FOUNDATION BUILDING FOR COMMUNITY ECONOMIC DEVELOPMENT

AN EXAMINATION OF KEY ISSUES, OPPORTUNITIES AND CONSTRAINTS

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I. INTRODUCTION

This report, *Foundation Building for Community Economic Development: An Examination of Key Issues, Opportunities and Constraints,* examines the factors and conditions within the nonprofit sector and organized philanthropy that support or constrain the development of a more permanent base of local philanthropic endowments for community economic development. The Ford Foundation's Community and Resource Development unit (CRD) commissioned Kingslow Associates to conduct this work as part of the Foundation's ongoing commitment to improving social and economic opportunity for disadvantaged populations and communities by strengthening the institutions and systems that serve them.

At a theoretical level, the concept of building local philanthropic endowments for community development is compatible with the Foundation's asset building approach to community development. Not only is resource mobilization a fundamental premise of the assets model; increasing the level of local control over and decision making about the disposition of community assets is paramount. Philanthropic assets – how they are assembled, managed, programmed and distributed – are integral to any effort aimed at expanding economic opportunity. Generally, however, the key literatures that address asset-based approaches to community development do not devote substantial attention to the importance of philanthropic assets beyond supporting programmatic grants.[1] Nor are specific endowment building strategies for community development common to the discourse within either the broader community development field or the various segments of philanthropy.

At the same time, discussions about the sustainability of development work and the need to develop poverty alleviation strategies in a larger context – be that in terms of economies, markets, regions, sectors – suggests a number of opportunities to apply an asset-centered model to the way in which philanthropic institutions intersect this work. This includes, but is not limited to, the astounding accumulation of wealth that is occurring in this country and the impact this is having on organized philanthropy.

The Foundation has a long and impressive history supporting initiatives designed to promote institutional development within organized philanthropy and the nonprofit sector.[2] In addition to building philanthropy's research and development apparatus and support institutions, and helping establish other philanthropic organizations across a range of program areas and beneficiary groups, considerable investments have been made in community foundations. These initiatives have proceeded from a number of standpoints, including organizational development, program development and endowment building. They offer the Foundation a backdrop against which to view an assets-based approach to building permanent community development endowments, as well as an additional framework to think about how the Foundation promotes the continued development of organized philanthropy as a sector. Additionally, lessons from

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[1] Marcia Kingslow and Carol Horton, *An Overview of the Major Asset Building and Community Development Literatures* (Chicago: Kingslow Associates, 1998).

[2] Michael Seltzer, *Strengthening Philanthropy Worldwide: A Ford Foundation Governance and Civil Society Discussion Paper* (New York: The Ford Foundation, 12/97).

CRD's Rural Development and Community Foundations Initiative (RDCFI) have been helpful in thinking about how to assemble charitable assets for community development, and have informed the work of this study to extend the concept across multiple philanthropic sectors.

The objective of this report is to: (a) provide a conceptual framework for thinking about the role of philanthropy in asset-based community development models; (b) provide background information about the respective sectors of organized philanthropy and the trends and factors that affect their disposition toward endowment building for community and economic development; and (c) expand the internal Foundation dialogue about the points of intersection of this work within and across the three units of Asset Building and Community Development, as well as with work in support of organized philanthropy through the Governance and Civil Society Program.

METHODOLOGY

This examination is organized along several broad segments of organized philanthropy: community foundations, health conversion foundations, family foundations, corporate giving, and other public charities. *Community foundations* are included because of the Foundation's substantial investment in these institutions, as well as their strategic importance as intermediary organizations in nationally-funded initiatives. The diverse nature of this universe yields broad insights beyond the experiences of those with a rural-focus. *Health conversion foundations* are examined with an eye toward better understanding the programmatic and organizational hurdles facing these institutions, and the challenges implicit in attempts to capture their impressive wealth for community development purposes.

Family foundations are growing in number and organization and becoming increasingly engaging in local community and economic development. Yet, as a class, they are not well integrated into the formal networks that support this work. Given the extensive amount of wealth held by individuals and family foundations, a closer examination of this segment seems warranted. Within the broad category of *other public charities*, the interest is in understanding the potential of alternative funds and certain identity-based groups to engage in endowment building for development purposes. Many of these organizations are extensively preoccupied with running annual campaigns that leave little time to support the program work necessary to improve conditions in their communities. Understanding these dynamics is a first step to thinking about them in development terms. *Corporate giving* is examined in light of the emerging influence of those engaged in socially responsible investing and social venture development on philanthropy, as well as the role of these venture philanthropists in community and economic development.

Private foundations were not examined as a class, though the insights of representatives of several private foundations known to support programs in other segments of philanthropy were solicited. Given the exploratory nature of this exercise, the examination of these sectors is not meant to be exhaustive, or to suggest that opportunities within philanthropy are limited to the ones examined in this report.

LINES OF INQUIRY. Several key questions were asked of those interviewed for this work: (1) What are the primary issues and considerations affecting the work of your institution and/or segment of philanthropy with regard to community development? (2) What are the primary issues and considerations influencing the disposition of your institution or segment of philanthropy toward raising permanent endowment in general, and for community development purposes in particular? (3) What sort of institutional supports are needed to promote community development endowment building within the respective segments of organized philanthropy? (4) What are the points of intersection or departure of this work with other asset-building strategies?

Within this framework, we were interesting in learning about: the current climate within the sector; organizational and structural considerations about the institutions in the sector; factors influencing fund raising and distribution decisions; key institutional players; potential partners and supporters of the concept; and institutional capacities available and needed to promote community development and/or endowment building work.

DATA COLLECTION. Data were collected through in-person and telephone interviews, document reviews, and reviews of literatures related to asset-based development and the targeted philanthropic sectors. (Time constraints precluded a systematic survey of philanthropic institutions or analysis of grants that might further support the case for endowment building for community development.) Interviews were conducted with Ford Foundation staff in the Asset Building and Community Development Program's Community and Resource Development (CRD) unit and in the Philanthropy unit of the Governance and Civil Society Program (GCS) for the purpose of refining the scope of this examination, as well as to better understand the context of the Foundation's work within organized philanthropy. CRD staff provided the names of people to be interviewed for this study. However, it was necessary for the study team to expand this list to include others who could inform our understanding of salient trends and issues within each philanthropic sector. Undoubtedly, there are individuals who we failed to identify or reach in this preliminary scan, though the breadth of perspectives is fairly representative.

The Kingslow Associates study team, comprised of Marcia Kingslow, Principal, and Carol Horton, Senior Research Associate, conducted a total of 39 telephone and in-person interviews. Interviews typically lasted 1 to 1½ hours, and several respondents were interviewed twice (though only counted once). Individual interviews were conducted with a range of informants, included representatives of foundations; philanthropic trade association; technical assistance providers working within philanthropy; public charities, such as alternative funds; and community development intermediaries. A full list of interviewees is included in Appendix B.

ORGANIZATION OF THIS REPORT. This introductory section of the report is followed by an overview of important trends in the area of wealth accumulation, and the influence this has had on philanthropy. It is followed by analyses of the five segments of philanthropy studied for this report – community foundations, health conversion foundations, public charities, family foundations, and corporate giving. These sections are followed by a conclusions and recommendations sections.

II. RECENT TRENDS

The economic stability experienced in the U.S. over the last decade, coupled with the phenomenal increase in stock market valuations in recent years, has led to an unprecedented accumulation of individual and corporate wealth. Today, there are more wealthy people, more routes to acquiring wealth, and many different ideas about what to do with wealth. More individuals and families are creating and directing their own foundations and establishing funds in other public charities. Individual philanthropists are making larger gifts and, in some cases, taking an active role in influencing policy and systems reform through philanthropy. By all accounts, the end is a long way off, as an estimated $10 trillion will be inherited and redistributed by baby boomers over the next two decades.

In addition to wealth accumulation at the individual level, new forms of grantmaking institutions are emerging, and existing ones are becoming more complex. Service providing public charities are making more grants, as well as actively soliciting gifts for redistributive purposes. Banks and brokerages houses are creating charitable giving "checking accounts" for their customers, and the conversion of public hospitals to for-profit health institutions has produced a segment of grantmaking foundations with combined assets said to be well over $10 billion. All of this has had a significant impact on the philanthropic sector. Of the approximately 42,000 grantmaking foundations, 18,000 have been established since 1980. With the exception of the post-1987 market adjustment period, the annual rate of new foundation formation has remained at a steady three to four percent. Despite the increase in the number of philanthropic institutions, however, there are many areas of the country in which the philanthropic infrastructure is relatively underdeveloped.

The impact on donations to charity is equally striking. According to *Giving USA,* charitable contributions totaled $143.5 billion in 1997, a 7.5 percent increase from the previous year.[3] Giving by individuals accounted for 76 percent of all charitable contributions. At more than $109 billion, this represents a seven percent increase over the amount distributed in 1996. It is interesting to note that while a U.S. Trust Corporation survey of 150 of the wealthiest one percent of the population revealed that 70 percent of these individuals are inclined to increase charitable giving as a result of tremendous gains they have made in the stock market,[4] overall individual giving represented only 1.6 percent of personal income.[5] Bequests, on the other hand, increased by 10 percent in 1997 to over $12 billion.

For corporations, the *Giving USA* data show that they contributed 7.5 percent more to charity in 1997 than in 1996, for a total of $8.2 billion. However, this amounted to only one percent of pre-tax income, a rate that has continued to drop since 1986, from over two percent of pre-tax income. There is some indication, however, that non-tax-deductible support to

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[3] *Giving USA*, an annual report of the American Association of Fund-Raising Counsel, as reported in *The Chronicle of Philanthropy*, "Donations to Charity Rise 7.5%," June 4, 1998.
[4] "U.S. Trust Survey of Affluent Americans XIV" (New York: U.S. Trust Corporation, 1998).
[5] *Giving USA.*

nonprofits in the form of marketing, advertising and community relations may be replacing traditional forms of corporate support.

Foundations, in comparison, distributed $13.4 billion. While this represents an 11 percent increase over the1996 level, it accounts for only nine percent of the $143.5 billion total charitable giving. And while the assets of foundations rose by 18 percent, to $267.6 billion, the amount distributed in grants remained close to the IRS determined minimum of five percent of investment assets. Although another survey of 126 major foundations showed that 113 of them increased their grantmaking by 11.5 percent in 1997, the lack of an aggregate increase in distributions above the minimum threshold has led some critics to charge that these foundations "are building their endowments at the expense of charities that need money."[6]

In terms of grants made to nonprofit organizations, private foundations distributed 77 percent of grants made in 1996, compared to 13 percent by corporations, seven percent by community foundations, and three percent by operating foundations. By program area, education continued to receive the highest percentage of grant dollars (25 percent), followed by human services (17 percent), health (16 percent), and public/society benefits, which includes community improvement, social action, and philanthropy and volunteerism (12 percent).

Data from the Foundation Center reveal that in 1994-95 (the latest period for which data are available), over $896 million in grants were made by 800 foundations in support of community development, housing, and employment.[7] Nearly half of these grants, or $417 million, were made by 25 foundations. Examining the $896 million in grants by primary subject shows the majority of community development grants to be clustered in community improvement and development (30 percent) and philanthropy and volunteerism (22 percent), followed by housing and shelter (8.6 percent) and employment (6.5 percent). By far, program development was the most common type of support, at $413 million, followed by general support at $103 million. Forty-one grants were made for endowments totaling $14.6 million, compared to 173 grants, or $22 million, in support of annual campaigns.[8]

The increase in the number of philanthropic institutions and vehicles for giving, along with the volume of funds to be dispensed, has dovetailed with a number of other phenomena that present challenges to nonprofit organizations and organized philanthropy. Many of these considerations are relevant to efforts aimed at stimulating increased support for community development, and particularly for accumulating dedicated, long-term endowments for these purposes. For example, foundations are no longer primarily viewed as the "research and development arms of society," initiating programs to inform government policy. Increasingly, in this era of public sector devolution, the programs have become the ends themselves as governments and grantseekers look to philanthropy to fill the void of lost funding. As is

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[6] *Big Rise in Assets Prompts Some Foundations to Review Their Programs*, Washington, DC: Chronicle of Philanthropy, vol. X, no. 9, p. 9, February 26, 1998.

[7] Only grants over $10,000 are included in this tally.

[8] Grants may cut across more than one type of support category; double counting precludes cross-type comparisons.

discussed in this report, this has implications for institutions, such as: (a) the willingness to explore strategies aimed at long-term financial stability and endowment building when faced with seemingly insurmountable social needs; (b) the ability to see community development and economic opportunity strategies as complementary, if not preferable, investments to palliative service provision; and (c) the freedom to be entrepreneurial, innovative, and expedient in both programs and partnerships.

III. COMMUNITY FOUNDATIONS

This section begins with a brief overview of numbers and trends found within the community foundations sector of philanthropy and a discussion about the challenges these institutions face in the broader philanthropic environment. It is followed by a discussion of key characteristics about community foundations that have bearing on their willingness and ability to pursue community economic development in general and permanent endowment building for community development in particular.

OVERVIEW OF COMMUNITY FOUNDATIONS

There are approximately 500 community foundations in existence, and they are growing in number, size and complexity at unprecedented rates. Community foundations restrict their activities to geographic areas that may represent small towns, large cities, states, and regions (which typically may not exceed more than three states). They derive their income from a combination of gifts, annual fund raising, and fees for services. As public charities, community foundations are able to accept gifts from a variety of sources including individual donors, private foundations, corporations and government, but annually they must receive at least one-third of their income from these general public sources. Additionally, community foundations must raise new money each year, but unlike many other annual giving focused public charities and nonprofit organizations, they place considerable emphasis on building endowments. Endowments are raised primarily from contributions from donors. Community foundations are required to distribute at least five percent of their income in grants, and many foundations have creative, diverse grantmaking programs. Almost universally, however, community foundations devote significantly more resources to the service of donors and other activities designed to increase their ability to raise funds.

Like other foundations and public charities, community foundations have experienced considerable increases in the value of their portfolios, not only from the appreciation of their investments, but from new and increased contributions from donors. In 1996, community foundations experienced a 37 percent increase in gifts received. Many donors have undoubtedly been influenced by favorable tax laws allowing for the deduction of charitable gifts of appreciated stock. Some observers suggest that these laws have considerably influenced the creation of new foundations.[9]

[9] Darlene Siska, "Boom Times," *Foundation News and Commentary*, vol. 39, no. 2, March/April 1998.

According to data collected by the Columbus Foundation,[10] the market value of assets held by community foundations in 1996 exceeded $17 billion, representing a 29 percent increase over the 1995 level. The amount of new gifts made to community foundations has also increased considerably. In 1996, for example, $2.2 billion in new gifts were received, compared to $787 million in 1993. The size of contributions to community foundations has increased so significantly that multi-million dollar gifts are no longer uncommon; several community foundations even received gifts of $100 million or more. The endowments held by community foundations range from less than $1 million to more than $1.2 billion – the largest single amount in 1997, held by the New York Community Trust. Twenty community foundations have assets exceeding $200 million. Although community foundations accounted for six of the top ten largest public charities ranked by assets in 1996-97, their aggregate holdings represented only one-fourth of the approximately $21.5 billion held by the top ten.[11]

On the distribution side, over $1 billion in grants were made, representing a 16 percent increase from 1995, though at a rate disproportionate to the rise in aggregate asset values. The largest grantmaker, the New York Community Trust, for example, distributed $107 million in grants.[12] According to the Chronicle of Philanthropy, the size of individual grants has also risen. In 1996, 193 grants were made in the amount of $2.5 million or more, the largest of which was $203 million.[13] According to 1996-97 Foundation Center data, community foundations represented 11 of the top 25 public charities, but accounted for only one-third of total giving by this group – outpaced by other public charities such as the American Cancer Society, the American Heart Association, and Fidelity Investment Charitable Gift Fund, which alone distributed nearly 11 percent (discussed below).[14]

The increase in wealth and charitable giving presents a number of challenges and opportunities for community foundations along both fund raising and programmatic lines. Of considerable concern is the increased level of competition community foundations face, particularly as the options available to donors increase. In some regions, community foundations find themselves competing against each other, as new community foundations emerge or the geographic reach of existing foundations spreads. Some observers suggest that the valuable efforts of major private foundations to develop and build the capacity of community foundations have contributed to a growing awareness of these institutions and stimulated demand for more funds.

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[10] Columbus Foundation, *1996 Community Foundation Survey*, Columbus, OH: 1997.

[11] Drawn from Foundation Center data compiled in the *National Directory of Grantmaking Public Charities,* as reported by Thomas J. Billitteri, "Top 10 Pubic Charities Gave $667-Million," *The Chronicle of Philanthropy*, p. 22, June 18, 1998.

[12] The Foundation Center, *The Top 25 Community Foundations: Ranked by Total Giving*, as of February 1997. Although this figure dropped to $83.8 million in 1996, the New York Community Trust remained the largest grantmaker among community foundations, followed by the Cleveland Foundation at $32.3 million.

[13] Vince Stehle, "Foundations Are Bullish on Big Gifts," *The Chronicle of Philanthropy*, vol. X, no. 5, December 11, 1997.

[14] Foundation Center, *National Directory of Grantmaking Public Charities*.

Another phenomenon is the conversion of nonprofit organizations to community foundations, such as the effort supported by the McKnight Foundation to help mature intermediaries and those that have served as pass through organizations become community foundations. Often these organizations address needs in regions that are not served by existing community foundations, but they represent competition nonetheless. Additionally, more and more wealthy individuals and families are deciding to create their own foundations, further restricting the pool of potential funds available to community foundations.

Perhaps the most challenging competition comes from the banking and investment services sector, which is aggressively going after that portion of their clients' wealth that might go to charitable giving by establishing special tax-exempt funds as independent charities. The giving mechanism is like a money market checking account from which the donor writes checks over a minimum amount for whatever charity she chooses. The best known example of these funds is the Fidelity Investment Charitable Gift Fund, which in 1996 held nearly $503 million in assets, making it the eleventh largest public charity. It distributed $115 million in grants, the largest amount of any public charity. In 1997, this figure rose to $195 million – a 70 percent increase.[15] Three-fourths of the contributions made to these funds were in the form of securities, as opposed to cash. With increasing numbers of people who are investing their assets with brokerages houses, these firms, with their sophisticated marketing and customer services operations, have access to a much wider range of potential charitable givers beside just the wealthy.

Although critics charge that these funds violate tax laws, there are others who question critics of any vehicles that ultimately gets more funds in the hands of charities. However, these accounts are essentially donor-designated funds;[16] the money managers do very little in the way of donor advisement. This raises questions about the quality and breadth of giving under these auspices. The extent to which these donors and agents may be unaware of community development needs suggests that capturing these funds for these purposes will be a challenge.

The presence of the Fidelity-type funds has prompted some community foundations to be strategic in their fund raising. For example, the Boston Foundation, rather than taking an adversarial position, has established relationships with many of the sponsors of these funds, resulting in the referrals of some donors to the foundation. However, given the overall climate of competition, community foundations, determined to maintain a position in this environment, have become much more aggressive in their fund raising. Even the smallest foundations have developed fund raising and development arms. The better endowed and staffed foundations are developing new funding vehicles and financial products for donors, such as the California Community Foundation's "charitable family IRA," a mechanism for donors to provide their children with an income stream after they die, while at the same time contributing to the community foundation. Not only has the competitive environment led foundations to devote

[15] Thomas J. Billitteri, "Top 10 Pubic Charities Gave $667-Million," *The Chronicle of Philanthropy*, p. 22, June 18, 1998.

[16] See Appendix A for definitions of fund types.

more administrative resources to fund raising and donor relations, but many are increasingly engaging program staff in donor related activities. A community foundation's efforts to cultivate the right fund raising niche should be integrally connected to its program objectives. However, finding the wherewithal to be creative and strategic in the face of urgent competition is a challenge.

KEY CHARACTERISTICS OF COMMUNITY FOUNDATIONS

The entries included in this section are not meant to be exhaustive, but rather to identify important organizational, structural, operational, and philosophical considerations that may have bearing on attempts to engage the diverse realm of community foundations in community development asset building. Although a number of opportunities are identified, admittedly, this section mainly includes considerations that may pose challenges to this work.

MISSION AND ORIENTATION. Community foundations are diverse in their mission, structure, and orientation. Although their programmatic foci differ across foundations, their historic roots as charitable giving organizations continues to affect their program philosophies and, by extension (as discussed below), fund raising strategies. While private foundations have, over the last 20 years, become leading supporters of community economic development and contributed significantly to helping redefine what development might include, community foundations historically have had weak community development programs. This has been influenced by negative perceptions of economic development as large-scale, physical development initiatives, industrial recruitment efforts, or vastly wasteful government-funded practices. Although it is not the norm, there are laudable examples of community foundations engaged in economic development, including those involved in the Foundation's Community Development Partnership Strategy.[17]

There are some indications that community foundations serving regions lacking a broad philanthropic infrastructure are perhaps more disposed to supporting and advocating community-based economic development strategies. In metropolitan areas that are served by many foundations, turf issues or the perception that needs are being adequately addressed by others may limit a community foundation's involvement in this work, particularly if a strong culture of partnerships within philanthropy is lacking. Other experiences suggest that community foundations operating in regions with extensive rural poverty are more likely to view economic development as an important program area. Many local leaders in small towns and rural areas see the creation of community foundations as important components to overall economic development and community improvement, with more and more small towns creating trusts and funds to support this work, as well as advocating for the creation of larger regional and statewide funds. With fewer competing needs and severe manifestations of economic decline, it is often easier for these community foundations to embrace development as acceptable program options.

[17] It is worth noting that a brief scan of the member list of the Neighborhood Funders Group (the affinity group serving the community development network within philanthropy), reveals that nearly 20 percent of its 153 foundation membership is made up of community foundations (although most of these are older, large community foundations).

There is some indication that the more a community foundation views its program work as being as important as its fund raising work, and the clearer it is about defining its programmatic mission and developing the necessary operations and networks to facilitate this, the more likely it is to see a role for itself in efforts aimed at proactive, comprehensive community change. While this does not always translate into explicit economic development programming, these foundations tend to be more strategic in their overall programming, often resulting in a higher quality of programming for services.[18] To be clear, this is not to suggest that a foundation cannot have effective programs in both areas, just that it is sometimes a delicate balance. In some instances, a community foundation's lack of community development work may be less about lacking the right orientation and more about lacking the adequate staff capacity and technical supports to insure that this programming is done correctly. Couple this with the increased fund raising pressures many foundations face, and the chance of initiating program innovations, especially in unfamiliar or controversial areas, becomes more elusive.

FUND RAISING CONSIDERATIONS.[19] Similar to the advantages of having well developed policies to guide programming, it also pays for a community foundation to be clear about its fund raising objectives and strategies – a laudable though difficult objective to achieve in today's competitive environment. Historically, community foundation endowments have included bequests, which are often in the form of unrestricted funds. New community foundations typically derive very little of their portfolio from wills and bequests, compared to older foundations.[20] Raising endowments through bequests is a more passive approach to securing funds. Although community foundations have always had fund raising programs in order to help meet the public support test, in recent years they have become much more aggressive in their approach, particularly as competition for donors has escalated. Because of the high number of contributors who are living donors (many of whom have had limited experience with community foundations and have very clear, and sometimes unconventional, ideas about how they want to distribute their money), most foundations derive the bulk of their income in the form of restricted funds, such as donor-advised, donor-designated and some field of interest funds. In the context of the community development asset building model, endowments are akin to building a long-term, stable asset base, as opposed to annual fund raising for restricted funds, which, like income, is more transitory.

A community foundation derives fees from services provided to donors and the management of restricted fund accounts. This contributes to its discretionary fund balance. Some community foundations have become known as *donor driven* – going after any type of gift in the hopes of increasing their discretionary pool from fees, and ultimately converting the gift to unrestricted fund. In some instances, a donor driven foundation may well be competing with its own grantseekers. Community foundations that are *endowment driven* – building assets through

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[18] Marcia E. Kingslow, *The Chicago Community Trust and the Disenfranchised* (Washington, DC: National Committee for Responsive Philanthropy, 1995).

[19] Please refer to Appendix A for a list of the types of funds commonly held by community foundations.

[20] There are exceptions. For example, older foundations serving areas with high concentrations of living donors may derive more income from donor-advised and -directed funds. Increasing competition is also propelling many older community foundations to be more aggressive in their fund raising.

bequests – typically take a low-keyed approach to fund raising that targets financial agents and intermediaries of the wealthy. Because the portfolios of community foundations that are endowment driven tend to have a higher percentage of unrestricted funds than their donor driven counterparts, they are better able to respond to community needs that may not be as important to donors. They also tend to support innovative and/or high risk programs, including community development, at significantly higher levels.[21]

To be clear, this is not to suggest that donor driven community foundations with large asset bases are lacking in programming. To the contrary, some community foundations with considerable assets are better recognized for their grantmaking activities, have considerable discretionary authority, and are diverse in their programmatic choices. It is to suggest, however, that those community foundations that are aggressive fund raisers may devote more of their institutional resources and creativity to this side of their operations than to the program side, perhaps making it more challenging for them to develop and accept innovative program options. Indeed, even the energies of the best intentioned community foundations get distracted from programs in the current competitive environment.

With regard to community foundation support of community and economic development, here, too, having discretionary funds doesn't hurt, but there are other factors that may influence this. For example, the Cleveland Foundation is often pointed to as a community foundation that has both advocated and supported this work. It not only benefits from having a high level of unrestricted funds, but its leadership has an orientation toward community development, and it operates in an external environment of philanthropic collaboration. It also has invested the necessary resources in educating and cultivating donors to augment its unrestricted support for development. Many community foundations, particularly donor driven ones, hold the position that they must tread lightly in the area of advocating certain program options to donors. But there are many other examples of foundations proactively engaging donors in ways that help them make informed decisions about their giving. The challenge will be the extent to which community foundations are willing to develop donor relations and fund raising strategies in support of community development, and the degree to which, taking the long view, they can bridge the divide between their contributions and program arms in support of more explicit fund raising.

BOARD COMPOSITION AND STRUCTURE. Universally, community foundation boards are comprised of individuals of wealth and those capable of influencing the wealthy. Although substantial improvements have occurred in the last ten years, board diversity – not only across racial/ethnic lines, but by gender, age, geography and class – continues to challenge many community foundations. The emphasis on fund raising provides little incentive to fill board positions with directors who bring with them a strong program focus. Instead, functional expertise is typically apportioned along legal, financial, and investment lines. Although this, too, has improved in recent years, many community foundations continue to derive much of their programmatic advice and counsel through advisory and other ad hoc committees, rather than

[21] Kingslow, *The Chicago Community Trust and the Disadvantaged*, section 5.

directly at the board level. Additionally, community foundations' traditional charitable giving mission and support for service providing organizations may in some cases limit the degree to which a community economic development perspective is represented.

Board composition is influenced by a number of factors, including the organizational structure of the community foundation. The composition of boards of community foundations organized under trusteeships are often determined by appointing authorities comprised of bankers, judges, attorneys, university presidents, representatives of large charities and others who may have limited exposure to programmatic concerns in general and community economic development in particular. Community foundations organized as nonprofit corporations typically have more autonomy to structure their own boards.

Although there are many variations of trustee and corporate organizational structures (including hybrids of both) and models that afford community foundations the final call on the appointing authority's recommendations, there are considerable legal and political influences that tend to perpetuate a board that is more oriented toward the community foundation's fund raising, donor relations and assets management objectives. This can sometimes be exacerbated when board terms are lengthy, repeating or in perpetuity, and in cases of small board size. In instances where there is leadership at the president/executive director and/or distribution committee level to ensure strong and diverse programming, these structural considerations may be negligible to building more support for community economic development. Where this orientation is lacking it may be more problematic.

On a speculative note, however, there may be levers within community foundations operating under bank trusteeships, such as when trustee banks are engaged in community development though a CRA obligation, or they have partnerships with CDFIs or IDA sponsors. A community foundation working in partnership with the underwriting bank, for example, might provide grant support for the technical and management assistance needed to support IDA program participants.

PERMANENCE, PERPETUITY AND ENDOWMENTS. Paralleling key questions raised in some of the assets literature about "who owns, controls, and benefits from community assets," some observers suggest that community foundation assets should be accountable to the broadest definition of community because of the public tax benefits accruing to them. On a practical level, however, community foundations are extremely protective of their hard earned resources.

Although there are significant lessons to be learned from RDCFI in terms of building the institutional capacity of community foundations to engage in community economic development work, it is not clear that community foundations generally would buy into this work absent a significant challenge grant or other external incentive; moreover, whether they would be willing to find vehicles to make this support permanent. While unrestricted funds are extremely coveted by community foundations and afford them considerable flexibility in promoting innovative or risky programming, they are nonetheless ultimately discretionary funds unless designated in perpetuity. As such, there is no guarantee that the foundation will remain committed to community development in perpetuity or, in some cases, until the next funding cycle (which has implications for community and organizational planning). So while a campaign to raise unrestricted dollars using community development as the hook may be quite appealing to a community foundation from a fund raising standpoint, it is not clear that this is truly serving the long-term interests of community development organizations and disinvested communities, particularly if there is insufficient collective involvement and leverage on their part to hold the community foundation accountable.

The question of the perpetuity of a fund is typically far down on the list of concerns a donor must address in structuring a new fund. Nevertheless, there are indications that many new donors are opting for perpetuity clauses, despite favorable tax incentives to the contrary.[22] Undoubtedly, many donors opt for perpetuity as a means of memorializing themselves, while others are persuaded by the good business sense of the proposition.[23] The challenge for those concerned with supporting community economic development, of course, is to sufficiently influence donors and private foundations to be specific about their support for community development, minimizing the ambiguity of intent. Convincing a community foundation that perpetuity should be the objective of "the ask" is yet another matter.

It may be that the best vehicle for addressing the permanency issue is restricted funds. For example, many foundations that are unable, for whatever reason, to create explicit community economic development units have used *field of interest funds* as a means to support this work. These funds provide the foundation with more grantmaking discretion within the field than a donor-advised fund, moving grantseekers a step closer toward having a "permanent" base of funds. While the foundation could use its power of variance to dismantle or defund the fund, this is highly unusual. Field of interest funds can often send important signals to the broader community of donors, practitioners, policymakers and others that this is an area of priority for the foundation, which, in turn, may add another level of accountability toward maintaining the long-term commitment to the field of interest. Likewise, donor-advised funds may also offer a higher potential for raising community development funds, particularly if there is high grantee-donor engagement or in instances where the funds are created in perpetuity.

ACHIEVING GRANTSEEKER BUY-IN. In general, endowments are desirable for a number of reasons. They provide a source of income to the organization, which is especially important during times of low annual giving or grantmaking; they enable better financial planning, and by extension may facilitate better program planning; and they offer a degree of prestige and public relation cache for the endowed. Selling the concept of endowment building to grantseekers may be more challenging under certain scenarios. While community development asset-building models underscore the value of including financial input from community institutions and residents, raising this capital is much more problematic in poor areas than in more advantaged communities. Endowment building efforts that require grant recipients to contribute to the community foundation's endowment campaign may be less effective if grantseekers perceive a

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22 Jody Curtis, "Forever is a Long Time," in *Foundation News and Commentary*, vol. 39, no. 2, March/April 1998.

23 On the other side of this issue are those who argue for immediate distribution of funds, a school of thought influenced by the increasingly popular "die broke" approach to wealth management.

tentative commitment by the foundation to their interests. Additionally, grantseekers may have a difficult time balancing an annual fund raising campaign and pitching for endowments, not to mention typically having limited networks through which to do either effectively.[24]

Community foundations may have a easier time getting buy-in to endowment building if they exhibit a strong programmatic focus to community development, as opposed to development being perceived as an add-on for fund raising purposes. Important considerations include: the degree to which members of the community development field are involved in distribution decisions and represented on the foundation's board; the level of internal staff expertise in development; and the availability of technical assistance and supports for community development organizations. Within the community development asset-building framework, it is also important that the quality of development projects supported by the community foundation be equally focused on the long-term, moving from an income-based to an assets-based approach. This implies going long and deep on strategies designed to promote change – building organizational and community capacity, integrating community economic development into mainstream policymaking circles, correcting misguided policy assumptions, and reforming the public and private systems that affect a community's ability to contribute and benefit from local and regional economic growth.

For those working closely with CDCs and in broader economic development networks, sustainability is a key issue, especially for those who serve as or are dependent on upon intermediaries for implementing major initiatives. Endowments are seen as a integral tool, not only for stabilizing and building organizations, but leveraging more resources for long-term development. While community foundations perhaps see themselves as well positioned to facilitate this, given their financial management and fiduciary capability, some interviewees suggest that grantee organizations may have misgivings about not having full control over these funds, particularly given the fact that legally community foundations have ultimate authority over any funds in their control. Others suggest that if, for example, an endowment is structured to provide the organization with critical operating capital, support for the concept becomes much more compelling. Agency endowments held by community foundations may be a good route to creating endowments for community development within nonprofit organizations. LISC and the Enterprise Foundation are two organizations reported to be generating discussions about endowments within various community and economic development circles. (This issue of creating agency-controlled endowments is further addressed under the report section on Other Public Charities.)

STRATEGIC CONSIDERATIONS

If the broad hypothesis is that with increased resources (including indigenous assets) communities faced with moderate (as distinct from severe) social dislocations, financial disinvestment, and economic disconnection from regional markets can stay on the upright side of

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[24] The implications of a nonprofit shifting from an annual campaign orientation to one of endowment building is addressed in the section of the report dealing with public charities.

the "tipping point," it would seem that an overall strategy would involve more that one element, and that there would be considerable integration, as well as specialization, across the strategy elements. Likewise, community foundations may well be in a position to play multiple roles within a development initiative, bringing a variety of resources to bear, particularly since they can be much more that simply stewards of charitable giving when they choose to be. Community foundations can be valuable partners to any effort that requires educating, convening, catalyzing, brokering, building institutional capacity and all the other important steps that typically precede an initiative aimed at systemic change. An initiative aimed at increasing community foundation involvement in community development that is based on endowment building alone may overlook substantial opportunities.

While undoubtedly an endowment building strategy will be right for some communities, it may not be right for all. "Why endowments?" was one of the most commonly raised questions during this study. Several observers who know both economic development and community foundations suggested that unless an endowment for community development is substantially larger than what has been customary for the national foundation-funded community foundation initiatives, the annual income derived from these investments would be marginal in comparison to the investments needed to begin to economically turn communities around. This, then, becomes a disincentive for many of the more astute community foundations to buy-in to an endowment strategy for community development, particularly if there is a difficult matching requirement, their own discretionary funds are targeted, or considerable front-end investment is required. Unless the target activity is in perpetuity, it is suggested, the more productive return for the community, as well as the foundation, may be derived from a more immediate investment of scale that supports the considerable front-end investment and early prototypes necessary to promote long-term change.

The Challenge Grant Strategy. It is clear from the experiences of Ford, Mott, Kellogg and other national foundations that have helped community foundations evolve and growth through the challenge grant mechanism that an infusion of external resources can be a substantial incentive for an institution to do things differently. However, some observers argue that many of these capacity building grants were aimed at helping the community foundations develop new approaches to activity in which they were already engaged – to essentially help them better secure funds. While these grants have helped promote the national foundations' program objectives of strengthening organized philanthropy as a sector, it is not clear that these efforts have supported their social programs. Questions were also raised about the strategy of national foundations making challenge grants specifically for endowment building. Some observers view these strategies as an efficient way for a foundation to meet its pay-out obligation, while at the same time providing it with a limited term of engagement to thus accommodate any program shifts. Motives aside, where the strategy is particularly called into question is in instances where the community foundation is required to use its limited discretionary funds to meet the match or, more frustratingly, when the match ratio is lopsided.

Geographic Limitations. While there appears to be instructive lessons from RDCFI that can inform the work of other community foundations located in or serving communities plagued by rural poverty, economic disinvestment and/or underdevelopment, it is not clear that all of the learnings are immediately transferable to community foundations working in complex urban environments. Nor is it clear that the model will work in areas with large, diverse urban constituencies, where community foundations are operating in a highly competitive fund raising environment, or where they are disinclined toward partnerships or unable to accept not being first chair. In addition to working in areas with limited economic development infrastructure and community organization networks, it appears as though the RDCFI participants are, as one interviewee referred to, the "low hanging fruit." That is, these foundations were already oriented toward economic development. While they may have needed considerable capacity building to help them do this work well, particularly while managing a large endowment challenge, they did not need convincing that it was within their charitable purview to fund *and* promote development. This may not be the case for foundations with a strong service provision orientation, those in areas with an underdeveloped community development infrastructure, those who view development as a public sector activity, those operating in cities with varied and multiple competing program needs, and/or those with resistant boards (despite even the best circumventing by staff, significant impact in community development will undoubtedly require board buy-in).

<u>Community Foundations as Intermediaries.</u> The use of community foundations as intermediary partners can be beneficial to both national and community foundations. Indeed, community foundations are increasingly deriving more of their income from private foundations and government agencies. In addition to income, the community foundation receives valuable technical assistance, capacity building, and additional prestige in both grantee and donor circles. These relationships provide national funders with a local partner and minimize their concerns about mismanagement. However, many of the same tensions implicit in relationships between national foundations and community development intermediaries exist in these relationships. Community foundations are reportedly just as sensitive to the implications of national funders imposed design and implementation criteria as are community organizations. Of critical importance is the ability of a community foundation to craft a strategy that is well defined and sellable to donors and constituents. Often, tensions arise when community foundations are not given this prerogative or when their strategies are unacceptable to the national funder after the fact. Increasingly, community foundations are reconsidering their participation in initiatives that are not within their interests, capability or design parameters, especially if the prerequisite for participation is steep. In the case of a community development initiative, this suggests the need for considerable engagement by the national funder during its design phase of representatives of community foundations and community development intermediaries.

IV. HEALTH CONVERSION FOUNDATIONS

Health conversion foundations (HCFs) are grantmaking foundations established from the sale of (or other transfer of assets from) a nonprofit hospital, HMO, or Blue Cross or Blue Shield plan to another corporation, in most cases a for-profit health or hospital system. Virtually all states require that the assets of a converting nonprofit organization continue to be used for similar charitable purposes. The combined assets of the resulting foundations are commonly considered to amount to the largest redistribution of charitable assets in history.

As such, health conversion foundations represent a potentially tremendous resource for community development. Most HCFs have adopted a broad definition of health, which includes health prevention and promotion efforts that may go far beyond the traditional medical model. At the same time, virtually all of them are committed to working within their community, whether defined on a local, regional, or state level. Whether this will commonly translate into a local philanthropic base for community development, however, remains to be seen. Probably the most important factor that will determine the extent to which this will be the case is the level of institutionalized community participation in foundation programs and operations. Mission and board composition are also critical in this regard, as is the fair management of the original conversion process.

This section first presents data and trends on the conversion phenomenon, followed by an overview of relevant legal and regulatory issues. The next section explains the various structural forms that a conversion foundation may adopt, as defined by the IRS code. The following two sections examine key issues in the initial conversion transaction and subsequent establishment of a new foundation, focusing on the factors that may most strongly affect its receptivity to community development work. Brief examples of HCFs currently engaged in such work are then presented, followed by possible grantmaking strategies to expand community development initiatives among conversion foundations.

THE CONVERSION PHENOMENON: NUMBERS AND TRENDS

Most health conversions have occurred during the 1990s. As of September 1997, there were 81 HCFs holding a total of $9.3 billion in assets (the number is now believed to be around 100). Of these, the median asset size was $57 million.[25] If these foundations donated five percent of their assets every year, as required of private foundations (which most of them are; see below), it would amount to $465 million annually.[26] The key reason cited for conversions is the

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[25] As of mid-1997, the five largest HCFs were the California Healthcare Foundation ($2.2 billion), the California Endowment ($975.4 million), the California Wellness Foundation ($880 million), the Kansas Health Foundation ($377 million); and the Colorado Trust ($320 million). Christine Torn, "Asset Storm," *Foundation News and Commentary* (July/August 1997).

[26] Annual spending on health by all foundations is $2.1 billion, in a total health care economy of $1 trillion plus. Stephen L. Isaacs et. al., *Health Care Conversion Foundations: 1997 Status Report* (Washington, DC: Grantmakers in Health, 1997)), 1, 5, 14-15; Consumers Union (CU), West Coast Regional Office, "Nationwide Conversion Trends" (typescript, 1998), 4.

need to be more efficient in the increasingly competitive and cost conscious health care marketplace.[27] At the same time, many nonprofit hospitals believe that they must convert in order to continue their mission in this environment.

There remains enormous potential for future conversions, as only 15 percent of the nation's 5,200 hospitals and a handful of Blue Cross and Blue Shield (BC/BS) plans are for profit.[28] It is predicted that small nonprofit rural hospitals, which are being targeted by several large for-profit hospital chains, will make up the next big wave of conversions.[29] There is also a growing wave of mergers between Catholic and non-Catholic hospitals. Some observers believe that Catholic hospital chains are growing at a faster rate than even the largest for-profit chains, leading to concerns about the continued availability of reproductive health services. At the same time, state and municipal governments are increasingly becoming interested in obtaining a portion of conversion assets, with legislation that would facilitate their transfer to the public sector having been introduced in several jurisdictions. To date, three BC/BS plans (in Georgia, California, and Virginia) have fully converted to for-profit status. Although a large wave of further conversions was expected, it has been held back due to the Blues' resistance to being forced to establish foundations.

LEGAL AND REGULATORY ISSUES

Despite the current confusion surrounding the BC/BS issue, there is a continued trend towards increased regulatory oversight, after years of conversions being largely unregulated. Although nearly all states invest the Attorney General (AG) with oversight responsibility for charitable assets, many states were unprepared to deal with the sudden onset of the conversion phenomenon, leading to serious problems concerning the fair transfer of assets, and a consequent call for reform. By the end of 1997, 19 states and the District of Columbia had passed legislation to strengthen their regulatory powers, and allow for public scrutiny of the conversion process, up from only two in 1996.

Most of the newly enacted legislation clarifies and enhances the role of the AG and other oversight agencies. Although all states require notification of a conversion, and most demand review and final approval, the key variable determining the degree and quality of legal scrutiny is the level of engagement of the AG, which varies from state to state. Further, the most important factor that determines how engaged the AG will be is the active involvement of advocacy groups

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[27] Conversion is part of a larger process by which health care providers are attempting to create "integrated delivery systems" which link a variety of services and locations in order to provide "one-stop shopping" for health coverage. Judith Bell et. al., "The Public Interest in Conversion of Nonprofit Health Charities," (New York: Milbank Memorial Fund, 1997), 7.

[28] Issacs et. al., *Health Care Conversion Foundations,* 3, 14.

[29] These conversions are different from most that have occurred to date as many rural hospitals are publicly owned. Local governments find these acquisitions attractive because a new taxpaying company is added to their jurisdiction, and municipal or county subsidies are freed up for use in other areas. CU, "Nationwide Conversion Trends," 4.

and community organizations in monitoring the conversion process.[30] Most AGs are generally unfamiliar with both health care and philanthropy issues and need the input of more well informed public advocates. At the same time, many AGs are eager to have community organizations involved as they provided needed "political cover" for actions that they would like to take, but are constrained from doing without some sort of external request.

On the national level, the key advocacy group working with AGs and more broadly on the conversion issue is the Community Health Assets Project (CHAP), which was established in 1997 as a joint venture between Consumers Union and Community Catalyst (formerly Families USA).[31] CHAP has been involved in more than 40 conversions nationally; six of which have resulted in new foundations with total assets of $5 billion. Further, at least five states have had very strong community health care coalitions involved in the conversion process, such as Boston's Health Care for All (HCFA). Community Catalyst is attempting to organize new coalitions in states where they do not yet exist. This work is quite difficult, however, particularly given the huge resource gap between community groups and for-profit health care entities.

The most important debate occurring on the legal front currently is the question of whether states should define the allowable grantmaking province of conversion foundations. The California AG is spearheading a campaign to require that foundations use their funds exclusively for direct service provision, including indigent care – a proposal that has attracted a lot of attention.[32] The majority of HCFs and health care advocates oppose this proposal, as they believe that such a requirement would quickly reduce assets available for health prevention and promotion.

STRUCTURAL OPTIONS

HCFs may be set up as private foundations, public charities, supporting organizations, or social welfare organizations under the IRS code.[33] Forty-seven percent are organized as private foundations. Although this form is typically attractive because of the grantmaking autonomy

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[30] Council of Michigan Foundations (CMF), *The Sale of Nonprofit Hospital Assets to For-Profit Corporations: Philanthropic Options for Community Decision Makers* (Grand Haven, MI: CMF, 1996), 5; Volunteer Trustees Foundation for Research and Education (VTFRE), *The Sale and Conversion of Not-for-Profit Hospitals: A State-by-State Analysis of New Legislation* (Washington, DC: VTFRE, 1998), 1-3; Aaron S. Wilkins and Peter D. Jacobson, "Fiduciary Responsibilities in Nonprofit Health Care Conversions," *Health Care Management Review* 23, no. 1 (Winter 1998).

[31] The Volunteer Trustees Foundation for Research and Education (VTFRE) has been very important in monitoring legal developments. See, in general, VTFRE, *The Sale and Conversion of Not-for-Profit Hospitals.*

[32] Attorney General Lundgren is enforcing a narrow interpretation of the *cy pres* doctrine, restricting two new HCFs from using their assets for broad health purposes. The Good Samaritan Charitable Trust in San Jose, for example, must spend 45 percent of its outlays on in-patient hospital care, 31 percent on out-patient care, 14.3 percent on school health centers, and 9.7 percent on general health issues. They are unhappy with this situation and backing proposed legislation to allow HCFs to define their missions broadly. Dominica Marchetti, "Redefining Health Philanthropy," *Chronicle of Philanthropy* IX, no. 19 (July 24, 1997), 15.

[33] This discussion is based on CMF, *Philanthropic Options,* and Isaacs et. al., *Health Care Conversion Foundations.*

that it provides, it is initially difficult to start up and operate, particularly as many of the founding board members commonly have had no prior philanthropic experience. The second largest number of HCFs (36 percent) are organized as public charities. One advantage of this form is that it makes for an easy transition, as the converting entity would also have been a public charity. In addition, public charities are exempt from the excise tax required of private foundations. Many HCFs find, however, that it is too difficult to meet the required public support test, particularly given their generally large asset size.

Four percent of HCFs are set up as supporting organizations (SOs) to community foundations, thus eliminating the need to build a new organization, since the SO is housed and staffed by the larger community foundation.[34] In addition, SOs are exempt from both the public support test and the two percent excise tax. The disadvantage is that the conversion foundation will have significantly less autonomy, as most or all of the SO's board members are appointed by the community foundation. Some observers believe that more HCFs may establish themselves as SOs in the future, as community foundations are, in the face of growing competition, proactively reaching out to converting entities. SOs are a particularly attractive option for conversions involving less than $40 million in assets and occurring in areas with strong community foundations. Such relationships may be hindered, however, by new health foundation board members who want to retain their autonomy, or if the community foundation is perceived as trying to "grab assets." Finally, three percent of HCFs are organized as social welfare organizations.[35] Classified as 501(c)(4) organizations, social welfare organizations offer the advantage of being able to engage in lobbying and political activities to greater extent than 501(c)(3)s.

KEY ISSUES IN THE CONVERSION PROCESS

There are several key issues that must be closely watched in the conversion process in order to safeguard the public interest in preserving charitable assets. First, the sale price of the converting entity must represent its fair market value. Public pressure, most commonly from national and local advocacy groups, is needed to insure this. In 1991, for example, while the conversion of Health Net in California was originally valued at $104 million, it rose to $300 million in cash plus an 80 percent equity share in the new for-profit after pressure from Consumers Union. Consequently, the resultant Wellness Foundation was worth $800 million by 1996.[36]

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[34] SOs may be set up in conjunction with any public charity; most, however, are connected with community foundations. SOs themselves are classified as public charities, although they do not have to independently meet the public support test. Converting entities (generally with a relatively small amount of assets) may also choose to establish a fund within a community foundation, rather than maintaining a separate organizational status. Seven foundations, including the Rose Community Foundation, have chosen this route. CMF, *Philanthropic Options,* 12-13; Marchetti, “Redefining Health Philanthropy,” 14.

[35] Numbers do not add up to 100 percent as 11 percent were undecided at the time they were compiled.

[36] Isaacs et. al., *Health Care Conversion Foundations,* 3; Tien, "Asset Storm," National Committee for Responsive Philanthropy (NCRP), "Nonprofit to For-Profit Health Care Conversions: Whose Health, Whose Wealth?," *Responsive Philanthropy* (Fall 1996), 3.

On the other hand, there is a danger that members of the original converting entity will attempt to structure the deal in a way that profit them unfairly and/or does not protect the public interest. Most critically, the specific tenets of pending deals must be made available to the public in an understandable and timely manner. Ideally, there should be public hearings to allow community members to voice their concerns, as well as some mechanism to ensure that they are in some way addressed.[37]

The continued availability of care to the poor and uninsured is also a critical consideration. Although no studies are known that track the effect of conversions on indigent care, the common assumption is that for-profits will provide substantially less. Some states have addressed this problem by using their regulatory powers to negotiate with the successor for-profit hospital over the specific levels of care and services that they will provide.

KEY ISSUES IN THE ESTABLISHMENT OF NEW FOUNDATIONS

Beyond organizational form and the specifics of the conversion process, the key issues involved in creating new conversion foundations include establishing a mission, selecting the board of directors, and instituting mechanisms for community representation and participation. Each of these factors is critical in determining how receptive to or engaged with economic development work a foundation might be.

There are essentially three different directions in which a HCF may go with regard to its mission. One is the option of generally limiting its activities to the direct provision of traditional health services. Although, as discussed above, the idea of legal restrictions is unpopular, many of the newer foundations remain wedded to this more familiar, hospital-centered model. A more favored alternative, however, is to remain committed to health matters, but to define "health" broadly to encompass a wide range of issues and programs. This is the approach taken by most HCFs. A final possibility is to break free of a health focus altogether and make grants in any way that will be helpful to the community. While favored by a few foundations, the majority of do not see this as in keeping with their mandate to preserve the charitable assets with which they were entrusted – a view shared by, among others, Consumers Union.[38]

While the first approach is less compatible with community development work, the difference between the second and the third depends largely on just how broadly "health" is defined. One of the priority areas of the California Wellness Foundation, for example, is "Work and Health," which includes computer literacy training for low-income youth and job placement

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[37] Although some states legally require public hearings, what this means in practice varies considerably. Again, the level of involvement of the AG is key in determining the quality of such legal oversight.

[38] For example, CU criticizes the San Angelo Health Foundation for having funded Girl Scouts, Boys and Girls Clubs, a university lectureship in the Humanities, and the restoration of historical landmarks. Consumers Union, Southwest Regional Office, *Preserving the Charitable Trust: Nonprofit Hospital Conversion in Texas* (Austin, TX: Consumers Union, Southwest Regional Office, 1998), 10-11. Community Catalyst, however, is more open to the idea of funds being used for any purpose that might help the disadvantaged, even if this means moving away from a health specific focus.

assistance for the unemployed. Yet, their work is consistently presented as "promoting health," and one highly placed health advocate was adamant that this foundation was not, and should not be, engaged in community development. Because both the terms "health" and "community development" are open to a variety of definitions, resistance to promoting "community development," especially independent of any health related context, may be encountered.

Critically, HCFs that have reached out to the community to ascertain the common public understanding of health have regularly found that less traditional definitions, such as safe and cohesive neighborhoods, are much more common than the traditional health services model. This suggests that foundations that use a broad definition of health and are engaged with underserved communities are more likely to embrace community development. At the same time, however, it cannot be assumed that simply because a foundation has incorporated a broad definition of health into its mission that it will consequently become interested in community development work. As data that might document such trends are not available, and interviewees for this study differ in their estimations, it is impossible to say exactly how much such work is currently being done. It is probably safe to say, however, that while few HCFs may be engaged in work such as building low-income housing, a good number are working on issues such as reducing violence among youth.

The composition of the board of directors is perhaps more crucial than the stated mission in terms of determining program commitments. In most HCFs, a substantial number of board members come from the converted hospital or health plan. This is generally a problem in that it works to limit community representation, and raises questions of board independence and potential conflicts of interest. Such board members may favor protecting or subsidizing their former hospital or be pressured to do so. Beyond this, they are likely to have had no prior philanthropic experience, and to be more invested in a traditional medical definition of health. In combination, these factors make it unlikely that such a board would be open to pursuing community development related work, at least in the short run. To the extent that they are committed to community engagement, however, they are more likely to become more so over time. One institutional mechanism to safeguard community interests, emphasize diversity, and increase community representation is through the creation of a Community Advisory Committee.

In addition to establishing a board of directors and standing advisory committee that are representative of and responsible to the community, there should be methods for regularly assessing community health needs, including participatory models, such as focus groups, surveys, community forums, neighborhood canvases, health service utilization data, demographic information, and benchmark indicators such as comparative infant mortality rates.

CONVERSION FOUNDATIONS ENGAGED IN COMMUNITY DEVELOPMENT RELATED WORK

Prime examples of HCFs engaged in community development include the California Wellness Foundation, the Community Health Foundation in Illinois, and the Jewish Health Care Foundation in Pittsburgh. This is by no means an exhaustive list, even of the foundations known to have strong programs in this area, but it provides some sense of the range of activities being conducted by HCFs, and the potential that they hold for locally-based community development efforts.

The California Wellness Foundation (TCWF) is the third largest conversion foundation in the nation, with assets of approximately $880 million. Its program areas include Community Health, Population Health, Teenage Pregnancy Prevention, Violence Prevention, and Work and Health, the latter of which is a five-year, $20 million initiative that includes a number of workforce development efforts. Examples of other community development related grants by TCWF include $10,000 to the Sacramento Housing and Redevelopment Agency to provide outreach and service linkages for high-risk families; $15,000 to the California Latino Civil Rights Network to increase Latino civic participation; and $25,000 to the National Economic Development and Law Center to address sectoral employment opportunities in health care.

The Community Memorial Foundation is substantially smaller than TCWF, with assets of approximately $70 million. Its key program areas include Youth, Older Adults, Families, Community, and Health Issues. This foundation specifically utilizes the Kretzmann and McKnight asset-based community development model[39] in its work with youth and older adults. Examples of community development related grants made in 1997 include a $25,000 challenge grant to the La Grange Area Transition Housing to provide short-term housing and financial assistance to at-risk families.[40] The Community Memorial Foundation is also beginning to pursue collaborative arrangements with other foundations to work on issues of access to health care for the poor and uninsured. While the possibility of connecting this to some sort of permanent endowment building strategy has not been discussed, such a possibility would not be outside the realm of potential consideration.

The Jewish Health Care Foundation has assets of approximately $127 million, and advocates a broad definition of health with a focus on the root causes of poor health, such as "poverty, unemployment, public safety, poor education, and other issues which differentially impact on specific sectors of society, leaving significant groups at higher risk for illness, injury, and disability."[41] Recent major projects include comprehensive initiatives to combat high levels of black infant mortality, reduce youth violence, and increase access to the Summer Food Program for needy children. Currently, the foundation is trying the create direct partnerships between Pittsburgh area community health organizations and community development groups. While initially aimed at restoring two community health clinics that have fallen into disrepair, the foundation hopes to begin a strategic planning effort for a larger community development strategy, in conjunction with the local urban redevelopment authority.

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[39] John McKnight and John Kretzmann's work on asset-based community development, presents a broad ranging definition of assets and provides practical methods for assessing and mobilizing them on both the individual, association, and institutional levels.

[40] Community Memorial Foundation, *1997 Annual Report* (Hinsdale, IL: Community Memorial Foundation, 1998).

[41] The Jewish Healthcare Foundation (JHF), *Health Environmental Scan* (Pittsburgh: JHF, 1995), 3.

GRANTMAKING STRATEGIES FOR STRENGTHENING COMMUNITY DEVELOPMENT WORK

One potential grantmaking strategy to encourage community development work among HCFs is to set up a rapid response fund for mobilizing community health care coalitions. Funding is needed for such groups to maximize their effectiveness, or simply to organize in states where they do not exist. In order for these groups to keep pace with conversion developments, small grant proposals of $10,000 to $25,0000 could be fast-tracked on a two-to-three week turnaround cycle. Challenge grants might also be a very effective means of enabling community coalitions to raise money from local sources.

Another option is to underwrite education and outreach efforts that link advocacy groups and foundation board members involved with health care issues to those engaged in community development. Bridging this gap would probably be best achieved via direct connections between HCFs and well established groups of both types, rather than through intermediaries such as Grantmakers in Health. One potential frame that could be used to merge community health and community development concerns is the "healthy communities" model. Finally, many HCFs are believed to have a growing interest in collaborative ventures. At the same time, national grantmakers and local foundations are increasingly interested in partnering with them. Strategies to involve community development groups in such ventures should be considered in conjunction with education and outreach efforts and community coalition development grants.

V. PUBLIC CHARITIES

The term "public charities" is a broad classification for a range of nonprofit organizations that must receive one-third of their annual income from the general public (which according to the IRS tax code may include government agencies and private foundations). Known as the "public support test," this, along with other requirements, is designed to ensure that the charity is serving the public interest. There are over five million public charities in the U.S. that provide social services or conduct other tax-exempt charitable activities aimed at serving the public welfare. Some public charities, such as a community foundations (discussed in Section III), award grants, though other types of public charities may also engage in grantmaking. Public charities derive their support from a variety of sources, including individual gifts, foundation grants, governmental agencies, churches, and from membership dues.

In addition to community foundations, public charities include the United Ways and a range of alternative funds originally established to challenge the monopoly United Ways had on workplace giving through payroll deduction. Many of these alternative funds are organized as federations operating along specific issue lines, such as National Black United Federation of Charities (as distinct from the National Black United Fund, discussed below), Human and Civil Rights Organizations of America, Earth Share, and Human Services Charities of America. There is also an infrastructure of local alternative funds, such as environmental funds, women's funds, arts funds, as well as funds established to serve various racial and ethnic groups. Progressive alternative funds make up a considerable part of this universe, benefiting from 1987 legislation –

resulting from a 12 year battle – that opened the Combined Federal Campaign to any organization regardless of its advocacy orientation, including organizations working on issues related to grassroots organizing, the poor, minorities, and workers rights.

For the purposes of this report, the discussion of public charities is limited to alternative funds. Within that universe, two clusters of funds are examined: (1) *identity-based funds* that serve specific communities, such as funds for racial and ethnic groups and women; and (2) *social action funds* that support a broad range of issues. Although these funds support a range of direct service agencies, many support organizations engaged in community economic development activities, albeit largely from a grassroots perspective.

BASIC DATA

Giving USA[42] reported that in 1997, donations to public and society benefit organizations such as "United Ways, civil-rights groups, and scientific-research institutions" increased by 11 percent. Although this category is not inclusive of all non-foundation public charities, it is a good indication of the growth. Contributions to the United Ways alone totaled over $3.2 billion (a three percent increase from the previous year) and was largely attributed to efforts to secure grants over $1,000. Environmental groups, another category reported in the *Giving USA* article, raised over $4 billion, a 7.5 percent increase.

According to data compiled by the Foundation Center,[43] grants benefiting specific racial and ethnic groups increased by over nine percent from 1995 to 1996 (the years of the most recently available data). Grants to all minority groups totaled $674 million. Almost half of all grants served minority groups generally, while grants to organizations serving African Americans accounted for 26 percent, followed by grants to Asians (13 percent), Latino organizations (13 percent), and Native Americans (10 percent).

A Foundation Center catalogue of grants for community development[44] reports that approximately $897 million in grants were made for community development, housing and employment in 1995 (the most recent data). While grants made across multiple categories preclude percentage comparisons, it is noted that over $128 million in community development grants were distributed to organizations representing or serving various racial and ethnic groups. Over $83 million, or 65 percent, of these grants were distributed to minorities generally, followed by $19 million (15 percent) distributed to African American organizations, approximately $15 million (12 percent) to Latino organizations, $7.8 million (six percent) to American Indians, and nearly $3 million (two percent) to organizations representing Asians. Community development grants to other identity-based groups included $48.5 million for women and girls and $4.5 million for men and boys.

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42 Marilyn Dickey and Domenica Marchetti, "Donations to Charity Rise 7.5%," *The Chronicle of Philanthropy,* June 4, 1998.

43 *The Foundation Grants Index 1998*, p. xxv.

44 *Grants for Community Development, Housing, and Employment,* p. xii.

Because of the way in which these data are presented, isolating community development grants to correspond with the major alternative fund category is not possible. However, it is noted that of the top 15 recipients of community development grants by single highest grant amount, three were major direct service public charities: a $4 million gift to the United Jewish Appeal-Federation of Jewish Philanthropies from the Silverman Foundation; $3.7 million to United Way of Indiana from the Lilly Foundation; and $3.2 to United Way of King County from the Boeing Company Charitable Trust; the latter of which is a noteworthy corporate gift. Several United Ways, including those in Atlanta and St. Louis, are reportedly becoming more engaged in community development.

IDENTITY-BASED PUBLIC CHARITIES

RACIAL/ETHNIC FUNDS. The creation of alternative funds serving specific racial and ethnic groups has been a direct outgrowth of the historic exclusion of these organizations by the United Ways. Beginning with the first such fund, the Brotherhood Crusade, a Los Angeles-based fund serving African Americans that was formed in 1968, the number of these funds has increased significantly. Within the network of alternative funds serving African Americans, known as National Black United Federation of Charities (NBUFC), the number has grown to include 47 charitable groups, for which $2.5 million was raised in 1996. Los Angeles is also the birthplace of the first alternative funds serving the Asian and Latino communities; the Asian Pacific Community Fund and the United Latino Fund both began in 1990.[45] There are also approximately 20 funds serving Native American organizations. With the exception of the National Black United Fund, these funds are not known to operate as federations, although there are funds serving racial/ethnic groups in many major cities and regions, and some degree of networking occurs.

The National Black United Fund (NBUF) provides an example of the circumstances facing many identity-based funds serving minority groups. NBUF is the parent organization of NBUFC and was formed in 1972, drawing from the experience of the Brotherhood Crusade. It is a complex network of over 80 local and national organizations, including 22 local Black United Funds,[46] 13 regional federations, and 47 national member federations. The 22 local affiliates and 13 federations raise an average of $6 million annually. In 1996, the Federation raised $2.5 million for its 47 members. NBUF was originally founded to promote social, economic, educational and cultural organizations serving black communities. It is committed to community development, economic development, and institution building in urban and rural areas.

NBUF has been an instrumental partner in efforts to increase workplace giving opportunities for alternative funds through charitable payroll deduction campaigns. In 1980,

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[45] These funds, along with the National Black United Fund, are also part of the social action fund network, discussed below.

[46] The 22 local Black United Funds are found in Birmingham, AL; Phoenix, AR; Los Angeles, CA; Oakland, CA; Sacramento, CA; Denver, CO; Atlanta, GA; Chicago, IL; Baltimore, MD; Boston, MA; Detroit, MI; Kansas City, MO; East Orange, NJ; New York, NY; Cleveland, OH; Columbus, OH; Portland, OR; Philadelphia, PA; Memphis, TN; Houston, TX; Hampton, VA; and Painter, VA.

NBUF, along with other alternative funds, won entry into the Combined Federal Campaign (CFC). While this hard won struggle has provided much needed support to the communities served by BUFs, it has placed considerable demands on NBUF to provide fund raising, marketing, fiscal development and other technical assistance to support its member organizations' participation in the CFC. Additionally, as the local funds have grown, NBUF has experienced a decline in support. These factors have combined to restrict NBUF's ability to satisfy its multiple charges, resulting in less attention being given to its critical community development mission. Moreover, many philanthropic institutions mistakenly perceive NBUF and its members as charitable giving organizations, making it more difficult for NBUF to sufficiently support economic development.

A number of the local BUFs are well integrated into the economic development scene in their communities. The Philadelphia BUF is a key player in the neighborhood transformation efforts in North Philadelphia, for which it serves as the repository for over $4 million in state funds. BUF-PA is the sponsor of a cultural district that is linked to the economic development objectives of the area. It is engaged in rental rehabilitation and provides technical assistance to other community organizations. It is also developing a microenterprise incubator. The Black United Fund of New York has been involved in rental rehab activities in Harlem and mixed-use development in Brooklyn. It also provides office space to nonprofit organizations in its newly developed office complex.

Recently, NBUF created the Community Economic Development Resource Center to provide training and technical assistance to its members in such areas as leadership development, organizational development, strategic planning, as well as technical areas related to community and economic development. It collaborates with faith-based and community development organizations, and has offered seminars in a number of BUF member states. NBUF sees this component as a vehicles through which to capture the public and private support needed to economically transform the communities served by its members. However, its institutional attention remains focused on the payroll deduction component of its work, providing member services, participating in the national network of alternative funds, and the overall implications of being a pass-through intermediary. Without additional resources, and particularly long-term resources, NBUF remains challenged to uphold its community development mission.

This scenario is reportedly not atypical of other funds serving communities of color. There appears to be agreement among the small number of interviewees familiar with the race-based identity funds that building organizational endowments would be a tremendous boost to these organizations. These funds, regardless of the constituency, are confronted by a similar set of challenges related to providing technical support to their member institutions, raising sufficient funds to support these efforts, balancing fund raising objectives with programming needs, and managing in times of operational shortfall. However, concerns were raised about the high level of competition among organizations, which minimizes organizing around common fund raising objectives. Endowments that would provide annual income appear to be most appealing, though some respondents have difficulty with the idea of community foundations as the investment management vehicles.

Exploring Philanthropy in Communities of Color, an initiative sponsored by the W.K. Kellogg Foundation, in partnership with the Council on Foundations, is commonly cited in any discussion about building endowment in communities of color. Motivated by the disconnection of wealthy people of color from organized philanthropy, the initiative includes grantees representing the four broad minority groups, and attempts to build capacity to do annual fund raising and endowment building within these communities. The Council is developing the database and also examining some of the questions posed above, as well as the implications this sort of endowment building has for community foundations. Although it is not specific to community development, this initiative may offer interesting lessons in general.[47]

WOMEN'S FUNDS. Approximately 75 women's funds are known to exist today, compared to about 20 in 1985. This is an outgrowth of the growing frustration with the disparity in funding programs for women and girls, as well as the increasing number of women philanthropists. Women's Charities of America is the national alternative fund for workplace giving. Other organizations involved in women's funding are organized under the National Network of Women's Funds. There are women's affinity groups within the Funding Exchange and the Council on Foundations, and a number of philanthropic research arms track funding for women and girls. A number of women's funds are modeled on community foundations, and many of them struggle to balance: (1) fund raising work with a historically high degree of attention to programs; and (2) restricted versus unrestricted giving. Many women's funds stress the importance of building: stronger connections between donors and grantee organizations; actively engaging donors in program related activities, such as site visits and proposal reviews; developing active boards; and promoting high levels of board/staff/donor interaction.[48] Many women's funds promote economic opportunity and community development for women and girls, though it unclear to what extent they are connected to the extensive network of organizations engaged in microenterprise development for and by low-income women.

One approach that has been quite successful is the Ms. Foundation for Women's *collaborative fund model*, which convenes a set of national foundation donors, solicits their collective support for grantmaking, and creates a network of funders and practitioners that then works together over multi-year grant cycles to promote program and policy improvements. The Ms. Foundation, acting as an intermediary, facilitates these connections and activities. Collectively these three partners – foundations, practitioners, and the intermediary – develop strategies to improve the work of all parties and contribute to the advancement of the overall field. Currently the Ms. Foundation operates collaborative funds for its women's economic development program and its reproductive rights program. The advantages of scale provided by the collaborative fund enable the Ms. Foundation, and to some extent the national partners, to have a much broader program and policy impact than they might otherwise. Although the funds

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[47] It may be useful to examine some of the strategies being employed in the Kellogg initiative in the context of the Ford Foundation commissioned study by Richard Roper, *Linking Community Service and Community Development: An Assessment of Minority Fraternal, Sororal, Social, and Professional Organizations* (New York: SEEDCO, April 4, 1997)

[48] Marcia Kingslow and Prudence Brown, *Evaluation of the Grantmaking Processes of the Chicago Foundation for Women* (Chicago, IL: Kingslow Associates, 1996).

are explicitly establish to support critical annual or multi-year operational needs and, as such, are not revolving or set up specifically as endowments, they offer considerable lessons about the importance of long-term partnerships, strong donor participation, and donor-practitioner engagement.

SOCIAL ACTION FUNDS

Within the network of alternative funds, the likelihood is that those with an orientation toward economic development in low-income communities are clustered in the network of progressive alternative funds, or social action funds. Although specific data about these funds were not collected for this report, it is estimated that in 1997 there were 44 such funds supporting nonprofits working on a range of issues, including minority and civil rights, women's rights, consumer issues, environmental justice, and neighborhood development.[49] Most, is not all, of their member or grantee organizations engage in statewide or local organizing, advocacy, and/or policy work. Some of the more recognizable funds include: the Bread and Roses Fund in Philadelphia, Progressive Way in San Francisco, and the Community Share funds. The National Black United Fund and United Latino Fund are also a part of this network. Many of these funds are organized as cooperatives, raising funds through public and private workplace giving campaigns, as well as from other sources.

Within the broad network of social action funds is network of foundations formed explicitly to support progressive grassroots organizations. Representatives of these types of institutions include the Fund for Southern Communities in Atlanta, Funding Exchange in New York, and Liberty Hill Foundation in Los Angeles. They are part of a loosely organized network of similarly oriented private, family corporate, and community foundations, such as the Public Welfare Fund, Jessie Smith Noyes Foundation, Ben & Jerry's Foundation, and the Philadelphia Foundation, as well as more mainstream funders that have nonetheless supported progressive organizations.[50]

Social action funds are characterized by their support of progressive grassroots organizations; a high degree of interaction between donors, activists and supporters; and involvement of grantees in distribution decisions. However, the extent to which they are connected to mainstream philanthropic institutions varies across organizations and fields of activities. In Chicago, for example, the Crossroads Foundations has very limited direct involvement with the Chicago Community Trust, the leading community foundation in the region, compared to the San Francisco Community Foundation, which reportedly works closely with social action grantmakers, viewing their grants as the seal of approval for less known organizations the community foundation is considering funding.

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[49] National Committee for Responsive Philanthropy website (www.ncrp.org).

[50] Grassroots Movements Promoting Peace and Justice (GMPPJ) is attempting to facilitate program linkages across of range of these organizations, including those engaged in economic and community development. (www.amandla.org/gmppj/foundations/interest.html)

Because social action funds support grassroots organizations engaged in frontline community development and grassroots advocacy work, they are unable to significantly tap mainstream philanthropic resources, and when they do the grants are often marginal. As a result, these funds operate with very limited resources and typically have small staff sizes (sometimes few as 1 - 1½ full time equivalent). Although they generally have low fund raising cost ratios as a result, they are confronted with severe organizational capacity issues. In addition to fund raising, these funds often provide a range of support for their members and grantees, including technical and management assistance, networking support, and information and policy clearinghouse functions.

While the organizations supported by the alternative funds typically promote efforts design to advance the economic, social, and political advancement of poor communities, the degree to which they actually engage in economic and community development work is unclear. While many organizations are oriented toward grassroots, resident-driven initiatives, the route to community development through community organizing may be arduous, particularly given the difficulty some alternative fund-supported organizations might have forming the types of partnerships common to many economic development initiatives. Moreover, the extent to which the alternative funds themselves explicitly identify with community economic development is unclear.

RURAL FUNDS SERVING DISADVANTAGED COMMUNITIES. The Southern Rural Development Initiative (SRDI) is a collection of 30 Southern organizations working in economic development and social justice, with the objective of improving conditions in poor, predominantly black, rural communities. SRDI includes eight grantmaking foundations, such as the Fund for Southern Communities and several Community Share organizations. Although many of its member organizations are over ten years old, and some as old as 30 years, very few have the resources needed to really have an impact, and all struggle with annual fund raising objectives, often at the expense of programming. None of the organizations has an endowment of substantial size, nor do SRDI's philanthropic members have broad donor bases, largely due to the negative perception of these organizations in the conservative South.

The idea of creating a broader base of indigenous capital for both immediate and long-term needs has resulted in several efforts designed to capture more of the region's philanthropic resources through endowment building as well as annual grants. To this extent, SRDI is modeling some of the practices of community foundations. It is forging a partnership with the Southeastern Council of Foundations (SCF) to broaden the latter's understanding of the needs of underserved populations and communities in the rural South and what traditional philanthropy can do. This has involved building the capacity of SRDI's foundation partners to become part of the SCF network, creating opportunities for cross learning for both groups, and identifying viable donor outreach strategies for SRDI partners.

OPPORTUNITIES AND CONSTRAINTS TO ENDOWMENT BUILDING

Several factors may influence the disposition of alternative funds toward endowment building. Those with weak linkages to mainstream philanthropy may view it and its practices with suspicion. Endowment building may seem superfluous to the immediate needs of these organizations. Even when there is philosophical agreement on the value of endowment building, without significant incentives the practical realities may preclude action. It is difficult for most mainstream organizations to balance annual campaigns with endowment campaigns; given the limited donor base of alternative funds, they would certainly be challenged.

With a more immediate return on an endowment investment, however, many critics of endowment building might be assuaged. This is an example of where the agency endowment model may be applicable. The use of this model by alternative funds, as distinct from community foundations, should be investigated, although it is unclear whether there might be regulatory limitations with such an adaptation of the concept.

VI. FAMILY FOUNDATIONS

Family foundations are generally defined as those in which the founding donor (or his or her relatives) plays a significant role in the foundation's governance and/or management. They are increasing in prominence in philanthropic circles as their numbers grow rapidly. They will probably continue to expand in conjunction with the forecasted $10 trillion intergenerational transfer of wealth. Indicative of their increasing status is the fact that more and more private foundations are self-identifying as family, rather than independent foundations – an alternative designation that has traditionally been considered to carry more prestige.

Family foundations represent an important resource for locally-funded community development. They have traditionally had a strong commitment to the betterment of their communities, and in many areas they are the only philanthropic entity around. Some observers believe that family foundations are becoming increasingly interested in community development projects. Given their growing resources and established geographic reach, it is timely to consider how to promote their engagement with community development projects and related endowment building.

The first part of this section presents basic data on family foundations. The subsequent section discusses differing assessments of their dominant orientation to community development. Brief examples of community development projects undertaken by variously sized family foundations are then presented, followed by an assessment of the key barriers and opportunities to involving more family foundations in community development.

BASIC DATA

As family foundations have no legal or tax status separate from that of private foundations, it is impossible to gather accurate statistics on them. It is estimated, however, that approximately two-thirds, or 25,000, of the roughly 40,000 private foundations in the U.S. are family-managed (including trusts, which are typically not actively engaged in grantmaking). Of these, an estimated 2,000-3,000 are highly active and strongly committed to their program work.[51]

Family foundations could hold as much as $100 billion in assets and make grants totaling over $5 billion a year. The majority are small, with assets of under $10 million, and are completely managed by their trustees. As of November 1997, the Council on Foundations (COF) counted 494 family foundations as members,[52] of which 12 percent had assets of over $50 million; 29 percent, between $10-50 million; 15 percent, $5-10 million; 29 percent, $1-5 million, and 14 percent, under $1 million. Although small foundations with assets of under $1 million would probably be better set up as funds within a community foundation, this is usually not done, as family foundations generally lack connections to community foundations. In addition, family foundations offer better tax breaks and are more attractive to families that want to retain donor control and name recognition.

According to a COF survey, the average family foundation board has 6-7 members, with the larger foundations having somewhat larger boards. All have donors or their relatives serving on the board. While family foundations have a higher proportion of women on their governing boards than any other type of foundation (44 percent), they have the fewest minorities (two percent), possibly because many are limited by their charters to appointing only family members. Family foundations generally pay lower salaries to their staff than do independent foundations, with family members often donating their time at a below market rate. Those with assets from $100-250 million have, on average, close to five full-time paid staff; those with assets under $50 million have an average of two. Staff tend to have been in their positions for an average of 4.5 years and have worked in the foundation for 5.7 years.

A number of organizations, many of them recently organized, exist to assist family foundations in their work. The Council on Foundation established its Family Foundation Services department in 1994, which provides assistance in the areas of grantmaking, networking, family dynamics, and information sharing.

The COF is currently trying to create a database of successful grantmaking models to provide family foundations with information that is organized by region, assets class, program areas, and so on. Many RAGs provide services for family foundations as well.

Other organizations that serve family foundations include the National Center for Family Philanthropy, established in Washington, DC, in 1997 to support family philanthropy of all types via research, publications, seminars, and other forms of outreach. In addition, the Association of Small Foundations, established in Washington in 1996, provides approximately 1,200 members (90 percent of which are family foundations) with administrative and operational assistance. The Family Office Exchange, in Oak Park, Illinois, provides strategic advisory services to families

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[51] Council of Foundations website (http://int1.cof.org/family); interview with Karen Green, Family Foundation Services, Council on Foundations, 6/22/98.

[52] By 1998, this number had risen to over 600. Family foundations are the fastest growing sector of COF's membership, accounting for 58 percent of its new members in 1998.

preserving wealth greater than $50 million. The Philanthropy Roundtable, in Washington, DC, focuses on issues of donor intent and works with family foundations and other grantmakers via conferences, publications, consulting, and referral services. The Philanthropic Initiative, in Boston, is a public charity consulting firm that promotes philanthropy and works primarily with family foundations. Finally, the Family Firm Institute, also in Boston, serves as a networking organization for advisors and consultants to family businesses and foundations.

ATTITUDES TOWARDS COMMUNITY DEVELOPMENT

General trends in the program orientation of family foundations, as well as their specific level of interest in and engagement with community development, are difficult to identify as there is no established database or available research that provides such information. Interviewees for this project, however, were asked if they believe that there is currently a trend towards greater interest in and involvement with community development work. Several different viewpoints emerged.

One is that while there is indeed such a trend, many family foundations would not understand it as such, as they do not think of their work in those terms. Community development, it was suggested, is widely viewed as a highly politicized, and therefore unappealing field. While virtually all family foundations are interested in, and many are engaged with, the idea of promoting "self-help," they would not consider this to be "community development" per se. Another, related suggestion was that "community development" is understood to mean simply low-income housing provision, with all other projects being thought of in other terms.

The opposing view is that there is no such trend. On the contrary, family foundations are being pushed into more of a strictly charitable giving role as the impact of federal social service cuts takes it toll on community groups and disadvantaged populations. Reversing a previous trend toward thinking of philanthropy more in terms of social investment, more and more family foundations are giving grants not because they think that it will leverage any significant change, but rather because they feel compelled to try to fill the gaps where vital local services have been cut. To the extent that this perception is accurate, it does not bode well for future endowment building projects, as such a focus on short-term needs has regularly discouraged funders of all types from investing monies in this manner.

At the middle ground, some believe that while there is excellent potential to get family foundations more involved in community development work, it has yet to occur on a significant scale. Since many of the founders made their personal fortunes as entrepreneurs, it is thought that they may be especially interested in work that involves developing new economic enterprises. Some observers suggests that family foundations may also be receptive to asset-based approaches that resonate with a "self-help" orientation. Although there are important efforts aimed at encouraging family foundations to become more engaged with community development – the theme of their upcoming annual conference, for example, is "neighborhood reinvestment and capacity building" – more needs to be done to realize their potential. This may prove easier to do in states with strong family foundation networks, such as those in North Carolina.

EXAMPLES OF COMMUNITY DEVELOPMENT WORK

Many family foundations are already highly engaged in community development work. One that is particularly well known in this regard is the Meadows Foundation of Dallas, Texas, which, with assets of $850 million and a staff of about 45, is one of the larger foundations of its type. One of its most important community development projects is the Low Income Housing Initiative, which has produced an estimated 2,000-3,000 units of low-income housing in Dallas and created a $50 million loan pool to enable their continued production. The Foundation has also been deeply engaged in the areas of agricultural development, economic development, and job creation throughout the state.

In another case, the Springs Foundation of Fort Mill, South Carolina (assets of $55 million) pursued community development by establishing a 2,300 acre environmental greenway in the area between Fort Mill and Charlotte. Dedicated in perpetuity, this land will never be developed. It contains walking trails, horse trials and an environmental school, and two nearby schools regularly utilize it for their studies. The Springs Foundation has funded the greenway at $200,000 year, with associated projects receiving additional funding. In their view, it provides important educational, health, and environmental benefits to the community. Additionally, it has been good for the Fort Mills economy, creating a higher demand for property in the area and raising real estate values, as well as playing an important role in recruiting new businesses to the area.

A good example of a smaller scale community development project conducted by a mid-size family foundation is the "Small Towns Project" conducted by the Kathleen Price Bryant Family Fund (assets of $75 million) of Greensboro, North Carolina during the mid-1990s. This project provided a $25,000 challenge grant over a two-year period to four very small towns interested in redeveloping their downtowns using a craft heritage theme. To combat the towns' perceptions of one another as competitors, the grant stipulated that all had to meet the challenge in order to receive the money. The towns not only surpassed this goal, but, in the process, came to understand that they had to work together to achieve common goals.

BARRIERS AND OPPORTUNITIES

In addition to the general lack of knowledge, possible negative associations, and impact of social service cuts cited above, several other factors were identified as barriers to further involving family foundations in community development work. First, family foundations generally do not have the staff and expertise necessary to be more proactive grantmakers. Consequently, they tend to fund the organizations that come to them, which are most likely to be engaged in basic service provision. Second, family foundations are traditionally fiercely independent and highly resistant to any sense of being "told what to do," particularly by those who might be perceived as outsiders or interlopers.

This problem is compounded by the fact that family foundations generally lack knowledge about one another, and therefore have few opportunities to learn from their peers. At the same time, there is thought to be a serious cultural divide between wealthy donors and the staff of the major private foundations. All too often, the former may view the latter as technocrats who know how to give away money, but not to make it (and who, therefore, probably don't have anything worthwhile to say about economic development). Conversely, the latter may view the former as business types who don't know anything about philanthropy or community development, and are generally too small to bother with anyway. However, this latter perception is being challenged by the impact that the emerging network of social venture philanthropists, many of whom have family foundations, is having on philanthropy.

Suggested strategies to surmount these barriers typically involve outreach and education. More needs to be done to "demystify" community development, while presenting it in a way that is appropriate to this audience. This would include "depoliticizing" the term, so that it not associated with a larger liberal or conservative agenda; enabling positive relationships with local community development groups; promoting peer learning and information exchange with other family foundations; and soliciting input from entrepreneurs and others involved in family foundations who may have good ideas. Some of this work could be done by local community foundations or RAGs, which could host and organize events that would provide family foundations with opportunities to learn about the field and network with one another. In addition, forthcoming resources, such as the COF family foundation database and the National Center for Family Philanthropy's research reports, could be publicized broadly and made easily available – ideally in conjunction with new research on family foundations, community development and endowment building, which currently appears to be nonexistent.

Collaborative ventures between family foundations, community foundations, and/or health conversion foundations should be considered as a means of both leveraging community development projects and building local endowments for community development. All share a community commitment, and, once having been made more conversant with the community development model, may see the value in helping local CDCs to establish a secure financial base. As discussed above, many health conversion foundations are believed to be increasingly interested in collaborations of all types. Community foundations also appear to be interested, with a panel at the upcoming Community Foundation Conference devoted to learning about family foundations, and considering them as important potential partners in common projects. Finally, some of the larger family foundations that are already engaged in community development might be willing to pursue endowment building on their own.

VII. CORPORATE PHILANTHROPY

This section briefly examines trends in corporate giving in support of community development. It also looks at the emerging sector of social venture philanthropy. The overall discussion does not include reference to the range of strategies used by corporations, particularly those in the financial sector, to support housing, commercial and infrastructure development in low-income communities, but rather is limited to examining trends and practices in corporate giving that may have bearing on the idea of building endowment for philanthropic purposes.

BRIEF OVERVIEW OF TRENDS

As in other philanthropic sectors, corporate giving increased with the substantial rise in corporate profits and stock performance. According to one survey, corporate giving increased by 31 percent in 1996.[53] However, this contrasts sharply to the decline in the percentage of corporate pre-tax income that charitable giving represents – down from over two percent in 1986 to less than one percent today. When viewed with data that point out the steady decline in real wages paid by corporations to all but the top earners, coupled with the soaring level of CEO compensation packages,[54] this underscores the likelihood that corporate giving as a percentage of pre-tax earning will not increase except as profits decline, making competition for these resources keen.

Corporations have typically viewed their giving programs as expenditures rather than investments. This makes them as equally susceptible as other departments to downsizing pressures. However, there is some indications that corporations are becoming more strategic in their giving. Having seen little return from corporate contributions that are not explicitly linked to business outcomes, corporations are increasingly grounding their giving programs in strategies that ultimately advance company objectives. As one observer notes, "Corporate philanthropy is first of all an economic act [that is] oriented to corporate interests and corporate profits."[55]

For example, corporations are targeting specific customer groups as beneficiaries groups, linking minority-, women- and small-business development programs with efforts to expand their own supplier networks, and supporting job training programs where they have plants in areas with pending skilled labor shortages. Corporations are also opting for more quality control in their grantmaking. Loaned executives and other corporate volunteer programs are a common vehicle for ensuring a return to the company.

Giving within the high-tech sector, where many social venture philanthropists are concentrated, also shares some of the objectives of mainstream corporate philanthropy to more strategically align giving with corporate business goals. A recent survey of 57 of the largest

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53 Susan Gray, "Big Surge in Giving by Big Business, "*The Chronicle of Philanthropy,* November 27, 1997.

54 See the work of the Economic Policy Institute in Washington, D.C., for these analyses.

55 Jerome Himmelstein, *Looking Good and Doing Good: Corporate Philanthropy and Corporate Power* (Bloomington, IN: Indiana University Press, 1997).

high-tech companies in the Silicon Valley found that while these companies tend to donate more of their pre-tax income to charity, 48 percent of their charitable giving is in-kind, in the form of products or services, with some companies giving as much as 80 percent in this manner.[56]

Additionally, corporate giving decisions are typically determined at the local level. Although the CEO may set the tone, scope and focus of the giving program, substantial decision making discretion is left to local managers. Unless CEO preferences have been clearly and strongly reinforced to managers, some opportunities may be overlooked, such as supporting programs in communities of color or community development efforts that are viewed as "soft." While the influence of Michael Porter's Institute for a Competitive Inner City, the Empowerment Zone initiative (at least in intent), and other efforts have helped reduce some of the negative perceptions about working in urban communities of color, corporate philanthropy in these areas typically must show the promise of advancing the company's bottom line.

The Ford Foundation's support in 1996 of the Conference Board's study of corporate involvement in community economic development[57] revealed that 95 out of 119 of the largest 800 *Fortune* companies surveyed (or 80 percent) engaged in this work through a range of activities, including workforce development, job creation, affordable housing, comprehensive economic development initiatives, supporting business improvement districts, small business development, and infrastructure development for culture and tourism. Many of these firms were drawn to economic development as a means of contributing to communities in which they have plants or facilities. Seventy-one percent identified involvement in economic development as a means to enhancing their corporate image, which ultimately leads to better product or service acceptance. Public-private partnerships were the most common vehicle for engaging in economic development, followed by creating purchasing programs for minority-and women-owned businesses, participating in cooperative community ventures, and taking advantage of incentives to locate operations in economically disadvantaged areas. Cash grants and loaned executives and other in-kind supports were more popular forms of support than direct investments, although 24 percent of support for economic development and 28 percent for housing were in the form of investments. Ninety-seven percent of the companies surveyed planned to continue or increase their economic development activities, though this was somewhat contingent on continued federal involvement in these programs.

While there are undoubtedly many opportunities to connect corporate philanthropy with the more conventional grantmaking and investment approaches in economic development, it is likely that corporations will see endowment building as a dubious use of their resources. Although corporations are becoming increasingly supportive of community economic development, they are opting for strategic approaches that link community improvement to specific business objectives, such as the need for a trained labor force, expanded supplier networks, siting decisions and marketing opportunities. For example, managers of corporate

[56] Gray, p. 4.
[57] Myra Alperson, *Building the Corporate Community Economic Development Team* (New York: The Conference Board, 1997).

giving programs may find the idea of long-term support for a community-based labor market intermediary compelling and, hence, support for an agency endowment plausible. However, the return on the investment to the company would need to be explicit. Without more investigation, it is unclear if targeting conventional corporate giving programs is a viable means to building permanent endowments for community economic development.

SOCIAL VENTURE PHILANTHROPY

Social venture philanthropy is a new type of philanthropy by a new type of philanthropists, drawn primarily from the ranks of young, wealthy entrepreneurs who have made significant money in the high-technology and venture capital fields. Social venture philanthropy advocates applying a venture capital approach to philanthropic decisions, which translates into a very strategic and proactive form of grantmaking.[58] It has its roots in the socially responsible investments movement promoted by such entities as the Calvert Group of Social Investment Funds and other entities concerned with investing in projects that promote environmental stewardship, anti-war, responsible community development, or other non-conventional values.

Social venture philanthropists are clustered in hubs of high-tech activity, such as the Silicon Valley and Seattle, and they are networked to some extent. Perhaps the oldest and largest of these networks is in the San Francisco Bay Area – Social Venture Network (SVN), which was formed ten years ago to promote improved business practices and influence the development of progressive solutions to social problems. With over 400 members, and affiliations with Business for Social Responsibility and Students for Responsible Business, SVN is actively engaged in helping revitalizing urban communities. To this end, it created the Urban Enterprise Initiative and serves as a broker, convener and partner in economic and business development initiatives aimed at stabilizing existing businesses and encouraging other firms to locate in these communities. It is currently working with three pilot sites: Philadelphia, PA; Yonkers, NY; and Prince George's County, MD (outside of Washington, DC).

In Seattle, Paul Brainard of PageMaker fame, has created Social Venture Partners, a collaborative of approximately 100 social venture philanthropists who have each contributed a minimum of $5,000 for collective grantmaking. The SVP board is highly engaged is the operations and program decisions, minimizing the need for a large staff. SVN is targeting children and youth and K-12 public education, with an emphasis on low-income children and communities.

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[58] The subtext of efforts aimed at applying venture capital criteria to grantmaking is that charitable giving must have an explicit outcome that advances the bottom line (which for venture capital is always financial). This moves the philanthropic sector into a very murky area in terms of how investment returns are defined and measured. Subject to a strict corporate interpretation, many laudable grants to deserving projects may otherwise go unsupported. On the other hand, applying practices such as risk management, performance standards, capacity building, accountability and oversight that are implicit in a venture capital model to the nonprofit sector may yield considerable improvements.

SVP members have their own philanthropic entities as well, and they network considerably. As a training ground for new philanthropists, another objective of SVP is to draw more young wealth holders into philanthropy at an early age and to substantively increase the quality of their engagement. One of the main differences from traditional philanthropy is that social venture philanthropists go well beyond simply donating money for a specific project, but rather look at the needs and capacity of the entire grantee organization. Social venture philanthropists typically donate their professional expertise to help build the grantee organization's capacity beyond the specific program area – somewhat akin to a venture capitalist taking a majority stockholder position in a company to insure quality control.

Social venture philanthropists are influencing mainstream philanthropy in a number of ways. They are dealmakers more than grantmakers. As a result, they view their relationships with grantees more as partnerships in which the grantees have considerable input. Social venture philanthropists also tend to commit to a longer time horizon and to making the necessary systems changes to affect long-term improvement. As philanthropists, they hold a certain amount of disdain for the bureaucratic structure of organized philanthropy, suggesting that it is akin to that of government. Partners in these networks are much more oriented toward collaboration than assigning programmatic turf. In communities with high concentrations of these philanthropists, they are having a considerable, though quiet, impact.

The extent to which, as venture capitalists, these philanthropists would see endowment building analogous to building corporate reserves may be one means of engaging these types of donors in a discussion about the long-term needs of the community development field. While they are engaged in other philanthropic networks, it is unclear whether they are inclined to actually partner with mainstream philanthropic entities mired in practices they tend to avoid.

VIII. CONCLUSIONS AND RECOMMENDATIONS

This report is an initial scan of the issues, challenges, and opportunities related to building permanent endowments for community economic development within five sectors of organized philanthropy – community foundations, health conversion foundations, family foundations, public charities, and corporate philanthropy. It is not meant to be an exhaustive assessment, but rather to identify areas of promise, as well as those needing further examination.

Generally, the tremendous amount of assets within the philanthropic sector suggests that the time is right to build substantial reserves in preparation for the inevitable market adjustment that will affect the valuation of philanthropic portfolios and those of prospective donors. The idea of developing endowments becomes especially important for organizations serving as intermediaries, and particularly for those attempting to balance annual fund raising needs with program implementation. The security and flexibility that comes with endowments are vital to the ability of these organizations to become innovators and address the systemic issues needed to promote change.

Within each of the sectors examined it appears that a central question is whether or not there is sufficient understanding of and support for community economic development. It is not clear that this is the case. This seems to be a critical first step before addressing the endowment building questions.

On the whole, *community foundations* have been much more oriented toward traditional charitable giving activities than to community economic development. Although there are good examples across the range of community foundations of those engaged in this work, they are not typical. The ability of community foundations to have broad and diverse programming is often affected by the emphasis placed on fund raising, the types of funds in their portfolio, and the willingness to advocate for specific programs. Community foundations working in highly competitive environments may have difficulty devoting equal attention to creative program development. To the extent that endowment building for community development fits a broader assets building agenda, significant support may be garnered. The caution, however, is in the ability of community foundations to develop the requisite connections and partnerships with community economic development networks to ensure the good stewardship of these funds.

Health conversion foundations offer some promise as potential resources for community economic development, though it is doubtful that they will embrace the field en masse because of the obvious difference in program orientation. HCFs are confronted by considerable regulatory issues that affect the disposition of their grantmaking programs. This varies from state to state, making a uniform approach unlikely. Many HCFs have struggled to find the appropriate mission, board composition, and vehicles for community input, all of which affects their orientation toward economic development. While some HCFs have supported development efforts, typically these projects have been explicitly connected to a broader health agenda. In instances where they have not had this grounding it generally reflects ad hoc grantmaking. While there appears to be opportunities for HCFs to be more engaged in community development generally, support for endowment building appears to be more challenging, particularly given the regulatory environment.

Within *public charities*, there seems to be a strong case for program-oriented, alternative funds building endowments in general. These organizations typically operate with very small margins and are overextended in the activities needed to support annual fund raising campaigns. Endowments structured to provide annual revenues would undoubtedly help stabilize these organizations. More work is needed to identify those alternative funds that engage in or are receptive to community development. Additionally, these organizations will need considerable technical and management assistance to balance dual fund raising objectives, as well as significantly convince donors and supporters of the merits of endowment building.

Opinions about the extent to which *family foundations* are actively engaged in community development varies. There are notable examples of family foundations of all sizes supporting community development work. There are also signs that this interest is growing as a number of professional development activities have focused on community development. However, the number of family foundations that are externally focused and actively involved in networking with others, while growing, is relatively small, thus limiting the reach of this mechanism as a recruiting tool for more community developed engagement. The use of more peer-to-peer exchanges within the family foundation sector appears to be a promising means of engaging its members. Other challenges to participation include, limited staff and expertise, questionable willingness to partner, and the lack of integration with other sectors of philanthropy.

Corporate giving programs are increasingly becoming grounded in overall business development and profit making objectives. While there are many examples of corporate support for activities that promote economic development, it is less clear that these institutions would view endowment building as helping them meet the internal objectives of giving. Certainly more investigation is needed to test the idea. One area that may offer more promise is in the field of *social venture philanthropy*, which tends to drawn in entrepreneurs who have very different ideas about the responsibilities of the business sector and philanthropy.

RECOMMENDATIONS

Specific recommendations are included in each section of this report. However, several general recommendations may be useful.

1. The idea of building endowments for community economic development should be further tested within the various sectors of philanthropy, as should the receptivity to community economic development in general.

2. The Foundation should have a better sense of the attitudes of community economic development organizations toward the idea of endowment building.

3. Grants analyses should be done within the respective sectors to determine the extent to which any of this work is already underway and to document best and promising practices.

APPENDIX A

TYPES OF FUNDS AND OTHER ASSET ACCUMULATION VEHICLES

This section briefly describes the types of funds commonly established by community foundations, as well as other vehicles used by community foundation to increase their asset base.

Unrestricted Funds. These funds have no external restrictions and may be used for broad charitable giving purposes. They afford the foundation full discretion and flexibility over its grantmaking, as determined by board policy. By far, they are the most desirable type of funds, but often the hardest to come by.

Field of Interest Funds. These funds support special charitable purposes, agencies in specific geographic areas, or a class of charitable beneficiaries, institutions, organizations, and associations without the donor having to specify grant recipients, which is left to the discretion of the community foundation, thus classifying these funds as unrestricted. A fund for community development or arts organizations are examples of field of interest funds. The breadth of a community foundation's field of interest funds often mirrors its unrestricted programming and areas of staff expertise, though funds that have narrow fields may be considered restricted.

Advised Funds. These funds are typically structured for the community foundation to be advised by the fund's donor on the distribution of funds. Other mechanisms for advising the foundation are permitted, such as the use of an advisory committee of specialists in the program area. Although donor advice is not binding, most foundations attempt to honor the donor's preferences. Management of the funds typically include a high level of donor-foundation interaction.

Designated Funds. These are funds in which an organization or project has been specified by the donor. They are often included in wills. Donor-designated support continues as long as the recipient organizations maintains the intended activity. Deviation from the donor's original intent is generally only permitted through a variance approved by the community foundation's governing board.

Charitable Remainder Trusts. These funds make fixed annual payments to the donor and/or other beneficiary for a determined period of time. Upon death of the donor or beneficiary, the principal goes to the community foundation or another charitable organization.

Charitable Lead Trusts. These funds allow the community foundation the use of investment income for a specified period of time, after which the principal reverts to the donor. For the forward looking community foundation that derives a high percentage of its donor-advised portfolio from charitable lead trusts, this can be especially troublesome.

Area Funds. These are semi-autonomous, geographically-focused funds created by community foundations to ostensibly address the needs of underserved areas such as small towns and rural communities. They have become another important vehicle for community foundations to build assets. The area fund derives legal, administrative, and fiduciary benefits by being under the structure of a community foundation, for which a fee is paid to the sponsoring community foundation. Area funds typically have their own board, grantmaking program, and endowment goals explicitly targeted to local needs. Typically community foundation representatives sit on the area foundation's board.

Agency Endowments. This is a vehicle designed to allow community foundations to hold designated endowments for charitable organizations. The organization determines the allocation of the fund's spendable earnings (typically five percent of the fund's annual market value), which may be distributed to the organization, accumulated over time for subsequent distribution, or rolled over to the principal until a specified period. The community foundation derives fees for the management of agency endowments, and provides technical, fund raising, and management assistance to the organization. Agency endowments are considered donor-designated funds; as such the community foundation, not the agency, has ultimate authority over them.

Supporting Organizations. These funds are created by private foundations, community foundations, or nonprofit organizations in order to benefit from having the public charity status without having to meet the public support test. The mission of a support foundation must be consistent with that of the community foundation, which handles administrative and fiduciary responsibilities and has final grantmaking authority for the supporting organization. Some community foundations are actually supporting organizations that lean against another 501(c)3 organizations.

APPENDIX B

List of Interviewees

Roland Anglin
Community and Resource Development
Ford Foundation
New York, NY

Peter Barnes
Corporation for Enterprise Development
San Francisco, CA

Sherry Salway Black
First Nations Development Institute
Frederick, VA

Joe Breiteneicher
The Philanthropic Initiative
Boston, MA

Debra Brody
Support Center for New Health Foundations
Grantmakers in Health
Washington, DC

Emmett Carson
Minneapolis Foundation
Minneapolis, MN

Will Close
The Springs Foundation
Fort Mill, SC

Robert A. DeVries
W.K. Kellogg Foundation
Battle Creek, MI

Jim Durkan
Community Memorial Foundation
Hinsdale, IL

Virginia Esposito
National Center for Family Philanthropy
Washington, DC

Robert Friedman
Corporation for Enterprise Development
San Francisco, CA

Karen Green
Family Foundation Services
Council on Foundations
Washington, DC

J.D. Hokoyama
Leadership Education for Asian Pacifics
Los Angeles, CA

Meriwether Jones
Rural Economic Policy Program
Aspen Institute
Washington, DC

John Kretzmann
Asset-Based Community
Development Institute
Northwestern University
Evanston, IL

Lynn Lohr
Consumers Union
San Francisco, CA

Bill Massey
Kathleen Price Bryant Family Fund
Greensboro, NC

Julio Mateo
Consumers Union
San Francisco, CA

Bruce Maza
C.E. and S. Foundation
Louisville, KY

Gail McClure
W.K. Kellogg Foundation
Battle Creek, MI

Alan McGregor
Southern Rural Development Initiative
Raleigh, NC

Curtis Meadows
The Meadows Foundation
Dallas, TX

William Merritt
National Black United Fund
Newark, NJ

Terry Molnar
The Trusteeship Institute
Northampton MA

Melvin Oliver
Assets Building/ Community Development
Ford Foundation
New York, NY

Darcy S. Oman
Community Foundation Serving Richmond
and Central Virginia
Richmond, VA

Joel Oros
W.K. Kellogg Foundation
Battle Creek, MI

Cindy Rizzo
The Boston Foundation
Boston, MA

Joanne Scanlon
Council on Foundations
Washington, DC

Ken Segel
Jewish Health Care Foundation
Pittsburgh, PA

Michael Seltzer
Governance and Civil Society
Ford Foundation
New York, NY

Tom Sessel
SEEDCO
New York, NY

Natalie Seto
Community Catalyst
Boston, MA

Michael Sherraden
Center for Social Development
Washington University
St. Louis, MO

Carol Simonetti
Community Foundations Services
Council of Foundations
Washington, DC

Jen Steele
Governance and Civil Society
Ford Foundation
New York, NY

Janet Topolsky
Rural Economic Policy Program
Aspen Institute
Washington, DC

Kate Villers
Community Catalyst
Boston, MA

Jeff Webster
Jewish Health Care Foundation
Pittsburgh, PA