FINDING OPERATING SUPPORT FOR YOUR COMMUNITY FOUNDATION

A Product of the Working Group

"Building Charitable Assets and Partnering with Donors"

with special thanks to Martin Lehfeldt, consultant to the Working Group

Transatlantic Community Foundation Network (TCFN)

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INTRODUCTION

Every community foundation's ultimate goal is to have a lasting impact upon the community it serves by distributing grants from its permanent and other funds. The concept of having an "endowment" is an exciting idea. How wonderful to have a lasting source of funds invested in perpetuity upon which the community foundation and its donors can draw to support programs that improve the quality of life for all citizens!

Highly successful foundations are often able to sustain themselves with the fees that they charge for the administration of the funds they manage. However, it can take a long time before a community foundation reaches that ability to be self-supporting. It requires financial and human resources to build, operate and sustain a community foundation. Even if your foundation's leadership understands the concepts of assisting donors to achieve their charitable objectives and strengthening a community's nonprofit sector, you also must deal with some hard questions:

- Who will do the work required?
- If the foundation employs staff (usually an essential ingredient for success), how will it pay them?
- Where will the foundation be housed and how will it pay the rent?
- Where are the resources to cover the costs of a telephone, a computer, office supplies, printing and all of the other necessities for the functioning of a good office?
- How long will it take for the community foundation to become self-supporting?

Each community foundation must find its own responses to these questions, and no single answer is appropriate for every one of them. Nevertheless, we have attempted to provide some thoughts and suggestions about policies and practices that may help you to find the operating support you need even as you continue the work of identifying, educating and involving donors in the grantmaking of your community foundation.

Most community foundations envision two stages in their development: the start-up phase and the point where they reach self-sustainability. The TCFN Working Group on Asset Development and Partnering with Donors believes that foundations must also anticipate a period between infancy and maturity that can best be characterized as a struggle to survive. Failure to plan for this awkward middle stage can lead to discouragement and even failure. The history of community foundations includes several stories about organizations that came into being with great enthusiasm and heroic dreams of success only to fall short of their early goals and wither on the vine.

We believe that the best way to anticipate this challenge is to develop a long-term business plan that anticipates all three stages in your foundation's growth and development -- a plan that forecasts both the increase in the funds available for grant-making purposes and the resources required to support the cost of core operations.

THE THREE STAGES
OF COMMUNITY FOUNDATION DEVELOPMENT

I. Getting Started

II. Struggling to Survive

III. Achieving a Healthy Measure of Self-Sustainability

It is unwise to assume that a growing foundation can function with the same administrative budget that carried it through its early years. By analogy, a start-up manufacturing company that introduces a new product must look beyond its immediate needs for equipment and labor. If the product is successful, the company will need to add not only more equipment and personnel but also a marketing/sales team to introduce the product to the public, a service team to assist customers and a financial team to manage the corporate revenues. As it plans for this kind of future, it must think carefully about where it will find the resources to support its expansion.

Therefore, plan now to be in the business of having to raise annual operating support for many years. If you don't begin with that understanding, you could find yourself leading a "hand-to-mouth" existence and facing the end of each year in a spirit of desperation. Successful foundations have sufficient resources in the bank or firmly pledged to support their core operations for at least five years. Put yet another way, even as you plan for your first year of operations, anticipate your needs for the third year, the fifth year and beyond. In one sense, the challenge never really disappears.

We would offer two other cautions as you begin to design your long-range business plan:

1) Be realistic about what it costs to operate professionally. To be sure, projecting low administrative costs may help to give the appearance of a balanced budget. However, if the figures don't accurately reflect the actual expenditures required, you will be doing yourself a disservice and also giving your community the false expectation that you can make bricks without straw. As we will continue to note, very few community foundations can have a sustained impact on their communities without paid staff. Furthermore, the ability to purchase or lease efficient office equipment and to conduct your business in an attractive (even if simple) and accessible office will accelerate your foundation's ability to convince donors that you are a stable organization that can serve the community.

2) During the excitement of creating a new community foundation, boards and staff members (if the organization is fortunate enough to have paid employees) invariably are tempted to believe that success will come quicker than it usually does. They speculate that if they can find 1-2 years of support for their administrative costs, this base will give them sufficient time to build the kind of endowment that will generate sufficient operational fees. Examples may exist of community foundations that grew rapidly and never had to worry about finding operating support after the first couple of years, but they are the exception and not the rule.

Some well-intentioned and now thoroughly outdated formulas have reinforced the notion that a community foundation can reach self-sustainability within a short period of time. For example, in the United States for many years, common wisdom held that if a community foundation could assemble $5,000,000 in assets, it would have reached the "take-off" stage.

Simple arithmetic will quickly discount the accuracy of this claim: most donors who contribute endowment funds for grant-making purposes understand that a small portion of the investment return on those funds will be used for management and administration. However, they contribute their assets to the community foundation in the expectation that most of the yield will be used for grantmaking. For this reason and because they also want to be competitive with banks and other organizations that provide investment and grantmaking services, community foundations have kept their administrative fees low (approximately 1% of the permanent assets they manage). A foundation that charges 1% of $5,000,000 will therefore have $50,000 available for administrative purposes. Clearly, in most circumstances, that amount is not sufficient to support staff, equipment, rent, utilities, telephone, printing, postage and other expenses.

THE LONG-RANGE BUSINESS PLAN

STAGE I: START-UP

Because you are anxious to get started, it may be tempting to think that you can operate with less than you need. To be sure, you may not be able to have everything in place when you start. Nonetheless, if you begin with fewer resources than absolutely necessary, the results may be "burned-out" and frustrated volunteers, dissatisfied or cynical donors and nonprofits, and an overall lack of faith in your ability to deliver what you have promised. In short, don't devalue yourself.

If you are going to be asking people for funds to help with your operating costs by making cash and in-kind contributions and pledges, you don't want to have to return to them for assistance because you forgot to include a major line item. Anticipate ahead and create as inclusive a five-year operating budget as possible: You may have to delete some items later, but at the beginning, include everything that you realistically need to operate a professional organization. (Also consider asking colleagues in the community foundation field for advice.)

We think it is also wise to assign a true value to the in-kind goods and services you may receive (e.g., contributed legal services, office space, supplies). As your foundation continues to grow, you may no longer be able to count upon these kinds of contributions, and you don't want to be surprised by the new actual costs you may have to incur.

Here are some suggestions about items you may want to incorporate into your five-year budget (but feel free to add others):

COMMUNITY FOUNDATION OPERATING PLAN
PROJECTED EXPENSES
WORKSHEET

Expense item	Year #1	Year #2	Year #3	Year #4	Year #5	TOTAL
Staff salaries	$	$	$	$	$	
Staff benefits						
Professional consultation						
Office rental						
Utilities (electricity, gas)						
Local travel						
Professional development						
Business entertainment						
Telephone equipment						
Telephone service						
Fax equipment						
Computer hardware and software						
Internet connection						
Other office equipment						
Copying expenses						
Office supplies						
Printing						
Postage						
Meeting expenses						
Media subscriptions						
Advertising						
Marketing and communications						
________________						
________________						
TOTALS						

Now that you have a realistic estimate of what it will cost you to operate for the first five years, begin identifying the resources you will need to tap for these vital funds. (REMEMBER: we are not talking here about raising the permanent assets that will generate income for grant-making purposes.) Who are these contributors likely to be?

> **Your "inner circle":** Individuals who already have caught a vision of your foundation's potential to serve both donors and grant recipients. Of course at the top of this list will be your board members, but it should also include other friends who have played a role in establishing the foundation -- as well as institutions with which they are associated -- and "angels" whom you have been cultivating during the early months and years. Your appeal to them for support will be a request to demonstrate their loyalty through financial contributions.
>
> **Other community leaders:** Women and men and corporations and civic associations who may not yet have developed a sense of loyalty to the foundation, but who have a strong and historic commitment to anything that will benefit the community. One of your most persuasive arguments to them when you ask for their support will consist of examples from other cities or areas that have successfully established community foundations.
>
> **The "usual suspects":** The corporations, private foundations and individuals who generally support most worthwhile undertakings in the community. Show them that an early investment in the community foundation will encourage greater giving by more people and institutions and thereby spread the responsibility for private support of non-profit and non-governmental organizations.
>
> **Expatriates:** Don't overlook individuals who may have emigrated from your country and become financially successful in other lands.
>
> **Private foundations:** These organizations (especially the larger ones) often prefer to provide seed funding for new ventures. In recent years, a growing number of large foundations that give internationally and have a particular interest in the building of a civil society and the strengthening of the non-governmental and not-for-profit sector have recognized that community foundations are excellent partners with which to work.
>
> **International agencies:** Some community foundations have been successful in soliciting start-up support from bi-lateral and multi-lateral agencies like U.S.A.I.D., the United Nations Development Programme and programs of the European Union. It may also be worth exploring the possibility of limited support from U.S. embassies and consulates.
>
> **Local government:** A growing number of community foundations, especially outside the U.S.A., have received start-up funding from municipal governments. The rationale is clear: both entities are committed

to the continued improvement of services to the citizens in the area that they serve. However, if you seek this kind of support, be sure to make it clear that local government cannot set the agenda for your organization and cannot use it to further the interests of a particular party or use the foundation's grants to replace government support.

In-kind gifts: During your start-up years, every dollar that you don't have to spend represents money that you don't have to raise. Successful community foundations during their beginning years of operations often rely heavily upon contributed goods and services: free office space, donated furniture, equipment and supplies, contributed legal and accounting services, *pro bono* printing. Many donors who want to help but cannot make a cash contribution will be pleased to have this opportunity to assist you.

Administrative fees: From the outset it will be important for you to establish a policy about a fee structure to cover the administration of grant-making funds. During your early years, these fees will not add up to a lot of money, but you need to be prepared for the eventuality of a windfall gift or other sudden infusions of funds.

Grants to yourself: Some community foundations have found it useful during their early years of operation to make grants to themselves for strategic purposes (e.g., hiring a new staff person with the responsibility for asset development) that can help to generate new resources.

Earned income: You may discover that you can charge for your services to other organizations. For example, some foundations offer workshops in proposal writing for non-proft and non-government organizations or assist corporations with their grantmaking programs.

Just as you formulated a five-year projection of operating costs, now begin constructing a five-year fund raising table that corresponds to those needs. We have created a sample of such a table on the next page that assumes a first-year operating budget of approximately $130,000 which then increases steadily over a five-year period. (Keep in mind, though, that these are only sample figures, so please feel free to insert figures that our most appropriate for your situation.)

COMMUNITY FOUNDATION OPERATING PLAN
PROJECTED REVENUES
SAMPLE

Operating Revenues	Year #1	Year #2	Year #3	Year #4	Year #5	Year #10	Cash/In-Kind (check one)	
Founders campaign for 3-5 year pledges of $5,000-$25,000 from board members and other individuals from "inner circle" for unrestricted operating support.	$ 75,000	$ 78,000	$ 80,000	$ 83,000	$ 85,000		X	
Note: After the fifth year you may be able to consider conducting a targeted campaign to establish a special administrative endowment that will generate annual interest for operations						$ 75,000	X	
Annual corporate and individual contributions for unrestricted operating	$ 10,000	$ 12,000	$ 15,000	$ 18,000	$ 20,000	$ 25,000	X	
Private foundation or international agency grant of $100,000 ($50,000 for grantmaking and $50,000 for operating expenses	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000		X	
Local government annual stipend	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 10,000	X	
Fees for administration of grant-making funds	$ 500	$ 750	$ 1,000	$ 1,250	$ 1,500	$100,000	X	
Earned income	$ 1,000	$ 1.500	$ 2,000	$ 2,500	$ 2,500	$ 5,000	X	
Contribution of office space	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000			X
Other contributions of furniture, equipment, legal services, etc.	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000			X
TOTALS	$131,500	$136,250	$143,000	$149,750	$154,000	$215,000		

You may find it helpful to create and rate a prospect list of potential contributors who share your ideals and might be interested in providing start-up support. As you do so, make note who is in the best position to ask for their assistance. *(Remember the difference between a suspect and a prospect: a suspect is simply someone with resources; a prospect is someone with resources to whom you have access*.)

OPERATING PLAN PROSPECT RATING WORKSHEET		
Prospective Donors	Suggested contribution or muti-year pledge	Who will approach them?
Board members Other community leaders Expatriates Local/national businesses and corporations Local/national private foundations International foundations with demonstrated interest in building civil society and establishing com-munity foundations Multi-national companies with significant operations in community National/provincial/local government and other agencies Embassies/consulates		

You now have a clear idea of what it will cost to operate your community foundation for the next five years as well as a list of prospective supporters whom you have identified and rated. However, before you begin asking for assistance, take the time to develop the most persuasive argument you can for why others should help you become established.

Remember that you will be trying to "sell" nothing more and nothing less than a concept. You will be asking people to invest in the vision of the benefits that a community foundation could bring to them and their fellow citizens. Even though you have a clear budget, prospective donors and contributors of in-kind goods and services will want to know more. The information they will want includes:

- A clear, concise statement of what a community foundation is and does
- Examples of how a community foundation could benefit your community
- Examples of how other communities like yours have successfully established community foundations
- Information to indicate that you are part of an international "movement"
- Your long-term "business plan" for achieving your goals
- A list of your leaders and other early supporters
- Specific suggestions about what you want them to do or give (people may not give you what you request, but they are less likely to be generous if you simply say, "please give whatever you can.")

Your ability to provide this kind of information in a clear and persuasive manner will greatly enhance your chances to convince people to underwrite your core expenses during your start-up period.

Soliciting Operating Support

The most effective way to ask for support is face-to-face. Even if you have to send an introductory letter, do your best to arrange an opportunity for a personal visit to discuss your proposal. If at all possible, visit in pairs (including at least one board member).

When you approach your prospects, 1) be clear about whether you are asking for cash or in-kind contributions or both; 2) appeal to the importance of their leadership (if they give, others will follow); 3) explore the possibility of a challenge grant from prospective donors with significant resources; 4) if at all possible, try to get a 3-5 year commitment.

If your prospect is an individual, consider asking him or her to become a "Founding Donor" or an "Angel" (an appeal to his/her sense of importance and leadership role in the community) -- someone who will pledge to make a significant gift ($1-5,000/year for 3-5 years).

Don't overlook the possibility of asking major donor prospects who are unwilling to contribute at this time to give you an interest-free, 3-5 year loan as an investment in your foundation's community building efforts.

If your prospects are not willing to make a commitment during your first visit, try to establish a date by which they will reach a decision. Ask if they need additional information or a formal proposal. Whatever the results of your visits, send thank-you notes afterwards and continue to stay in touch with your prospects. Even if they decline to support you at this time, add them to your mailing list to receive ongoing information.

STAGE II: THE "SURVIVAL" PERIOD

Even if you have met the challenge of raising sufficient operating funds for five years while also growing your grant-making assets, your foundation now faces another daunting task: maintaining your initial momentum. Just as you seem to be on the way to success, your initial funding for administrative expenses is coming to an end, and the long-term funds you have raised for grant-making purposes still haven't reached the level that will produce sufficient fees to cover your annual operating costs. The exciting honeymoon period of creating a new institution is over, and you can't realistically solicit funds from prospective donors for start-up purposes.

On the other hand, by now you have a track record of raising operating funds and making good use of them to strengthen your operations. More important perhaps, you presumably will have been steadily increasing the amount of your permanent assets and building a reputation for creative grantmaking to the non-profit and non-governmental organizations in your community.

Here are some thoughts about possible sources for support of your core operations while you continue to increase the amount of the long-term, grant-making funds that you manage. (Note that this "middle" period may last as many as 3-5 years.)

> **Everyone who supported you during the first five years**: One of the truisms of fund raising is that the best prospect is someone who has given to you before. If you have exercised good stewardship, some of them will be pleased to continue helping you move to a level of self-sustainability. Furthermore, some of them also will be pleased to introduce you to their friends and associates who might become contributors.
>
> **New contributors of long-term funds:** Consider asking some of these donors to allocate a portion of their contributions for the community foundation's operating expenses.

Fees for service: During the course of operating for five years, you have become increasingly knowledgeable about the non-profit and non-governmental sector of your community and its needs. Your expertise is valuable, and you should not feel uncomfortable about treating it as a resource for which other people will pay a fair-market price. Here are some examples of services that community foundations provide and for which they charge fees:

> Assisting private foundations and corporations with their grant-making programs by reviewing proposals and conducting site visits
>
> Providing assistance to not-for-profit organizations with the planning of capital campaigns or offering proposal-writing workshops
>
> Managing the endowments of not-for-profit and non-governmental organizations
>
> Leasing a portion of your office space to other not-for-profit organizations

Project grants: Now that your foundation has established itself, major funders (e.g., international foundations and agencies) may be interested in supporting new programs that you coordinate on behalf of your community. To the extent that these programs advance and do not detract from your mission, they can be a source of additional administrative funds as well as heightened visibility.

Your own unrestricted funds: Occasionally, community foundations may wish to consider making grants to themselves, especially as an investment in strengthening operations (e.g., adding a staff person who can increase the foundation's ability to attract long-range funds).

Operating endowment: If you have been successful in your fund raising efforts, you may have been able to set aside a small portion of what you have received to establish a separate endowment fund just to assist with administrative costs. Another possibility is to conduct a specific campaign to raise endowment funds to support operating costs.

STAGE III: SELF-SUSTAINABILITY

By your 10th year (and we hope it will happen much sooner), your long-range planning and budgeting as well as your entrepreneurial and strategic activities should have brought you to the point where you can support your own operating costs. Much of that support will come from the fees you charge for the administration of all funds (permanent and long-term funds; pass-through funds, the endowments of other agencies, special project grants from other foundations, etc.). Other sources may continue to include local government, fees for service, and your own growing operating endowment.

You now should be large and strong enough to explore some other sources of operating support:

"Float": This American term refers to the income generated by temporary monetary resources that are invested for the short-term. They may include your own operating reserves (funds raised for administrative purposes but not needed immediately) or grant-making and special project funds from which you have not yet made disbursements.

Tax revenues: Some community foundations have benefited from special taxes levied by local governments which then are used to support the foundations' activities.

For-profit enterprises (sometimes referred to as "social enterprise"): Stringent tax laws in the United States make it difficult for community foundations to operate money-making programs that are not directly related to their missions. However, in other parts of the world, a growing number of foundations have established real estate and other ventures that are a source of operating support. We expect that other models and examples will continue to emerge as the community foundation concept continues to spread globally.

A FEW THOUGHTS ABOUT SPECIAL EVENTS

Some community foundations have been successful in organizing special events (concerts, dinners, balls, raffles, etc.) to raise their annual operating expenses. Special events can raise your foundation's visibility and provide a boost to the morale of your volunteers. Some communities even claim that it is impossible to persuade people to give unless they receive something in return.

Nevertheless, any special event requires a great deal of work. Unless you have a very large and dedicated corps of volunteers who like to engage in this kind of activity, you should resist taking on this kind of challenge. The details involved in organizing a special event can distract you from all of your other more important responsibilities and the net "profit" may not be worth the effort. (Consider this proposition: if everyone involved in organizing a special event were instead to contribute $25, $50 or $100, might you not achieve the same or better results?)

PLANNING FOR ORGANIZATIONAL CHANGE

The purpose of this document is to explore ways of generating support for your community foundation's operating expenses, especially during the early years. However, there are two related concerns that you should keep in mind as you continue to grow and develop.

Changes in responsibilities: A community foundation often comes into being because a dedicated group of volunteers (who often become the first board members) recognize the value of the institution to the future of the community. Many of them devote a great deal of time and energy to performing the tasks that are necessary to get organized. However, if all goes well, much of the work of the volunteers eventually will shift to the shoulders of the staff. This transition can be problematic if everyone involved is not prepared for it. For example, board volunteers accustomed to handling detailed assignments may find it difficult to give up those responsibilities and instead to focus upon policy making, or, conversely, they may feel that the arrival of staff means that they no longer have to do any of the work associated with asset building. On the next page is a brief essay by one of your community foundation colleagues about the transition from board to staff leadership.

Staff expansion: As a community foundation continues to grow in strength and size, it will reach the point where a single individual can no longer handle all of the functions needed to be a successful organization. When it decides to expand its staff, what kinds of persons should it hire first? Another community foundation colleague here offers some reflections on organizational and management models for community foundations that are moving from infancy into adolescence.

LEADERSHIP TRANSITION: A TYPICAL STORY

Like many philanthropic organizations, the Community Foundation of Ottawa was started by a few people of vision who were able to inspire others. The founding board members, driven by a passion for the cause, shared leadership of the organization with their Executive Director, the man whose dream had inspired their commitment and who also volunteered his time to staff the foundation. In turn, he attracted other volunteers to help with the work. The board members made up the rest of the workforce, donating their time and expertise in a variety of ways (while still providing planning, policy development and financial oversight at their bi-monthly board meetings). They organized meetings and special events; wrote articles and reports; reviewed grant applications and conducted site visits; prepared legal documents; raised money for operating costs; solicited donors for the endowment; and accepted many committee assignments.

However, within less than 10 years (the founding Chair and the founding Executive Director having passed on), the board and staff leadership had transferred to a younger generation. There were now three paid staff and the last remaining member of the founding board had completed his final term. There was a high potential for tension to develop as the professional staff took on more and more of the workload, which had, by now, become quite complex. The board members differed widely in their understanding of their roles and the role of staff. Many board members, who were quite tactical in their approach, liked doing the hands-on work that staff was now assuming, and staff were becoming resentful of what they perceived as interference. The CEO and a few of the more strategic thinkers on the board recognized that it was time to revisit and update the governance model.

Development of a new governance model became a high priority goal for the year and a plan was put in place for the Board and CEO to go through a process that would culminate in a new model that could be implemented the following year. Over the course of the year, the team participated in a full retreat and two mini retreats, all facilitated by outside experts in governance. Relevant articles and books were circulated and discussed and research undertaken. At the end of the year, the board approved a governance policy that all members had helped to develop. The new policy detailed the roles and responsibilities of both board and staff, their relationships to each other, position descriptions for the officers, mandates of the three standing committees, the creation, role and reporting responsibilities of task forces and a statement of executive authorities and limitations.

This new governance model is kept relevant through a process by which the board reviews and updates it at its first meeting every year. From time to time, a governance task force reviews particular issues and make recommendations to the Board on changes to the model.

The first paragraph of the governance model states: “The role of the Board of Governors is to develop the Foundation’s vision, mission and values and to continuously ensure that these guide its strategic intents and operational performance. The Board emphasizes strategic leadership rather than administrative detail, clarification between Board and staff roles, the future over the past and present, and pro-activity over reactivity” -- quite a shift from the original working model and much more relevant to the present maturity of the community foundation.

"DOs" and "DON'Ts"

WHEN SEARCHING FOR OPERATING SUPPORT

DO:

- Take the time to develop a long-range business plan that anticipates operating expenses for 3-5 years and projects sources of revenue.
- Develop a master list of prospective donors and rate them according to their giving potential.
- Write a persuasive case for operating support and make sure that all board and staff members can articulate it.
- Insist that board members play an active role in asset development.
- Take the time to train your board and staff in the elements of successful fund raising.
- Solicit prospective donors in person.
- Treat every contributor as a possible source of future support.
- Be imaginative in considering every possible source of operating support, including in-kind contributions of goods and services.
- Charge reasonable administrative fees from the beginning of your foundation for all funds that you manage
- Plan for organizational change.

DON'T:

- Under-estimate the actual costs of operating your foundation.
- Tell people that your foundation will be self-sustaining within 1-3 years.
- Promise anyone whose support you solicit that you will never again approach them for assistance.
- Accept in-kind contributions that don't advance your growth and development (e.g, obsolete equipment, inadequate office space, volunteer workers who require more attention that you can afford to give them).
- Fall into the temptation of thinking that special events are the best way to raise operating support.

A FINAL NOTE

The best time to re-double your fund raising efforts is when you appear to be most successful. If you are fortunate enough to receive significant support for your early operating costs, that is precisely the time when you should increase your search for other contributors. You can't assume that your first-time donors will continue to support you at the end of your foundation's start-up period. Where will you go for support then? Contrary to popular opinion, most people do not respond to need. They respond to success. Ask for their support while you are doing well.

STORIES FROM THE FIELD

Even though the work of raising operating support for a new community foundation is not for the faint-hearted, your colleagues who have been in the field for a longer time than you also had to struggle at first. The remaining pages of this document present some of their stories:

THE ARIZONA COMMUNITY FOUNDATION

The state of Arizona has neither widespread personal wealth nor a long-standing tradition of philanthropic giving. Therefore, Arizona Community Foundation has had to adopt a lively spirit of entrepreneurism and opportunism to succeed. (Its operative mantra might well be said to be "Carpe diem!").

Major banks and other large corporations helped to establish The Arizona Community Foundation in 1978 by providing essential operating support -- funding that was critically important during the foundation's formative years. (What the banks and trust companies did not do, however -- and for that matter have never done -- was to transfer the significant numbers of private charitable trusts and foundations that they managed to the community foundation. Imbedded in their institutional mindset, although never openly articulated, was their belief that the foundation constituted competition to them. Even in later years, when the foundation's assets attracted the attention of these same institutions that wanted to provide investment management services, they generally still did not recognize the implied *quid pro quo* -- in return for the opportunity to manage the foundation's assets, they were expected to refer prospective donors.)

Thus, from the early years, the Foundation deliberately pursued relationships with other segments of the financial services industry like brokerage houses and financial planners. This strategy has led to some useful institutional partnerships that to some extent make up for the sluggishness of the more traditional banking and trust establishments.

Without any prospects of transferred bank assets, the foundation had to grow gift-by-gift, fund-by-fund, with its own limited human resources – a small staff and a handful of truly committed trustees. We began early the deliberate process of cultivating relationships with professional advisors, especially estate attorneys. Staff and board met with them in their offices, took them to lunch, consulted with them and put them on the foundation board. As a result, during the 1980s the foundation began to attract both living and testamentary major gifts, a movement that accelerated during the 1990s. Today the foundation's extensive network of professional advisors includes a 25-person advisory board of "elite" estate planners, supported by a 400-person membership association. It is indispensable to the marketing strategy and the long-term growth of the foundation, because it has greatly enhanced the organization's credibility in circles of financial, professional and social influence and helped to build critical relationships throughout the community.

Another early strategy was an effort to secure major foundation challenge grants in support of various program initiatives. They enabled the foundation to attract discretionary and field-of-interest funds that further enlarged an otherwise model base of unrestricted assets. they enabled the Foundation to attract discretionary and field of interest matching funds, thereby enlarging an otherwise modest unrestricted asset base.

From the onset, one of the greatest challenges facing the state-wide foundation was how best to serve a geographic area of 107,000 square miles that held a narrow base of philanthropic wealth. . It chose not to wait for the eventual establishment of multiple independent foundations that might have splintered the efforts to build charitable assets and promoted unnecessary turf war. Instead, moving with speed and decisiveness, it claimed the entire state as its service area and purposefully embarked upon a affiliate-building strategy.

Using challenge grants from its own resources, it encouraged the establishment of 12 satellite funds around the state and thereby decentralized its asset development and grantmaking. Local advisory groups raise funds and make their own grant decisions based on locally defined priorities and some of their members serve on the foundation's board of directors. The foundation's central administrative offices in the capital city of Phoenix provide the funds with accounting, grant processing and investment management services, thereby greatly reducing redundant overhead expenses. In effect, the affiliate strategy enabled the foundation to redistribute some of the philanthropic wealth in the Phoenix metropolitan area by "subsidizing" the growth of charitable giving in poorer parts of the state. Today several of the funds have assets in excess of $2,000,000.

Steve Mittenthal

HANOVER COMMUNITY FOUNDATION (BUERGERSTIFTUNG HANNOVER)

In December, 1997, the director of a local institute whose research on the causes of juvenile delinquency were well known to the press, elected officials and the public determined that he wanted to begin implementing solutions to the problems he had been studying. He felt that the community foundation concept, about which he had learned in the United States, might be the platform from which to launch programs to address the problems of youth and other social issues.

With an individual endowment of $50,000 (the minimum required for incorporation) contributed by 30 individuals who shared his enthusiasm for the idea, the Buergerstiftung Hannover (Hanover Community Foundation) came into being. It attracted a great deal of attention in the media, and growing numbers of people began to become excited about the potential of this new institution to attract major grants to operate programs that would in turn bring about important social change.

Although very involved and committed to the idea, the first donors did not come from the ranks of the city's most influential or visible leaders. Neither did the first board members. They were asked to serve because of their interest and willingness to devote time to the work of the foundation rather than their financial resources.

The Buergerstiftung's founder also was able to secure funding from three other sources to underwrite operating expenses for the first three years and to install a professional director and secretary in a fully equipped office from the start. However, the funds proved to be insufficient to hire a knowledgeable professional, and the applicants for the position were naturally rather young, inexperienced, and in need of guidance themselves.

Unfortunately, a lack of common understanding about how best to organize a community foundation and to divide the responsibilities for its functions soon led to confusion and disagreement. A rather dominating board chairman often overruled the director's decision-making. The first director stayed for only five months.

However, during the tenure of his successor, the foundation established contact with the European Foundation Centre and with the Community Foundation serving North Thumberland in Great Britain and at least a portion of the board began to gain a new understanding about the way in which many other community foundations (most of them based on an American/English model) operated. They came to understand that community foundations are not single-purpose entities but rather operate as builders of assets that serve as intermediaries between donors and a wide range of charitable organizations). As their comprehension shifted, it became clear that the task of building endowments would require a different kind of board and a new way of operating. One negative result was that the media lost interest in the community foundation when it failed to deliver on its early promises of major grant making. Although the local newspaper continued to publicize the foundation's annual awards to young people who are making a positive difference in the community (a program that the newspaper co-sponsors), it became increasingly difficult to get coverage about the other activities of the foundation.

The foundation's difficulties were exacerbated when the board chairman stepped down to pursue a political career within the Social Democratic Party (a move that may have discouraged potential donors with more conservative leanings) and the second director quit after alienating himself from the other board members. However, just as the foundation's remaining leaders were questioning whether their new institution would ever succeed, two positive events occurred: the foundation became a member of the Transatlantic Community Foundation Network (TCFN) and one of the board members offered to serve as both chairman and executive director.

Because this individual is the retired marketing director of a large insurance company based in Hanover with broad experience in finance and investment as well as a large network of professional and personal connections, his offer was accepted with great enthusiasm by his colleagues. The goals of the plan he presented for the year 2000 included rebuilding the public's trust in the foundation, recruiting more influential board members and installing a new Kuratorium (honorary board) to enhance the foundation's visibility. The plan also called for the abandonment of the search for a single donor or institution to make a major challenge grant and to replace it with a new fund raising strategy that focuses upon individual donors and their professional advisors (attorneys and consultants) and encourages them to establish permanent funds at the foundation. Finally, the foundation decided to eliminate its time-consuming, operating projects and instead to institute grantmaking support for a wider variety of worthy initiatives -- often in collaboration with other foundations and organizations.

The results of these shifts became evident by the end of 2001. The foundation increased its endowment to $850,000 as the result of its first bequest and the establishment of two new funds, and it currently is negotiating for the creation of two more funds. It still faces the challenge of finding the financial support for the core costs (which are currently low because of the volunteer services of the board chair/executive director and other board members). Nonetheless, as the foundation prepares to begin its fifth year of operations, it has a new sense of optimism about its ability to meet this challenge and to continue to grow and develop.

Dorothea Jaeger

THE HEALTHY CITY COMMUNITY FOUNDATION (BANSKA BYSTRICA, SLOVAKIA)

The Healthy City Foundation of Banska Bystrica (its first name) was one of dozens of new foundations and other nonprofit organizations established after the democratization of the former Czechoslovakia in 1989. A local Rotary Club created the foundation in 1992 to support public health projects like training for teachers, educational programs and publications. Like the majority of Slovak foundations, it raised the funds needed for a particular project, supported the project's completion, and then tackled a new project.

However, a radical change occurred during the summer of 1993 when the foundation decided to build a big playground for the children of Sasova -- one of the city's largest neighborhoods. Sasova, which is home to nearly one-third of the population, was a stark reminder of what life had been like under Communism. It consisted of huge blocks of concrete apartment buildings with no green areas, no services and no playgrounds. The foundation's leaders asked children to draw pictures of an ideal playground, secured the services of psychologists to explain what the pictures meant, and then commissioned architects to design the playground. They raised sufficient funds to complete the project and enlisted volunteers from environmental organizations to begin building the playground. The organizers also were relying on the assumption that local residents -- especially the parents of the children for whom the playground was being constructed -- would help the volunteers complete the project. Instead those local adults simply watched from their windows as the volunteers labored below them. The playground was never finished.

As they reflected upon this painful experience, the foundation's leaders realized that they had made the same kind of mistake as the previous Communist regime. By deciding what was best for the neighborhood without inviting the residents themselves to determine what they wanted and needed, the foundation had essentially eliminated any interest in local involvement. The experience also pointed up the limitations of the foundation's potential for having a major impact in the city if it continued to operate on a project-by-project basis.

By a fortunate coincidence, at about the same time, a member of the board had the opportunity to visit a community foundation in the United States. Upon his return, he shared what he had observed and learned and convinced his colleagues to transform their organization into a community foundation.

Although the concept was exciting, its implementation faced many challenges. During this period, almost no private capital existed in Slovakia. People had no knowledge about community foundations or, for that matter, the concept of a not-for-profit sector. Perhaps most challenging, citizens had no tradition of individual giving to support community-based programs.

It became clear that the successful launching of a community foundation would require both the philosophical and financial involvement of city government. Even after nine months of education, advocacy and lobbying, the city was reluctant to provide fiscal support unless it also retained the right to determine the grant recipients. However, continued negotiations finally produced a compromise: the City Council approved the city becoming a co- founder of the community foundation, awarded the foundation 1,000,000 SK ($30,000) and nominated additional board members from the City Council to join the seven members who already were serving.

In November, 1994, the foundation re-registered itself as the Healthy City Community Foundation of Banska Bystrica. From the start its two principal strategic goals were to build an endowment and to establish its image in the eyes of local citizens as a fair and transparent organization that exists for the benefit of the entire community. By December it completed its first cycle of grantmaking by making awards to 15 projects, and a year later it made 65 grants totaling 470,000 SK ($16,000) to 65 recipients.

These efforts encouraged significant support from the C. S. Mott Foundation and the Rockefeller Brothers Fund in the United States as well as from several European Union programs that have helped the foundation to continue its growth and development.

By the way, the sad story at the beginning of this report now has a happy ending. Six years after the first failed attempt, local citizens -- with financial assistance from the community foundation -- built the kind of playground they wanted.

Beata Hirt

THE COMMUNITY FOUNDATION FOR IRELAND

During the late 1990s, the board of a newly formed community foundation in Dublin had a three-part vision: an endowment fund for the community and voluntary sector; another endowment fund that could contribute to the needs of children; and a program that would promote greater business support for community benefit.

A small group of corporate leaders in Ireland had already joined forces to conduct a national campaign that raised £1,300,000 in endowment funds for what now is called the National Children's Trust. Building upon this achievement, the new community foundation board convinced the government to award another £1,000,000 for grantmaking and start-up costs. However, despite this promising beginning, the foundation had no operating funds.

The board, nonetheless, advertised in the newspaper for an executive director and, after an intensive search process, found a human rights activist who was planning to take a position with Amnesty International. She recalls with wry humor being interviewed six times in a series of plush locations around Dublin and psychometrically tested in math and English ("I thought I was running for President of Ireland") and also can still graphically recall the contrast when she received the position and was sent to her new offices. Although located in a beautiful Georgian building, they were "grotty, Dickensian rooms in the slaves quarters on the attic level. The tiny staircase that led to them was painted olive green, and the floor was covered in a dark green linoleum. Everything was under-illuminated by a 45-watt bulb. My office had a scarred desk and a carpet that your feet stuck to, while the chocolate-box picture of an old castle on the wall hid the largest of the damp patches. I put my head on the desk and thought I had made a big mistake."

However, the dreariness of her surroundings failed to discourage her, and she and the board went to work. They began by calling upon major corporations in Ireland and asking them to become contributing "members" of the foundation. This informal campaign successfully raised enough funds to cover operating costs for three years.

Selling the concept of a community foundation was not easy in a country with only a limited tradition of organized philanthropy. The new foundation drew heavily upon the experiences of colleagues in the United Kingdom and sought whenever possible to become connected to the international community foundation field. In 2000 it became affiliated with the Transatlantic Community Foundation Network.

Slowly but steadily the hard-working and passionate board and staff are raising public awareness of the positive impact that philanthropy can have upon Irish society.

They have managed to assemble £1,700,000 in endowment funds and last year awarded £100,000 in grants. The foundation has completed its first round of visits with professional advisors and is encouraging prospective donors to take advantage of new tax legislation that encourages charitable giving. It is confident -- even in recessionary times -- that an endowment-building campaign this spring will meet with success. A fitting symbol of this optimism is the move of the foundation's offices from the dismal garret in which it began operations to a bright and airy location on the main street of Dublin.

Tina Roche

COMMUNITY FOUNDATION OF OTTAWA

On December 4, 1986, at a time when Canada was sliding into a deep economic recession, thirteen, public-spirited citizens gathered at noon in the offices of a prestigious law firm for the first board meeting of the Community Foundation of Ottawa-Carleton.

It was not the first attempt of this kind. In 1968, another small group of distinguished citizens had established the Community Foundation of Ottawa and District in 1968, but it had withered on the vine when it failed to attract donors. It was still essentially dormant when the director of the Canada Council used an address to a Kiwanis Club luncheon to describe community foundation successes in other Canadian cities and call for the establishment of a new community foundation for Ottawa.

The idea caught fire, especially when the former executive of the local United Way helped to engineer the conversion of the assets in that organization's Bequest and Endowment Program into seed funds for the proposed new foundation. Within a month, the predecessor community foundation had been dissolved and the new one launched with $500,000 in assets and approximately $700,000 in eventual gifts of life insurance. Its operations center was somewhat less auspicious -- a 8 feet x 10 feet cubicle donated by United Way that had to accommodate both the President and his Executive Assistant (who later succeeded him).

The founding directors spent much of the first year on organization and planning. One of their most significant early decisions was that future board members should come from the ranks of the most respected members of the community. To ensure that pattern, the by-laws provided that new members would be appointed by an external nominating committee chaired by the Governor of the Bank of Canada and including similarly high-placed leaders. (An interesting tradition that has evolved has been the spontaneous establishment by each retiring chair of the nominating committee of his own fund at the foundation.)

A year after the foundation's establishment, the board announced an initial five-year goal of $5 million in capital funds, much of it in unrestricted gifts. A luncheon for 25 of the city's most influential citizens hosted jointly by the foundation's Chairman/President and the mayor of the city was so successful that it mushroomed into an ongoing series of similar social events for several years that steadily raised the foundation's visibility and credibility and began to generate contributions. Helping to tell the story were a video contributed by a local production company, a quarterly newsletter and an annual celebration for the foundation's growing number of friends and supporters, as well as an expanding program of grantmaking. All of these activities began to attract the attention of the local press, which in turn increased its coverage of the foundation's work. Further fueling the growth of the foundation's assets was the decision by several major nonprofits to transfer the management of their endowments to the foundation.

In 1990, the foundation convened the first national conference of Canadian community foundations in Ottawa. Approximately 100 people representing 32 established foundations and 13 communities interested in the concept attended the gathering. That first conference eventually led to the founding of the Community Foundations of Canada two years later and also increased the visibility of the Ottawa foundation.

That same year, the need for more administrative staff led to a search for new office space that culminated in the move to 4,000 square feet of donated space and contributions of furniture and equipment from the East German Embassy that was closing its doors in the wake of German reunification. (The foundation declined the offer of the embassy's paper shredders.)

From the outset, the board determined that all earnings from the foundation's endowments would be used for charitable purposes and that all operating costs would be funded by outside sources. During the first five years, it was successful in underwriting its administrative expenses with contributions from corporate, foundation and private donors in Canada and the United States; the United Way; and the regional government. (In 1990, the board established its own Operating Costs Endowment Fund.)

Despite all of this hard sloughing, it took the foundation six years to reach its initial $5 million goal. However, since that time, its growth has rapidly accelerated and today it manages endowments totalling $63,000,000.

Several developments have contributed to this dramatic growth. Among them are a shift in the focus of the foundation's marketing program from individual community leaders to professional advisors. In addition, the diminishing role of the provinces in the funding and delivery of social welfare programs has forced local communities and organizations to become more self-sufficient and in turn helped them to recognize the valuable role that community foundations can play in rallying resources to meet the needs of their citizens. Finally, changes to the Canadian tax system that increase motivation for private giving have also contributed to the growth of all Canadian community foundations.

Barbara McInnes

TRIANGLE COMMUNITY FOUNDATION
(serving the three-community area
of Chapel Hill, Durham and Raleigh, North Carolina)

In the spring of 1983, Dr. George Hitchings, a prominent research scientist with the Burroughs Wellcome Company, learned about community foundations at a meeting of the Southeastern Council on Foundations and determined that his hometown of Durham, North Carolina should have one too. He and five other local leaders formed a steering committee and the next October invited 100 prominent citizens to an informational meeting. About half of them attended. After describing what he had in mind, Dr. Hitchings announced that an anonymous donor was prepared to make an initial gift of $1,000 to establish a new community foundation. (As those present suspected, they later learned that Dr. Hitchings himself was the anonymous donor.)

Although no one else knew it, the present executive director was there because she hoped to become the foundation's first staff person. Several weeks earlier Dr. Hitchings, with whom she was working on a scientific committee, had told her about his plans and asked her to attend the launching of the new institution. She became so excited about the concept that within seconds of completing that conversation, she had called her husband long distance and told him that she now knew what she wanted to do for the rest of her life.

The attendees selected a nominating committee which met several weeks later to choose an initial board of directors. When that board met for the first time on November 8, 1983, the present CEO became Acting Half-Time Executive Director.

By that time the foundation had assembled assets totaling $3,000 and drafted an annual budget of $35,000 ($25,000 of which was to be the part-time executive's salary). Although she had written a few grant proposals, her background was in public policy, and she knew nothing about fund raising. Fortunately, one of the first board members was a professional fund raiser for Duke University who graciously sat down at her kitchen table with this staff person and the two mapped out a plan to identify and recruit several Founding Partners -- individuals who would each pledge to contribute $5,000 per year for three years. They were successful in finding five of these donors, one of whom actually promised to give a total of $25,000. These funds were to constitute the core of the operating budget for the next three years, and, even so, the community foundation needed a grant of $5,800 from another private foundation in North Carolina to cover its expenses from November until the first payment from one of the Founding Partners arrived the next spring.

It took the foundation four years before it assembled $1,000,000 in contributions. Then on December 17, 1987, two major gifts that arrived almost simultaneously tripled the assets to $3,000,000. Dr. Hitchings won the Nobel Prize for medicine in 1988 and donated the entire award to the foundation. By its 10th anniversary, the foundation was managing $10,000,000 but still struggling each year to find operating funds. The situation got so bad at one point that the Executive Committee convened an emergency meeting to cut the budget.

In the midst of all of this stress, a former board chair invited the executive director to join him and his entire family for a meeting. When she arrived, he announced that they were preparing to sell their family business -- the local newspaper -- and that they each were going to contribute a portion of their proceeds to the foundation. Once again, virtually overnight, the foundation's assets increased to $25,000,000, at which point it were able to cover its operating expenses from administrative fees on the funds it managed. Those gifts raised the foundation's visibility and accelerated its continued growth. During the succeeding seven years it has increased its assets to more than $80,000,000.

Shannon St. John

CONCLUSION

Community foundations, especially new ones, may sometimes feel overwhelmed by the seemingly impossible task of simultaneously having to raise funds for grant-making purposes, disburse grants, manage investment AND somehow find the money to meet the expenses of salaries, rent, utility bills and other administrative costs. However, by recognizing that it may take many years to become a self-sustaining institution and devising a thoughtful, long-term business plan, they can successfully meet all of these challenges.

The TCFN Working Group on Asset Development and Partnering with Donors hopes that this guide has been a helpful resource to its colleagues and welcomes suggestions about ways to refine and improve it.