

# BUILDING COMMUNITY FOUNDATIONS



Philanthropic  
Ventures  
Foundation

Bill Somerville  
President

## Grantmaking Consulting Program

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### Risk and Grantmaking

With all the talk about venture philanthropy it seems appropriate to address the issue of risk. To venture means to take risk.

Risk and gamble need to be differentiated. To proceed on a risk basis is to move forward on a task because in your professional opinion it is worth doing, even if success is uncertain. To gamble is simply to throw the dice and let fate decide.

The reality is that if one takes risks there will be some failures. If there are no failures in one's work, then no risks were taken. Bill Hewlett of Hewlett Packard would tell his engineers that if they had no failures they were not doing their job right. He wanted his staff to venture.

What are the factors that make risk acceptable in philanthropy? Trust is one of the factors. Knowing the grantee, his/her work, reputation, and accomplishments is important. If the person has been effective in the past, chances are they will be effective in the future. Comparing the dimensions of what is being proposed with the grantee's past experiences is also valuable. Is the proposal a quantum leap as to scope and size, or is it in line with the grantee's past experience?

What is the anatomy of a risk? When you are taking a risk you will feel discomfort. People seem to have a wide range of tolerance regarding risk. One example of low tolerance is the 'what if?' syndrome: What if we are inundated with requests? What if we run out of money? What if this person proves to be dishonest? What if this person leaves the project? It is easy to 'what if' oneself into paralysis.

In response to the 'what if' questions, many foundations require as much information as possible — pages upon pages with the thought that this minimizes risk.

Indeed, information is needed from the applicant, but the Editor often sees excessive application requirements in which the information required far exceeds what is really necessary. In fact, this excessive paperwork often backfires on foundations, resulting in backlogs and bureaucracy.

(Risk, continued on page 2)



ABOUT  
THE  
EDITOR

Bill Somerville has been in non-profit and philanthropic work for 45 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. Bill has consulted at over 285 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. His primary interest is in the creative and significant use of the philanthropic dollar.

(Continued on page 3)



Executive Director



Program Officer



Chair Grants Committee

(Risk, continued from page 1)

Risk-taking is an intuitive process. In making a decision to go ahead one is calling on a lifetime of experience to help in deciding whether or not to risk. This, of course, assumes that a person is willing to trust their intuition. In most cases, it's a safe bet to do so.

The interesting thing about deciding whether or not to make a grant, regardless of risk, is that the final decision is subjective—do I like it or not? To get to this point, we process as much information as needed to gain what we think is an objective perspective, but the final decision is subjective. This in and of itself has an element of risk.

Bankers will readily admit they would not be in business if they did not take risks—all the time. Risk-taking may have its hazards but it is not reckless. It is necessary. In fact, the successful future of philanthropy depends on our ability to incorporate risk-taking into our work.

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## Philanthropy and Academia

Sampling of university programs addressing philanthropy. Some have a public service focus, some focus on research and teaching:

- Center on Philanthropy, Indiana University
- The Center for Public & Nonprofit Leadership, Georgetown University
- The Hauser Center for Nonprofit Organizations, Harvard University
- Mandel Center for Nonprofit Organizations, Case Western University
- The Center on Philanthropy and Public Policy, University of Southern California
- The Center for Civil Society Studies, John Hopkins University

\*Stanford University is starting a Program in Philanthropy and Civil Society

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## Good Reading

Foundation Growth and Giving Estimates 2004 - The Foundation Center [www.fdncenter.org](http://www.fdncenter.org)

Here are a few highlights from this report compiled from 940 grantmakers:

- Foundation giving rose by over \$2 billion or 7% in 2004
- Giving by 66,000 grantmaking foundations reached an estimated \$32.4 billion in 2004
- After inflation, grant dollars have more than doubled since 1994
- Community foundations showed strongest gains in 2004 giving
- The majority of funders provide global opportunity support
- Number of private and community foundations increased by over 1,500 in 2003
- Nearly one-half of larger foundations were established after 1989
- One-half of foundation survey respondents received fewer than 100 proposals in 2004
- One third of survey respondents funded at least half of the proposals they received

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“When success is assured, an organization becomes inert. It lacks the ability to become a self-correcting institution.”

- Creating the Capacity for Change, Ted Kolderie

*Editor's Note:* Foundations with endowments have assured longevity. It is vital that they stay alert to be viable, creative and worthy.

## **Outstanding People Do Outstanding Work**

Foundation personnel need to do more to seek out and find outstanding professionals in the non-profit sector. Waiting for them to send in a proposal is not enough. You need to find them. How?

The Editor feels the most challenging part of his work as a foundation executive is finding outstanding people. To do this he reads all the local newspapers, visits programs, and tries to expose himself as much as possible to new experiences to meet new people. One example is going to the San Francisco produce market at 6:30 a.m. with a non-profit person to solicit free food for a soup kitchen. Try to get yourself out of your comfort zone.

We have got to get out of the office more, not to attend meetings, but to stimulate our ability to find outstanding people doing the work they do. Once you find them, observe where they could use funds, ask what their plans are, use your insight from your knowledge of the community to negotiate something with that person.

This is possibly one of the most exciting aspects of community foundation work.

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### **Non-Profits that Lobby**

If you are a community foundation that funds non-profit organizations that lobby, you should be aware of a recent clarification letter from the IRS. This is a list of 16 questions and answers published in:

Interchange: the Newsletter for Southeastern Grantmakers, April 2005. [www.secf.org](http://www.secf.org)

One can also contact Charity Lobbying in the Public Interest (CLPI) in Washington, D.C., to whom the IRS wrote the clarification letter. [www.clpi.org](http://www.clpi.org)

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### **Real Property Donations**

Following up our previous list of community foundations that have set procedures for accepting donations of real property:

The Community Foundation of Silicon Valley has created a Real Estate Trust.

It accepts donated real estate, handles the paperwork involved in selling it and directs the proceeds to charity.

[www.cfsv.org](http://www.cfsv.org) Tel: 408-278-2200

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### **Women in Philanthropy - Interesting Data**

- \$41 trillion will pass from one generation to the next by 2044
- Women outlive men by an average of 7 years - 85% to 90% of women are left in charge of family financial affairs
- In 1998, 2.5 million (38.8%) of top wealth holders in the US were women, with a combined net worth of \$4.2 trillion
- Mature donors (age 50+) give to 10 or more nonprofits. Men (age 35-49) give to 6-10 nonprofits, women (age 35-49) give to five or less
- Baby boomer women give evenly to charities, public interest groups, and their places of worship. Men give to public interest groups, charities, secondarily to their churches
- In charitable bequests, men left 40% of their gifts to private foundations; women bequeathed less than 25% to private foundations.

## BUILDING COMMUNITY FOUNDATIONS

Philanthropic Ventures Foundation  
1222 Preservation Park Way  
Oakland CA 94612-1201

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### Grantmaking Consulting Services Offered by PVF

PVF has provided on-site consulting to over 285 community foundations throughout North America and abroad, working with staff, board members and the community to improve grantmaking and operations.

The PVF consultant's fee is paid for by The David & Lucile Packard Foundation.

Participating community foundations pay \$500 and for travel, meals and lodging.

This program is described at length on PVF's website, <http://www.venturesfoundation.org/consulting/>

**For more information on consulting services, contact PVF President, Bill Somerville at:**

**510-645-1890 (TEL) 510-645-1892 (FAX)**  
**BSOMERVILLE@VENTURESFOUNDATION.ORG**

#### *The consulting services offered include:*

- **Board Retreats** - 1-2 day facilitation at Board Retreats. Work through issues facing foundations, including growth, community outreach, and grantmaking. Results of retreats include critique of foundation's work, new insights for change, and recommendations for the future.
- **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.
- **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. The days are full and intense with the result being new enthusiasm, new expectations and new ideas.