

BUILDING COMMUNITY FOUNDATIONS



Philanthropic
Ventures
Foundation

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Grantmaking Consulting Program

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COMMUNITY FOUNDATION "LEAD TRUSTS"

What's a lead trust? For some donors it is advantageous to set aside a portion of their wealth for a given period of time. The income from this set-aside is given to philanthropy. After the time period is up, the money returns to the donor. An example would be a lead trust of \$5 million for 10 years with the income for that 10 years going to philanthropy.

Why couldn't community foundations use the lead trust concept for some of its giving? For example, a well-established agency that has strong staff leadership, an active Board, that enjoys a good reputation in the community, that has an outstanding executive, would be a candidate for a lead trust grant.

The community foundation could set aside \$1 million for five years with the income going to the agency on a monthly basis.

What are the advantages of such an arrangement?

- It offers continuing support to an outstanding agency
- It considerably reduces paperwork wherein the agency was required to reapply every time it needed a grant.
- It sets a time limit and allows the foundation to terminate the grant if the agency ceases to be outstanding.
- It takes the monkey off your back in terms of the agency being in contact time after time looking for support.
- With a time limit, it allows for a rotation of lead trust grants to other outstanding agencies.

Could the concept be misunderstood by the public? No more so than other granting policies set by the foundation. What this concept does do is allow outstanding agencies to focus more on their work with the confidence of knowing there is an income stream.

(Lead Trusts, 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

Basically, this is general support funding but it could be designated for a particular purpose. The irony is that many community foundations state that they do not do general support grants and yet every grant made to an agency helps in its general operations through overhead costs.

Paperwork bureaucracy with community foundations is a serious problem and needs to be mitigated. This new concept speaks to this issue in making it unnecessary for continuing requests to be submitted. Progress reports would be sent by the agency for grant evaluation purposes.

In summary, outstanding agencies with superb leadership need to be supported and not taken for granted. Such agencies represent "core services" for a community. They are the backbone of the nonprofit sector and a community cannot afford to lose such an asset. The concept of a lead trust grant is one way to give stability and longevity to such agencies.

GOOD VALUES IN PHILANTHROPY

David and Lucile Packard passed on to the Board and staff of their Foundation the following set of values:

- ◆ **Integrity.** The Board and staff will be open and honest with one another, the community, and Foundation grantees. They will encourage the highest possible standards of conduct.
 - ◆ **Respect for All People.** The Board and staff, in all of their work, will show graciousness and respect to all people. The success of the Foundation depends on seeking out and listening to the ideas and advice of others.
 - ◆ **Belief in Individual Leadership.** The Board and staff will provide at the Foundation an environment of trust and flexibility that fosters and rewards the best in ideas and efforts.
 - ◆ **Commitment to Effectiveness.** The Board and staff will identify unique and strategic opportunities to make a difference. They will evaluate their effectiveness and change strategies as necessary to achieve a greater effectiveness.
 - ◆ **Capacity to Think Big.** The Board and staff will initiate and be receptive to ideas in which a large commitment of funds and/or time can make a unique and lasting contribution. The Foundation will operate in a way that ensures flexibility to respond to such opportunities.
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DO YOU HAVE CONCERNS?

If readers have concerns regarding the operations of a community foundation, they are invited to contact the Editor at: info@venturesfoundation.org.

In the past a community foundation executive director asked for ideas to deal with an inactive Board. Another asked for ideas relating to staff development and performance (this will be addressed in the next issue of [Building Community Foundations](#)).

Sometimes it's lonely out there and it helps to be able to vent and hear what others are doing about problems in running a community foundation. The Editor is willing to research ideas and respond to your concerns in [Building Community Foundations](#). No names will be used, so readers can be as candid as they wish.

IMPROVING PHILANTHROPY

Looking at philanthropy the past 45 years has led the Editor to focus on five flaws that need attention. This is an expansion of ideas that were presented in Bulletin #61.

1. **Philanthropy is too passive.** Most foundations wait for the mail and prestige is often measured by how much mail is received. There is nothing in the rulebook that prevents foundations from taking the initiative. For example, if teen pregnancy is a serious issue in a community and the foundation receives no paperwork relating to teens, girls, and pregnancy, the foundation could invite an agency to apply (this goes beyond the RFP).
2. **Foundations, for the most part, fund paper not people.** The proposal is nothing but an idea and unless there are some outstanding people involved in the idea, there is no assurance the proposal will work. In other words, philanthropy is too anonymous. Too often we don't know who we are dealing with so we process the proposal over and over hoping to create a familiarity to get to know who is involved.
3. **Philanthropy suffers failure poorly.** Basically we are risk averse. We want to fund a sure thing and yet progress is often measured by the willingness to venture, i.e. take a risk. There isn't a business person on a foundation Board who didn't take a risk in starting their business, but this same person is not very tolerant to take risks with the philanthropic dollar. If you take risks, you will have some failures. If you have no failures, you have not taken any risks.
4. **The timing in giving grants is wrong.** We give at our convenience, i.e. according to our schedule. Schedule is another word for convenience. It is an axiom that small grants given quickly can have greater impact. People ask for money when they need it and giving should be on a more timely basis.
5. **Within professional philanthropy there is, too often, an institutional arrogance.** We are not answerable to anyone. Our "tool" is money and money is power, and this power should never be exercised. It isn't our money. It isn't our foundation. We are servants in the philanthropic field and modesty is very important.

In philanthropy there are no constraints for doing spectacular giving nor are there any sanctions for mediocre work. We are in a field without competition. It is up to us to set the standards of excellence in our work.

INTERESTING READING

- ◆ **"Lobbying and Advocacy by Nonprofit Organizations,"** from Snapshots published by the Aspen Institute Nonprofit Sector Research Fund, www.nonprofitresearch.org. All foundation executives should be familiar with the rules on lobbying by nonprofits. It is allowable but not to a "substantial" degree. Find out what "substantial" means.
- ◆ **"Attitudes and Practices Concerning Effective Philanthropy,"** the Urban Institute Center on Nonprofits and Philanthropy. This is a 15 page executive summary from a survey of 1,192 foundations, available at www.urban.org.

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Grantmaking Consulting Services Offered by Philanthropic Ventures Foundation

PVF has provided on-site consulting to over 280 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 & Lucile 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 (TEL) 510-645-1892 (FAX)
INFO@VENTURESFOUNDATION.ORG

"We appreciate the many new and exciting ideas you inspired, and the direction given us for the future."

- Community Foundation Executive Director

"The presentation 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."

- 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.
- **Program Officer Training** - 2-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(1/2 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.