

BUILDING COMMUNITY FOUNDATIONS



Philanthropic
Ventures
Foundation

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Grantmaking Consulting Program

BULLETIN 61 | MAY 2004

Funded for 10 years by:
The David and Lucile
Packard Foundation

HOW TO RELATE TO PEOPLE WANTING TO START A PRIVATE FOUNDATION

Q: Quite often a family will express interest in starting their own foundation, because they want to retain "control" of their money. As a community foundation development officer, how should I deal with this?

A: The word "control" has legal connotations. In order to receive a tax deduction for one's giving, one must relinquish control of the funds. This is true whether the funds are transferred to a donor advised fund at a community foundation (public charity) or to a family foundation (private foundation). The key is that the family no longer exclusively controls the funds. The funds are now property of another entity and are to be used for charitable purposes.

With both donor advised funds and private foundations, the donor can continue to be very involved, recommending grants according to their specific desires and goals. The fact is donor advised funds and private foundations have many similarities. Where they differ is in the cost and ease of set-up and maintenance. The chart below sets forth the advantages of establishing a donor advised fund at a public charity versus establishing one's own private foundation.

Donor Advised Fund (through a Public Charity)	Family Foundation (Private Foundation)
Merely open a Donor Advise Fund	Incorporate with State; Recognition by IRS as tax-exempt
Full use of professional staff, administrative fee 1% to 2%	Personnel and administrative costs 10% - 25%
Excise tax not applicable	2% excise tax annually
Payout requirement not applicable	5% payout requirement annually
Tax returns handled by public charity	Tax returns must be filed annually
Tax deduction up to 50%	Tax deduction up to 30%

(Private Foundation vs. Public Charity continued on page 2)



**ABOUT
THE
EDITOR**

Bill Somerville has been in non-profit and philanthropic work for 44 years. He was the director of a community foundation for 17 years, and in 1991 founded Philanthropic Ventures Foundation serving as President and Executive Director. PVF is a demonstration foundation practicing unique forms of grantmaking and conducting initiative philanthropy. He has consulted at over 265 community foundations in the United States, Canada, and abroad, on creative grantmaking and foundation operations. In addition to Building Community Foundations, he publishes Dialogue, a newsletter for development officers that is distributed to 1,700 nonprofit organizations. His primary interest is in the creative and significant use of the philanthropic dollar.

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Executive Director

Program Officer

Chair Grants Committee

PRIVATE FOUNDATION VS. PUBLIC CHARITY (continued from page 1)

In promoting the idea of a donor advised fund, community foundation personnel should stay away from speaking in the negative: "You can only recommend grants." "Our Board has the final say," etc. Be positive: "No money will be given out from your fund without your recommendation." "As a public charity, we offer you more latitude in your giving than you would have with a private foundation." "You can give anywhere you wish." "You can give to anything that is charitable."

The concept of "control" becomes irrelevant once the donor realizes the advantages of working through a donor advised fund at a community foundation. The job of the community foundation development officer is to be on notice that this is a sensitive point for donors and that donors need to be made aware of how a donor advised fund can work for them, its flexibility, low cost, and the many benefits that come with working with a community foundation that has the expertise in the philanthropic arena.

THE FOUR FLAWS OF PHILANTHROPY

1. It is too passive. Most foundations wait for the mail. Prestige is often measured in how much mail one receives.
2. It is too anonymous. We are often dealing with people we don't know, so we process the paper over and over hoping to create a familiarity. E-mail proposals will only exacerbate the issue.
3. It is risk-averse. Most foundations want a sure thing. We suffer failure poorly in philanthropy and consequently taking a risk is minimal.
4. Timing in making grants is off. Most grants are given at the convenience of funders, i.e., "according to our schedule."

ITEMS OF INTEREST

- Alliance for Justice has excellent material on supporting grantees that lobby. Clear, simple, concise, accurate. Call 866-675-6229 toll free or e-mail at fai@afj.org
- Independent Sector publishes the *Nonprofit Almanac in Brief* with facts and figures on the Independent Sector – a comprehensive listing of size and scope, giving, volunteering. Call toll free 888-860-8118
- The East Bay Community Foundation, of Oakland, California, owns and manages properties that have been given to the foundation. These properties generate an income stream for donor advise funds and for the foundation. The foundation created EBCF Properties Inc. 510-836-3223 or e-mail info@eastbaycf.org.
- Community foundations are growing in Europe, and American foundations can be helpful. There is the Community Philanthropy Initiative (CPI) of the European Foundation Centre. Interesting mailings are available from the EFC. Email: cpi@efc.be. EFC website: www.efc.be.
- There are 650 community foundations in the United States. About 440 are members of the Council on Foundations. 60% of community foundation CEOs are female.

INTERNATIONAL GIVING

Can community foundations give internationally? Yes. Most community foundations do not do such giving for one reason or another, but if they were to reconsider this stance, international giving possibilities can make them more attractive to donors.

There are many resources to help in understanding the dimensions of international giving:

- *Legal Dimensions in International Grantmaking - Grantmaking in an Age of Terrorism: Some Thoughts About Compliance Strategies*, by James Gallagher, VP & General Counsel, Council of Foundations. This is an 8-page paper and can be read on-line at www.cof.org.
- *Handbook on Counter-Terrorism Measures: What U.S. Nonprofits and Grantmakers Need to Know*. This is a 32-page paper and can be read on-line at www.cof.org.
- *Information Requested of Foreign Organizations Which Do Not Have 501(c)(3) Determination Letter from the United States Internal Revenue Service*. This is a 5-page questionnaire to help determine the charitable status of an overseas enterprise. It was developed by the Willam & Flora Hewlett Foundation. For a copy, give your fax number to the Editor at 510-645-1890.

An alternative to international giving is to give to a U.S. based nonprofit 501(c)(3) which specializes in working in a particular area and has an established reputation. Examples are the Africa Foundation or American Near East Refugee Aid.

For new dimensions in international giving, go to www.GenerosityinAction.org. This website describes how American travelers, inspired to give while traveling to third world countries, are giving to small villages in developing countries to support schools, infrastructure, water supply and medical care. Generosity in Action supports such international giving in organized and effective ways.

Community Foundations can refer donors to this website to learn more about how to give to international projects they have been made aware of through their travels.

GOOD READING

Exploring the Growth Cycles of Community Foundations

by Michael J. Rawl
Mid-Shore Community Foundation
Easton, Maryland
mscf@crosslink.net

This is a 21-page-paper that involved a Review Board of 16 community foundation executives. It is a thoughtful and clear review of foundation growth with sections on:

- Exploring Various Stages of Growth
- The Seven Stages of Growth – from Concept to Renewal
- The Typical Community Foundation Growth Experiences
- The “Ideal” Community Foundation Environment
- The Greatest Dangers Faced by Mature Community Foundations
- Ten Secrets to Staying at the “Prime” Stage
- Management Capabilities for Community Foundations
- Growth Related Questions and Answers

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Grantmaking Consulting Services Offered by Philanthropic Ventures Foundation

PVF has provided on-site consulting to over 265 community foundations throughout North America and abroad, working with staff, board members and the community to improve grantmaking and operations.

The PVF consulting fee is paid for by the The David & Lucille Packard Foundation. Participating community foundations pay only for travel, meals, and lodging. If you are interested in receiving consulting services, or receiving more information of the consulting services, contact PVF president, Bill Somerville at:

510-645-1890 FAX: 510-645-1892
INFO@VENTURESFOUNDATION.ORG

"We appreciate the many new and exciting ideas you inspired, and the direction given us for the future. The Foundation will be making some changes, both simple and complex, in the near future, as well as looking into long-term plans to benefit our community."

- Community Foundation Executive Director

"The anecdotal portion of the presentation put real life "faces" on the material. It aroused a renewed passion in me for tackling the challenges before us. Many of the creative models presented will be utilized by our foundation."

- Community Foundation Board Member

"The whole experience was eye-opening, exciting and wonderful. I have often wondered if we make the application process too difficult for the smaller grants we award. It was refreshing to hear about the streamlined processes and quick turnaround. Following the training, we were able to receive follow-up materials from PVF staff outlining the back office logistics of the initiative grant programs that were presented."

- Community Foundation Program Officer

The services offered include:

- **Performance Review** - Intensive 4-day on-site review of all foundation operations, focusing on grantmaking, Board concerns, administration, staffing, development and fiscal health. Visit is followed by an extensive, written report on findings and recommendations, analagous to university or hospital accreditation process. The days are full and intense with the result being new enthusiasm, new expectations and new ideas.
- **Grantmaking Consultation** - Intensive 3-day on-site sessions focusing on analysis of foundation operations, grant making programs, public relations and internal procedures. Includes meetings with foundation Board, grants committee, Board chair, foundation staff, and executive director. Optional inclusions are meetings with funders, interviews with local media, and meetings with nonprofit organization personnel.
- **Program Officer Training** - 2 full days of training for foundation personnel, involving problem solving, interaction of participants and exchange of ideas, accompanied by 500-page reference manual. Participants analyze actual grant requests, evaluate and make grantmaking decisions, and engage in role-playing.
- **Board Retreats** - Facilitator for Board Retreats (Half day to 2 days). Work through issues facing foundations, including growth, community outreach, and grantmaking. Results of retreats include critique of the foundation's work, new insights for change, and recommendations for the future.