

WHY SHOULD A COMMUNITY HAVE A COMMUNITY FOUNDATION?

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WHAT IS A COMMUNITY FOUNDATION?

A community foundation is an entity, preferably a non-profit corporation, created for the purpose of obtaining, investing, and expending donated funds for the purpose of benefitting a particular community. It is usually intended to be a permanent fund which will benefit a community for many years into the future, so usually only the income on the foundation's assets is expended each year, and the foundation will continue to grow as additional contributions are received and if assets increase in value. A community foundation is usually intended to benefit a specified community, such as a city, an area, or a county (for example, The Centerville Foundation, The Centerville Area Foundation, or the Center County Foundation). It usually achieves 501(c)(3) status from the IRS to make gifts to the foundation deductible to the donors as charitable gifts and to avoid taxation on its income.

WHAT ARE THE BENEFITS TO A COMMUNITY OF HAVING A COMMUNITY FOUNDATION?

1. A community foundation can significantly benefit a community by providing critical funding for many important purposes in support of the community.
2. It can provide seed money for community projects.
3. It provides a meaningful opportunity for caring people to give back to their community and to leave a legacy to preserve and support their community after they are gone.
4. It provides an opportunity to develop community spirit as people work together to focus on the future of their community, tell the foundation story, raise funds, and pursue projects.
5. The foundation board can provide creative leadership to a community, which leadership is enhanced by the foundation's ability to provide supportive resources.

FOR WHAT IMPORTANT PURPOSES CAN THE COMMUNITY FOUNDATION ASSETS BE UTILIZED?

1. Education
2. Health and medical
3. Community buildings and structures
4. Social services
5. Arts and culture
6. Parks and recreation
7. Transportation
8. Aesthetic improvement
9. History preservation
10. Protection of environment
11. Economic development
12. Other improvements and activities that preserve, strengthen and enhance a community and community life

WHAT IMPACT CAN COMMUNITY FOUNDATION EXPENDITURES HAVE ON A COMMUNITY?

Communities have many needs. Essential services must be provided but there are many needs and wants that go beyond essential services. Governments cannot meet all the needs and wants, mostly because of lack of funds and partly because some expenditures may go beyond the perceived proper

role of government. Other community charities enhance community life in many ways but their financial capacity is limited and their mission is often limited. A community foundation can partner with governments and charities and provide supplementary funds to preserve, strengthen and enhance a community and community life in many ways. The foundation can fund various needs and wants that could not otherwise be funded.

A community foundation can provide seed money for a community cause that otherwise could not be started. With respect to various causes that a community is considering, a community foundation can provide an essential portion of the funding, which might make something feasible which would not otherwise be feasible. As the community foundation grows, it is able to provide a critical piece of the funding for each of the community causes that arise year after year. Most community fund drives focus on the wealthy individual or individuals in the community, and the foundation can become, in effect, one of those generous wealthy individuals that can be counted on to benefit the community, and, furthermore, the foundation can be the vehicle by which generous people can continue to care for their community far into the future. The community foundation can be a critical piece of the success of a community.

The philosophy of a community foundation is normally to preserve the principal for the future while expending only the income or growth. It typically decides to distribute a set percentage of the assets as an approximation of that income or growth, commonly 5%. If foundation assets are \$50,000 (probably a minimum amount to start a successful foundation), then each year the foundation can distribute \$2,500, an amount that is not large but can make a difference if used wisely. When the foundation reaches \$500,000 in size, the annual distribution of \$25,000 can be very significant. When the size moves beyond \$1,000,000, which will happen at some point, assuming proper leadership, the impact on a community becomes obvious.

Although the primary purpose of a community foundation may be to develop a permanent endowment fund, with the intention of expending the income or growth each year for community purposes, the community foundation may also raise funds to be used right away, and gifts designated for current purposes must be used for current purposes. Promoting and carrying out current projects and programs is likely to provide positive visibility and credibility to the community foundation and increase its immediate impact. Furthermore, as a 501(c)(3) corporation, the community foundation is a public charity that can receive funds for its purposes from other charities. It is not limited to providing grants, and can directly carry out its own programs and projects for the benefit of the community, regardless of whether they involve expenditures from foundation assets.

HOW IS A COMMUNITY FOUNDATION GOVERNED AND ADMINISTERED?

The community foundation (a non-profit corporation) is governed by a board of directors (or trustees) who are named in the articles of incorporation as the foundation comes into existence, perhaps 5 or 7 initially. The board may increase its size according to its needs and must elect successors to replace themselves. It is absolutely critical that these directors be responsible and competent persons who are dedicated to their community, who are respected by the community, and who have a reputation for integrity, and they must exercise leadership and good judgment. If the foundation board is not trusted or if it makes poor judgments, the foundation will fail because people will not then make any further donations or bequests to the foundation. Electing even one person who is not trusted or making even one bad decision can adversely affect the future of the foundation.

The board elects officers, administers the foundation, leads the fund-raising, provides for investment of foundation assets, and decides what grants to make. Board members may be expected to support the foundation financially according to their abilities. A good board will provide creative leadership to the community, enhanced by the foundation's ability to provide supportive resources, and will develop community spirit by encouraging focus on the future of the community and by telling the foundation story and raising funds.

HOW DOES A COMMUNITY FOUNDATION PROVIDE A MEANINGFUL OPPORTUNITY FOR PEOPLE WHO CARE ABOUT THEIR COMMUNITY?

The community foundation provides an opportunity for caring people to give back to their community and to leave a legacy that will help to preserve and support their community long after they are gone. Many people want to do this, especially those who have no family or who have poor family relationships. Some people will make significant gifts during their lives, but many will wait to make significant gifts until their deaths and will make such gifts as part of their estate planning. They can leave gifts to their churches and to local charities, and some will, but many do not trust their churches and charities to use a large gift wisely or as the donor intends, or they want the gift to keep on giving for many years but doubt that their churches or charities will still exist or be viable in the future. These concerns are real and justified. They do not want the principal of their gift wasted. Furthermore, many people do not want to make a large gift to just one limited cause, but desire to benefit their community in a variety of ways. For all of these people, the community foundation provides the answer. It is more trustworthy, it will continue far into the future, and it will benefit the community in many ways. It has the flexibility to adapt to changes in the community that the donor cannot foresee. Many people have experienced the joy of giving, and the community foundation can give many more the opportunity to experience the joy of making a significant gift to their community that will keep on giving.

One cannot predict who the donors will be. Many, if not most, might be relatively unknown, the type of people documented in the book "The Millionaire Next Door," who made a modest living, lived frugally, saved their money, invested it over a lifetime, and became wealthy without anyone knowing it. They have made their living and their lives in their community, and some will give back in ways that will surprise, and the community foundation will give them their opportunity, provided that the story has been told effectively and they have seen no reason to distrust the foundation. Whether the gifts are \$10,000 or \$1,000,000, they will add up, and the impact on the community will be significant and permanent.

The next question is whether there are leaders in the community who will catch the vision.