



CFSOLUTIONS

The first in a series of electronic papers produced as part of the CFLT's Regional Learning Forum program.

- ◆ create, capture, and share knowledge
- ◆ increase the understanding and practice of community leadership
- ◆ strengthen organizational effectiveness
- ◆ ensure supportive legislative and regulatory environments

Introduction

In 2007, the Council's Community Foundations Leadership Team worked hand in hand with community foundation leaders to create the 2007-2010 Plan of Action. The strategic plan aims to strengthen the partnership between the CFLT and the field on behalf of their communities by focusing on the following goals: (1) create, capture, and share knowledge, (2) increase the understanding and practice of community leadership, (3) strengthen organizational effectiveness, and (4) ensure supportive legislative and regulatory environments.

The Plan of Action actively engages the field to build strong communities via a vibrant learning network. Community foundations bring the network to life by initiating ideas to explore, sharing the outcomes of these ideas, and participating in peer learning opportunities, such as the CFLT Regional Learning Forum program.

The information in this CFSolutions was gathered in June 2009 during the first such forum, Redesigning the Community Foundation in Troubled Economic Times, co-sponsored by the Donors Forum, in Chicago. Participants included colleagues from several regional associations as well as from 40 community foundations from 18 states across the country.



Background on Regional Learning Forum

Over the past decade, the community foundation field has invested in projects designed to increase the impact of its work—national standards, national marketing, and a national online financial database, to name just a few. In today’s uncertain economic climate, these long-term investments are proving their worth. With the economy mired in recession, the community foundation field has been hard hit. Some have seen their assets decrease by thirty percent or more. Consequently, more and more community foundations are looking for creative ways to identify alternative revenue sources, cut discretionary spending, and reduce operating costs.

In 2008 and 2009, CFInsights¹ conducted survey-based field research to examine how community foundations are weathering the economic downturn and to provide strategies and recommendations to help them do so successfully. At the learning forum, findings from the research studies, [Making Informed Decisions in Uncertain Times](#) and [Taking Informed Action in Challenging Times](#), provided a springboard for discussion about issues central to the sustainability of community foundations.

The **Council on Foundations** is a national, nonprofit association of approximately 2,000 grantmaking foundations and corporations. As a leader in philanthropy, we strive to increase the effectiveness, stewardship, and accountability of our sector while providing our members with the services and support they need for success.

Impact of the Economic Downturn

The economic downturn has affected community foundations on many levels, from operating models to leadership to future sustainability.

Study Findings

- ◆ **Impact on Operating Models:** Fiscal year timing affected how community foundations ended 2008. Although assets and grants were down overall, foundations whose fiscal years ended between January and June sustained smaller declines in assets; those whose fiscal years ended between July and December and had stepped up with emergency support saw an uptick in their grantmaking. Most community foundations cut their 2009 budgets by reducing discretionary spending and offering flexible staffing arrangements. Administrative fee structures remain relatively untouched.
- ◆ **Impact on Grantmaking and Community Leadership:** Community foundations are responding proactively to their communities in many ways. They are providing emergency relief, convening and collaborating with other funders, and helping build capacity within their nonprofit community, including supporting nonprofit mergers.
- ◆ **Impact on Future Sustainability:** Looking toward 2010, most community foundations anticipate flat or reduced operating budgets. Those with operating reserves or endowments plan to access funds to cover budgetary gaps.

¹ In 2006, the CFLT funded the creation of CFInsights as a centralized resource for community foundations with field-wide data on finances, operations, and best practices.

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Options to Consider

- ◆ Ask donor advisors to offset annual payout with new contributions or not grant out all available dollars.
- ◆ Reduce fees on agency endowments to encourage nonprofits to set up funds at the community foundation.
- ◆ Build an operating reserve.
- ◆ Ask new donors establishing funds to make a five percent gift to support an operating reserve for the foundation.
- ◆ Place all first-year administrative fees from new funds into an operating reserve.
- ◆ Partner with another foundation(s) in joint marketing efforts, managing scholarship programs, sharing staff/office space, or pooling investments.
- ◆ Continue going “beyond the grant” to serve through convening, capacity building, and collaboration.

Studying High Net-Worth Philanthropy

Giving back to their communities is a priority for many of the nation's most wealthy. They look for organizations with strong governance and fiscal responsibility. Many support charities with which they feel a personal affinity and thus may stop supporting an organization if they no longer feel a connection. In 2008, Bank of America, in partnership with the Center on Philanthropy at Indiana University, conducted a [study](#) and shared key findings on this topic.

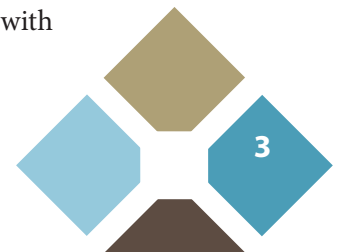
This study—the largest to date on this segment of U.S. society—defines “high net-worth” as households with annual incomes over \$200,000—or total net worth (excluding primary residence) of \$1 million or more.

Study Findings

- ◆ **Giving Patterns:** The wealthiest families gave twice as much as their peers in lower income brackets. Charitable vehicles such as private foundations and donor advised funds received the highest percentage of gifts, followed by educational and religious organizations. Donors in the northeastern U.S. gave the most, followed by those in the Great Lakes and southern regions. Most donated to charities in the state of their primary residence but also gave to international and national organizations, although in lesser amounts. In most cases, the largest gifts were for general operating support.
- ◆ **Family Philanthropy:** Among wealthy families, 60 percent engage their children in their families' philanthropy. Many do their own research when selecting charities. There is a positive connection between giving and regular attendance at a place of worship, with many trusting their religious organization's advice on nonprofits. Children learn philanthropic values from their parents.
- ◆ **Role of Professional Advisors:** Many families consult with accountants, attorneys, and financial planners around their charitable giving. In almost all cases, the donors contacted professionals to discuss their giving options, dispelling the myth that money is a private matter among families of wealth.

Options to Consider

- ◆ Talk to donors directly about how your foundation is fulfilling its mission.
- ◆ Provide opportunities for parents and children to be actively involved in charitable giving through the foundation.
- ◆ Continue to build relationships with professional advisors in your community.
- ◆ Establish connections with community religious organizations whose values align with your mission.





Consolidation of Back Office Operations

Community foundations find great value in working together to tackle big issues. For this reason, the CFLT Idea Lab grant program is an important part of the Leadership Team's field-engagement strategy. The CFLT Idea Lab invests in innovative projects identified and implemented by groups of community foundations which generate results, lessons, and models that benefit both the collaborating foundations and the entire field.

In September 2008, seven community foundations in southwestern Pennsylvania came together to document models of cooperative administrative operations and test the feasibility of piloting a shared Outsourced Back Office (OBO)² solution in this region.

Findings

The group identified and documented three collaboration models and implementation options.

Collaboration models

- **Consolidation:** Merger of organizations into a single entity (two case studies)
- **Umbrella:** One foundation provides an “umbrella” of core administrative services to private foundations and/or smaller community foundations (three case studies)
- **Affiliate:** A lead community foundation provides service to local and regional affiliates that operate as component funds of the lead foundation (seven case studies)

The group created a template for outsourced back office services to help foundations think about achieving cost savings and increasing efficiency.

Implementation options

- **Local implementation:** A local firm standardizes systems to reduce costs, facilitate transactions, and streamline processes.
- **Regional implementation:** A host foundation works with individual community foundations that wish to maintain their individual identity and external operations.
- **National implementation:** Similar to the regional approach, many community foundations participate, regardless of geographic location.

Options to Consider

- ◆ Conduct a review of the research provided to see what may be helpful for your community foundation.
- ◆ Complete a methodical cost/benefit analysis to discover where efficiencies could be implemented.
- ◆ Begin discussion with critical staff and board members regarding implementation options.
- ◆ Convene interested parties from foundations (yours and others) to explore further.

² Outsourced Back Office (OBO) is defined as including the internal administrative functions of a community foundation in the areas of accounting, investment, donor services, grant-making, human resources and website.



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