's attention for giving but can create special giving options for donors. An example would be offering to fund a double dutch jump rope competition at a school when the donor is interested in girl's issues. Such a program relates to self esteem and to fighting teen pregnancy. This is called initiative funding. It is also related to customizing the giving to the wishes of the donor.

Fidelity couldn't touch this quality of service.

**Building Community Foundations** now has a collection of six Common Grant Application Forms. They are:

- National Network of Grantmakers
- Washington DC Regional Assn. of Grantmakers
- New York / New Jersey Area
- Greater Hartford Area
- Northern California Grantmakers
- Council of Michigan Foundations

It is interesting to note that they aren't very common with each other. The editor is willing to fax a copy of one common application form upon request.

## WHY NOT COMPETE ?

In philanthropic work, as the law is now written, there are no limitations placed on foundations to prevent them from spectacular grantmaking. Likewise, there are no sanctions for doing mediocre work. There is no competitive element in foundation work. How does one know that they are doing well?

Listed below are seven elements for competing for excellence in foundation work.

In the next year:

- ⇒ have 7 new high risk grants
- ⇒ create 3 new ways to revitalize your foundation staff
- ⇒ develop 2 new approaches to measuring grant impact
- ⇒ find 4 more grassroots people doing outstanding work
- ⇒ create 3 additional services to help non profits operate better
- ⇒ have at least 2 failures in grants made
- ⇒ create 4 new methods to giving out grants

## ARTICLES OF INTEREST

Two articles in national publications which are catching the attention of grantmakers are:

- ◆ “The Tipping Point” by Malcolm Gladwell, The New Yorker, June 3, 1996
- ◆ “Virtuous Capital: What Foundations Can Learn from Venture Capitalists” Harvard Business Review, March - April 1997 Reprint 97207 (617) 495-6198

A new book on philanthropy advocating ‘share the wealth giving’ -vs- mere discretionary giving is:

- ◆ Wealthy & Wise by Claude Rosenberg, Jr., Little Brown & Company

**COMMENTS ON: PROGRAM OFFICER STAFF TRAINING**

“Excellent information. Makes me reassess my grant making procedures in terms of quality, efficiency, and innovation.”

“Excellent. It definitely got me thinking about new ways to work better and to be more effective in the community.”

“Thank you for focusing your training on senior program issues, innovative ideas for process, and “pushing the envelope” around grantmaking.”

“Thought provoking, invigorating, and inspiring.”

“Very practical and thought provoking, well organized and presented with clear themes and opportunities to test and reflect.”

“This gives me some great ideas that will stay with me even if I can’t implement them right away.”

“Very helpful. Challenging in terms of how to think differently. Concrete examples of how to change or improve. Also the opportunity to exchange ideas with other program staff is always helpful and exciting.

**~ Program Officer Staff Training Sessions ~**

The Grantmaking Consulting Program offers special training for program officers. If 5 to 10 program officers in a given geographic area express interest, a two day training program will be conducted in that area. A 300+ page syllabus has been developed for this training. The cost is \$100 registration fee.

**For further information call (510) 645-1890**

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