The Challenge of Sustainability: How German Community Foundations Can Strengthen Their Financial and Organizational Stability

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This paper was submitted in partial fulfillment of the 2010 Emerging Leaders International Fellows Program of the Center on Philanthropy and Civil Society at The Graduate Center, The City University of New York. The paper may have subsequently been revised, translated, circulated or published in alternate format by the author.

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Spring 2010

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1. Introduction

1.1 Identifying the Problem

In Germany, the first community foundation was established in 1996. Since then, community foundations have become the fastest growing form of philanthropy. At least 257 have already been formed. Germany underwent a boom in the establishment of new community foundations without parallel in any other country, as the Global Status Report Community Foundations 2008 has shown. Germany has now surpassed Canada to have the second largest number of community foundations after the United States.

However, the existing community foundations are facing severe challenges because they lack organizational stability and – above all – financial sustainability. As the latter is the most urgent problem around which all other issues revolve, the main focus of my research is to explore how German community foundations can succeed in increasing their permanent endowments and operating budgets. The overall aim is to analyze how they can learn from community foundations elsewhere in achieving a higher degree of financial stability, in order to be able to build capacity and ensure long-term funding to the community.

This paper is based on the assumption that Germany can learn from models and approaches to financial and organizational sustainability in the United States, Canada and partly the UK, because those countries have well-established community foundation sectors and long experience in tackling these challenges. Parallel to those countries, Germany has a growing number of community foundations in place, as well as a long tradition of giving within a legal and fiscal framework that provides incentives for donors. All four countries have the opportunity of an upcoming intergenerational transfer of wealth in common. At the same time, the US and Canadian community foundation sectors are more mature. Newly formed community foundations benefit from the experiences of their longer-lived peers and the support of various infrastructure and umbrella organizations.

North American community foundations are leading in asset development and donor services worldwide. This has been confirmed by several studies and reports. The Columbus Foundation Survey found that in 2008, American community foundations received US$ 5.1 billion in donations and gave US$ 4.3 billion in grants. With total assets of US$ 45 billion, community foundations have suffered a decline in assets as a result of the economic crisis in 2008. Still, the impressive numbers show that the US sector has always given high priority to asset development and donor services roles, especially in the 1990s and early 2000s, and been very successful. American community foundations have developed a refined spectrum of donor services and tools of giving. They have emphasized their role as a vehicle for philanthropy, sometimes neglecting their functions as grantmaker and community leader (Reynolds 2008). While they are now refocusing on strengthening their role as community leaders (Bernholz 2005), their German counterparts are currently undergoing an opposite development. After having concentrated on their establishment as a respected and well-known player in the community, they now need to give high priority to asset development.

By analyzing successful strategies for sustainability that community foundations in the United States, Canada and the UK have developed, the German field can anticipate some of the upcoming developments and be better prepared to find solutions to the challenges.

1.2 Research Methodology

This paper has been researched and written between 1 March and 28 May 2010 during a three-month fellowship at the Center on Philanthropy and Civil Society in New York. It is based on a mixture of methods. In a first step, I have undertaken a broad literature review, accompanied by desktop research in which reports, articles and websites of community foundations and their support organizations mainly in the United States, but to some extent also in Canada and the UK, have been analyzed.

In a second step, practitioners from community foundations and experts from support organizations and umbrella networks especially in the United States, but also in Canada and the UK, were identified and contacted. I then conducted informal interviews in personal meetings, via phone and e-mail. The selected community foundations primarily belong to a younger generation and were founded within the last 20 years in order to make the experience more comparable to Germany. Some older foundations were included when appropriate as examples of good practice.

Seminars and site visits as part of the CUNY fellowship were also essential in the compilation of this research paper, as have been peer learning sessions with other fellows and feedback from CUNY staff. All data and background knowledge on community foundations in Germany, unless otherwise indicated, is derived from my work as Program Director Community Foundations at Aktive Bürgerschaft in Berlin, Germany[1].

This paper seeks to identify strategies that will enable German community foundations to achieve a higher degree of financial and organizational stability. It will analyze how sustainability can be defined, translated into approaches and tools, which can then be applied and implemented by community foundations. It draws on research, knowledge, experiences and successful practices from the field as well as expert advice. In each chapter, the learnings from other countries are adapted to the German context. Finally, recommendations are given in order to help German community foundations and their support organizations actively anticipate and address the challenges ahead of them.

2. Community Foundations in Germany

2.1 Culture of Giving: Obstacles and Opportunities

In order to understand the relevance of this research, one needs to consider the specific environment for the development and work of community foundations in Germany. On the one hand, they can build on a long tradition of philanthropy and civic engagement, which is reflected in the vivid landscape of more than 550,000 nonprofit associations and 17,372 foundations (V&M Service GmbH 2008; Bundesverband Deutscher Stiftungen 2010). Thirty-six percent of the Germans serve as volunteers (Bundesfamilienministerium 2009).

On the other hand, community foundations are confronted with a strong tradition of the welfare state in which even civil society is financed mainly by public money. As the Johns Hopkins comparative nonprofit sector project has shown, in 1995 64% of nonprofit revenue came from public sector support, only 3.4% from private giving (Priller 2001). The formation of community foundations was fostered by the crisis of the welfare state in the 1990s. As public funding decreased, the necessity of private initiative for the public good became more and more evident.

Yet, the tradition of the welfare state has caused a widespread belief that the state has the responsibility to address social issues and community needs. Because nonprofits were mainly

[1] Aktive Bürgerschaft (Active Citizenship) is a nonprofit organization which was founded in 1997 as a competency center for civic engagement by the Volksbanken und Raiffeisenbanken cooperative financial network. In 2002, a special program was created with the objectives to promote the idea and concept of community foundations in Germany, support the work of existing community foundations and guide the establishment of future community foundations. More information at http://www.aktive-buergerschaft.de/english.

funded by public money, raising private money is not as common as it is in the United States or Canada. It is further impeded by the fact that giving tends to be a private activity and people do not like to talk about money openly.

However, community foundations in Germany are working in a time of great opportunities. The state created a legal and fiscal framework which is favorable for lifetime giving as well as bequests. In 2007, more incentives were introduced[2]. Like the United States, Germany faces an unprecedented intergenerational transfer of wealth which is estimated at approximately € 50 billion annually (Bundesregierung 2005). According to the World Wealth Report 2009, Germany ranks third behind the United States and Japan with 809,700 high net worth individuals/HNWIs (Capgemini and Merrill Lynch 2009) [3]. Within the next decades, demographic change will generate an even higher concentration of wealth as a smaller number of people will inherit larger fortunes and more people will have no children to whom they may leave their money.

2.2 Community Foundations: A Success Story?

These trends laid the basis for the successful establishment of community foundations (in German: *Bürgerstiftungen*) based on the American model in Germany. Thirteen years after the first was founded, 257 foundations exist in all federal states with combined assets of ca. € 132 million (Aktive Bürgerschaft 2009)[4]. Forty percent of all Germans already live in an area where a community foundation is active. The German term *Bürgerstiftung* is not protected and does not refer to a specific legal entity. However, in 2000 the Affinity Group "Community Foundations" of the Federal Association of Foundations developed a set of "10 Characteristics of German Community Foundations"[5]. Unlike in the US, *Bürgerstiftungen* have no obligations regarding a certain pay-out rate or a public support test and do not have to make their data accessible to the public[6]. Partly for that reason, community foundations are governed by an executive board as well as an advisory board which elects and controls the executive board.

As the chart below shows, within little more than a decade community foundations have become a well-established foundation type in Germany. They have spread more dynamically than in any other country; their total endowments have more than doubled within only three years. This

[2] Community foundations in Germany are incorporated as non-profit foundations under private law and are subject to the same tax laws as any other private foundation. Since 2007, up to 20% of a donor's annual income is tax-deductible. When giving to the endowment of a community foundation up to € 1 million can be deducted every ten years. Further tax benefits apply for bequests or when heirs donate their inheritance to a foundation.

[3] The report defines High Net Worth Individuals as having investable assets in excess of US$ 1 million, excluding primary residences as well as collectibles, consumables and consumer durables.

[4] Reference date for number of community foundations was 30 June 2009, for all financial data 31 December 2008.

[5] See Appendix III.

[6] By foundation and tax laws, they are only accountable to governmental and fiscal authorities.

indicates that the trust in the community foundation model has increased, but that there is also much more growth potential.

Figure 1: Establishment and endowments of German community foundations

Year	Total number of foundations	Combined endowments
1996	1	€ 1,02 million
1997	2	
1998	5	
1999	14	
2000	25	
2001	33	
2002	51	
2003	70	
2004	103	
2005	143	€ 60.5 million
2006	194	€ 84.3 million
2007	232	€ 108.4 million
2008	257	€ 132.4 million

Aktive Bürgerschaft: Länderspiegel Bürgerstiftungen 2009.

In some regions, community foundations have established themselves successfully as community leaders. They have acquired good knowledge of their communities, fostered civic engagement and convened local citizens, nonprofit organizations, businesses and public institutions. Unlike their American counterparts, German community foundations are not purely grantmaking organizations. Many of them run their own projects as well. In fact, some are solely operating foundations and do not make grants at all[7].

However, the community foundation movement still lacks the resources to sustain a lasting impact. The average German community foundation starts with an asset base of around € 120,000, but half of the foundations have less than € 80.000. At the end of 2008, the average community foundation held assets of € 520,000, but again 50% of them had less than € 215,000 (Aktive Bürgerschaft 2009). Only 28 community foundations hold assets of over € 1 million, but the majority lags behind and in relation gets poorer every year. Due to their relatively small asset

[7] This is not unusual in Germany where many foundations are operating and grantmaking or operating only. See Chapter 4.2.

bases and the consequently small returns on investment, a significant part of the foundations' budgets needs to be secured by ongoing fundraising activities.

The focus is often on raising flow-through funding for the operating projects, sometimes fundraising events like auctions or golf tournaments are used.

Aktive Bürgerschaft's research on sources of donations to community foundations shows that they are mainly financed by private money (Länderspiegel 2010). In 2008, almost 90% of donations to the endowments came from individual donors (68%) and private corporations (20%, including cooperative and private banks), only 7% came from the state (including public corporations and public savings banks). This demonstrates that community foundations have succeeded as a new model to foster private philanthropy. It also implies that asset development strategies should give priority to targeting individual donors as well as the business sector.

In the United States and Canada, a range of giving tools and different fund types for donors have been instrumental to successful growth (see Chapter 3.3.2). Administrative fees charged are an important source of revenue. In Germany, the legal and fiscal frameworks allow community foundations to administer funds as well. However, although they have proved to lead to above-average high growth, 70% of all community foundations hold only one collective, unrestricted fund, while only 30% make use of named funds. When looking at financial sustainability, the potential of funds therefore needs to be explored.

Most community foundations in Germany are still run by volunteers only. The operational work requires a high commitment in terms of personnel and time on the part of the people involved. In many cases there is no clearly structured division of work. Volunteer board members usually manage the foundation's finances and fundraising activities while at the same time running operative projects and public relations activities. This brings certain governance problems with it. Many community foundations face a growing gap in which they are no longer being able to effectively fulfil the tasks with volunteer work but are not yet being able to finance paid staff. If German community foundations are to be more than temporary project agencies handling flow-through grants, they need to refocus.

When comparing the financial power of community foundations worldwide, Germany ranks in fifth position (Sacks 2008). However, in relation to the wealth in Germany, there is a lot of untapped potential. Therefore it is vital for the long-term success of community foundations to find ways to transfer a sizeable portion of existing wealth into community capital. My research is designed to formulate recommendations which help German community foundations to devise a strategy for sustainable growth, to promote a culture and vehicles of giving and to engage donors. This is a vital step if they are to strengthen their financial sustainability.

3. Strengthening Financial Sustainability

3.1 Defining Financial Sustainability

How can sustainability be defined in the context of community foundations? A variety of approaches exist to come to terms with this rather elusive subject. “Having the resources that enable a community foundation to advance its mission today, while also enhancing its ability to do so in the future” is a broad definition suggested by FSG[8] in a research conducted for the James Irvine Foundation (2007). This definition introduces two essential components a community foundation needs to think of in terms of sustainability: 1) resources can be financial or non-monetary[9]; and, 2) resources are a means to fulfil its mission to serve the community. When trying to define more closely how a community foundation can enhance its ability to fulfil its mission in the long-term, sustainability is often defined as the point at which a community foundation can cover its operating costs from its income.

For several reasons, this research paper focuses on the community foundation model based on an endowment approach, which is the basis of the traditional community foundations in the United States, Canada and many other countries. First, endowment building also underlies the German approach as defined in the “Characteristics of Community Foundations”[10]. Second, this is based on the hypothesis that Germany has enough wealth potential to build permanent endowments, and community foundations can serve as models in raising private money for the common good at a time when public budgets are stretched. Third, in spite of economic developments or changing income from donations, endowments will permanently generate income from investments.

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[8] FSG is a nonprofit consulting firm. It was founded in 2000 as Foundation Strategy Group and has since conducted research on community foundations on behalf of private as well as community foundations.

[9] See Monica Patten’s article on “Redefining Assets”, 2008.

[10] See characteristic 5.: “A community foundation continuously builds an endowment. It accepts donations from those who care for their community and share the vision of the community foundation. A community foundation also accepts flow-through resources and provides the opportunity to establish funds that may pursue specific purposes or serve a particular community or region.” For full version of characteristics see Appendix.

When defining sustainability for the traditional community foundation model, building an endowment is usually seen as central to financial and organizational stability. Endowed assets are regarded as providing credibility, independence, and, above all, perpetuity and reliability (St. John 2006). Community foundations in the United States and Canada generate income mainly by charging fees on their grantmaking funds and earning interest from endowments. Other sources of income include operating endowments or donations raised for the purpose of covering administrative costs. The traditional asset-based fee model is due to the fact that community foundations originated in the trust departments of banks.

For a long time, community foundation experts and practitioners have therefore tried to approach the issue of sustainability by defining a minimum asset base needed for a community foundation to sustain itself. In the 1980s, Eugene Struckhoff coined the term “take-off point” for endowments (Struckhoff 1991). According to his theory, community foundations would grow well or even rapidly after securing US$ 5 million in assets. This endowment, per Struckhoff, would enable the foundation to generate enough income from fees to pay expenses for staffing, reduce investment fees and help convince donors of the permanence of the institution. The minimum asset size considered to be a basis for sustainability has grown over time. In 2002, Emmett Carson’s rule of thumb suggested US$ 20 million; nowadays Dorothy Reynolds and George Hepburn suggest it as closer to US$ 50 million versus £50 million for the UK (Carson 2002; Reynolds in Seminar on 15 March 2010; Hepburn 2007).

Jennifer Leonard argues that the problem with defining a certain fixed asset size is that it has been misinterpreted to mean that assets will grow automatically after it has been reached and that there is something like a “magic number” for all community foundations. Nor is it known whether a community foundation can ever reach an optimum size at which it can fulfill its role without further growth. She suggests that take-off could rather be defined as a point at which a community foundation acquires economies of scale that give it greater utility in administration, investment and grantmaking than a private foundation (Leonard 1989).

Not only for this reason does it seem to be counter-productive to define a certain fixed asset size that German community foundations have to reach in order to sustain their work permanently. Also, each community foundation has to consider the specific context in which it operates. No foundation is like another concerning the diversity and needs of the community it serves, the territory it covers, demographics or wealth patterns. A community foundation in Schwalenberg set in a little village with only 9,460 inhabitants has different needs and requires a different approach than a community foundation serving the entire city of Berlin with 3.4 million inhabitants. Therefore, the answer to the question which asset size will be needed will vary according to each community foundation's specific circumstances.

As will be discussed below, the debate around donor advised funds in the United States has demonstrated that determining a take-off point with regards to asset size is also difficult because it depends on how the assets are composed and used to serve the community. When looking at financial sustainability of community foundations, it is therefore important to learn from the US experience and bear in mind that an endowment is always only a means to an end, not the end itself. The ultimate goal of achieving sustainability is to be able to serve the community better and to be able to do so in the long-term. FSG suggests that community foundations should not ask themselves "How fast can we grow" but rather "How can we grow in a sustainable way that serves our mission?" Emmett Carson also emphasizes that a community foundation's success cannot be measured by endowments only: "It's not the asset size, but how we use those assets to build the community" (Carson 2007).

3.2 Strategic Planning: Asset Development

3.2.1 The Asset Development Plan

As the last chapter has shown, approaches to asset development will not only vary according to a community foundation's local context but also by strategies to address the issue of sustainability. Each foundation determines its specific objectives with regards to building of permanent endowments versus flow-through funds, its revenue mix or strategy to cover operating costs. However, it is widely agreed among community foundation experts and practitioners that the key to successful endowment building and fundraising efforts is to design and implement an asset development plan which determines the overall goals and strategy. Many manuals and samples have been created to support community foundations approach this important task[11].

The essential ingredients of an asset development plan are the short- and long-term objectives of what the foundation seeks to achieve with regards to financial and other non-monetary resources. It should include an action plan on how to reach each objective and assign

[11] See Council on Foundations 2008; Council of Michigan Foundations 2003, Transatlantic Community Foundation Network 2001. Sample asset development plans for US community foundations can be found on the Council of Michigan Foundations' website, http://www.growingcf.org/Resources/ThreeYrPlan_00024_00030.doc, and the Council on Foundations' website http://classic.cof.org/Members/content.cfm?ItemNumber=11950&navItemNumber=5247.

responsibilities to board members, staff (if applicable) and volunteers. The target groups of potential donors should be clearly identified as well as the tools which are used to address each specific group. Finally, a timeline should be developed and the progress on each measure reviewed regularly. The time span covered should be at least three to five years. The plan should also include policies on gift-acceptance, investment and types of funds.

In the case of German community foundations, it seems to be crucial that the asset development plan defines what operating budget will be needed and what measures will be undertaken to raise it. This can include start-up funding and in-kind donations as well as charging administrative fees for services and building an operating endowment. The community foundation board is essential in devising and implementing the development plan. In many cases a special committee is assigned for overseeing the process. While asset development strategies vary, some key success factors apply to all community foundations: a foundation needs to be deliberate and strategic about its goals, plan how to raise funds and focus resources on those goals.

3.2.2 The Role of the Board

The primary responsibility for financial planning and development lies with the board. In emerging community foundations, the board has to fulfil two important roles: it supports the foundation with hands-on engagement while at the same time governing the organization and guiding it to sustainable growth (FSG 2007). The challenge is especially big when there is no staff to help support the board members, as is often the case in Germany.

Volunteer-run community foundations face what Outi Flynn, consultant with the organization BoardSource, calls the “challenge of the two hats: Board members are the busy bees doing the work while at the same time overseeing it” (Conversation on 15 April 2010). Flynn says that they must be careful to avoid micromanagement and be aware of the fact that a board always acts as one body. The board can assign tasks to individual members, but they need to report back to the board and constantly reflect whether they are making decisions as individuals or as board members. It is the responsibility of the board chair to understand and address this challenge. Although German community foundations are governed by an executive and an advisory board, the challenge of the two hats applies as well. For volunteer-run community foundations like in Germany it is even more important to have good governance and a strong mission in place and to make sure that the full board actively engages in fundraising. If board members have to be “jack-of-all-trades” the danger is that asset development is neglected.

In the United States, the first generation of community foundations underwent a learning process in terms of board roles (Leonard 1989). As they were established with large bequests from deceased donors and managed by the trust departments of banks, board members tended to regard their posts as honorary and did neither feel obliged to give personally nor to use their personal networks to raise money. When the foundations started to perform poorly as a result, they reformed their boards. Since then, the golden rule for all board members is to “give, get or get off the board”.

Community foundations all over the world believe that their boards should be reflective of the communities they serve. The ideal board members should be credible, well-known community leaders with connections to prospective donors and not be shy to use those relationships (Seminar by Chuck Loring, 24 May 2010). From a fundraising perspective, they should come from different spheres of influence and rotate regularly in order to create a broad network. In Germany, where it is less common to talk about money and philanthropic giving than in the US and Canada, “making the ask” requires an even bigger commitment. Board members have to understand that they are cultivating relationships, not begging.

Outi Flynn stresses that if board members are donors themselves it is less difficult for them to serve as ambassadors to the foundation and ask others to give as well. In the United States and Canada, it is common that board members make generous personal contributions regularly. Also, the boards tend to be quite large in the United States. Heidi Williamson, Vice President for Communications at Berks County Community Foundation, says that the average board size is between 20 to even 40 board members in the start-up phase in order to involve as many people as possible. It then tends to be reduced to about 15 members and often expands again as the foundation grows (Conversation on 8 April 2010).

In Germany, there is no data concerning the personal background of board members or percentage of those who are donors. The executive board usually has only 3 to 5 members, the advisory board between 7 and 15. However, the advisory boards usually do not feel responsible for raising money. Aktive Bürgerschaft advises community foundations to ask members of both committees for donations in the set-up phase and to select them according to their reputation, skills and networks (Aktive Bürgerschaft 2006). Some board members have set up funds, given in-kind donations or challenge grants for the start-up phase. One of the board members of the **Community Foundation Laichinger Alb**, for example, is the CEO of the local cooperative bank. His bank donated € 75,000 for the starting endowment as well as another € 125,000 as a

1:1 matching grant for an endowment campaign. If community foundations raise start-up donations from their board members, however, they typically ask for the minimum donation to endowment of about € 500 to 1,000 which then goes anonymously to the unrestricted fund. Often, they do not ask for support again. A more systematic approach to defining the role and responsibilities of the board and its individual members should consider if board members are expected to donate on a regular basis.

Investing in Board and Staff

In the United States, there is a general agreement among community foundations that money needs to be invested in staff in order to build an endowment. In 1988, two-thirds of all community foundations had a full-time paid director; even one-fourth of all community foundations with less than US$ 100.000 in endowments had a full-time paid CEO (Leonard 1989). In the start-up phase, the money for staff is usually paid by external funders such as banks, corporations, foundations, service groups, individual donors or the board. Some of the big national foundations, like the Charles Stewart Mott Foundation, Kellogg Foundation, Ford Foundation or Kresge Foundation, have been essential in strengthening community foundations.

Also, many North American community foundations offer board members fundraising and leadership training. In 2003, an evaluation of the Kresge Foundation's community foundation initiative identified 10 factors for success in building endowment (TCC Group 2003). It came to the conclusion that an essential driver for growth was a community foundation's investment in building board capacity. Useful strategies include: increasing the number of board activities to heighten their engagement; creating a "board checklist"; educating the board about fundraising techniques and types of funds available, marketing language, and technical knowledge about key asset development strategies.

In Germany, some donors have invested in staff and infrastructure of community foundations. On a local level, some corporations or private foundations have given support for infrastructure, paid staff to operate a certain project or provided office space. The Breuninger Foundation, for example, funds the infrastructure for fundraising, donor services and project management of the **Community Foundation of Stuttgart**. Only one national program of the Bertelsmann Foundation and other private foundations gave general operating support to seven community foundations during their start-up-phase. The aim was to enable them to hire paid staff to set up a permanent office and work more sustainably. Some of the foundations succeeded, others were not able to keep staff and office space after the annual funding expired.

There is, however, a good infrastructure of support organizations in place which provide consulting and information for board members, e.g. manuals, newsletters or networking meetings. Aktive Bürgerschaft, for example, has developed a strategic planning and management tool on the basis of a balanced scorecard (Aktive Bürgerschaft 2008). But few community foundations have invested in capacity building for board and staff members.

3.3 Promoting a Culture and Vehicles of Giving

3.3.1 Fostering a Culture of Giving

Community foundations are distinct from other nonprofit organizations in that they are not primarily an institution *to which* donors give, but *through which* donors give. They can thus be a vehicle for individual donors as well as businesses and others to pursue their individual philanthropic interests (see Chapter 3.4). In this function, they have unique potential to foster a culture of giving in Germany.

In order to effectively establish a culture of giving and to generate philanthropic resources, a community foundation needs to understand its community, its specific needs, assets and wealth patterns. The example of the **Nebraska Community Foundation** (NCF) in the United States shows how a community foundation can approach this task and build its system around the local circumstances.

Founded in 1993, NCF faced the challenge to build social and financial capital in a large rural state in which 90% of the communities have fewer than 2,500 residents (Yost 2006). The technological transition in agriculture had drained many young people and resources from those communities. Jeff Yost, President and CEO of the foundation, says that another challenge was the fact that Nebraska had been settled only about 150 years ago and the idea of having permanently build communities was fairly new. The community foundation therefore wanted to

understand the assets that were available, engage citizens in creating a vision for their communities and to create a greater amount of community confidence (Conversation on 19 May 2010).

NCF decided that in land-rich and cash-poor Nebraska engaging the middle class in estate planning was essential for endowment building and also a healthier form of community philanthropy than involving a few elites in creating a fund (ibid.). Since 2002, the foundation has employed two innovative approaches which have been extremely successful and have since been replicated or adapted by many community foundations in the United States and globally. The first was to use a wealth transfer study as a goal-setting tool, the second to engage local leaders in creating affiliate funds.

In a first step, the community foundation analyzed wealth transfer patterns for the state of Nebraska as well as each of its 93 counties, including the magnitude and the peak of the projected transfer[12]. It concluded that in rural Nebraska US$ 94 billion would be passed on to the next generation within the next 50 years, in some communities even earlier. NCF did not have the operating funds or staff to run large state-wide endowment building campaigns and grantmaking initiatives while at the same time building endowments and making grants on the local level (Aspen Institute 2004). As a consequence, it decided to empower community leaders to build endowments locally. The foundation called them to action by making the case for using the transfer of wealth as an once-in-a-lifetime opportunity and convincing them that it was essential to build community funds in order to retain a significant amount of wealth in the community where it was generated. At the same time, it offered a set of incentives including training, peer-learning, technical assistance and shared success stories in order to engage local leaders in a shared vision for Nebraska (Yost 2010).

Promoting community-based affiliate funds was defined as the primary endowment building strategy. Rather than giving grants and raising money itself, NCF empowers community leaders to raise their own funds and determine grantmaking priorities at the local level. Local volunteer committees use county-specific research as a goal-setting tool to "break down the task of endowment-building into little increments that people can handle" (ibid.). They develop strategies to retain at least five percent of the projected wealth transfer over a period of ten years by encouraging planned gifts and building endowments. In many cases locally raised challenge grants are used as a catalyst to raise unrestricted endowments which enable local leaders to have discretion on how the money is spent in the long-term. In some cases, NCF

[12] The study was based on national data collected by Boston College (Schervish/Havens 1999) and own research. More information about the project, outcomes as well as individual county profiles are available on the foundation's website: http://www.nebcommfound.org/programs-research/transfer-of-wealth

helps identify and approach potential donors who have a local stake, e.g. phone companies serving the rural parts of Nebraska (ibid.).

As much power and responsibility as possible is given to the community level while NCF provides back-office functions, technical assistance, financial management and capacity building. By now, 2,000 local leaders are engaged as volunteers and donors in 100 community-based affiliate funds. NCF has successfully used philanthropy as a vehicle for community development and capacity building. Since it was established in 1993, NCF has reinvested US$ 96.6 million in Nebraska and raised combined assets of US$ 48.8 million.

NCF is not only an excellent example of how a community foundation can foster a culture of giving and civic engagement within its specific context, but also shows how to do so in a sustainable way. The centralized model provides economies of scale for the local funds while at the same timing generating fee income from them. NCF charges fees ranging from 0.75% to 3.5%, depending on the type of fund, which help pay for the foundation’s operational costs.

3.3.2 Donor Services and Vehicles of Giving

The community foundation model provides an excellent catalyst of philanthropy as it can engage many donors in different ways for the benefit of the community. If a foundation wants to establish itself as the vehicle *through which* local donors give, the primary precondition for asset development is to agree on and promote different fund types, methods of giving and types of gifts.

Like in the United States and Canada, German community foundations can accept donations from private individuals, corporations, government and other funders. Giving methods include outright gifts, either as a donation to the foundation’s endowment (*Zustiftung*) or flow-through (*Spende*). Foundations can accept gifts of cash, stock, real estate etc., made through bequests or by living donors through various types of funds or deferred giving vehicles. In order to build an endowment, community foundations should make a conscious choice about which options to pursue. As funds are traditionally at the heart of endowment building and donor services, this chapter devotes special attention to them.

Fund Types

In the United States and Canada, various types of funds have been instrumental to successful growth. Community foundations have traditionally focused on raising permanently endowed funds in order to have a stable source of revenue to support their administrative and grantmaking functions, but also to meet the needs of the future (Reynolds 9/2008). Funds can also be non-endowed, distributing flow-through funding to grantees. The types of funds offered by community foundations include:

- **unrestricted fund**: Rather than designating how the money from the fund will be spent, donors to an unrestricted fund leave the decision to the board – and to some extent to the staff – of the community foundation. It gives the foundation flexibility to devote the revenue to various grantmaking purposes, leadership activities or to respond to changing or urgent community needs. Some community foundations therefore call unrestricted funds community funds. They also enable the board to direct some of the income towards covering the operating costs if needed. Because of this flexibility unrestricted funds are widely regarded as most valuable from a community foundation's point of view.
- **field of interest fund**: A field of interest fund gives donors the opportunity to direct their gift to one or more causes like education, youth, the environment or the arts. Within that area, the grantmaking is at the discretion of the board.
- **regional affiliate fund**: A field of interest fund which benefits a designated geographic area. Usually, a committee of community leaders advises on grantmaking (see NCF, Chapter 3.3).
- **scholarship fund**: A sub-type of the field of interest fund which is very common in the United States and Canada. It enables donors to support students from all backgrounds, disciplines and at all levels of education from preschool to postgraduate.
- **designated fund**: The donor can name one or more specific nonprofit organizations to benefit from the fund. Thus, the organization will receive long-term support.
- **agency fund**: A fund established by a nonprofit organization which can collect gifts from many different donors. Revenues from investing the endowment can be distributed towards the activities or programs of the nonprofit.
- **donor-advised fund (DAF)**: Legally, donor-advised funds are unrestricted funds, but they allow donors and their families to recommend grants. A donor can give cash, stock or other assets to the fund, claim a tax deduction and advise the community foundation on how, when, and to which charities the money should be distributed. Bob Edgar, Vice-President of Donor Relations at The New York Community Trust, therefore calls them a "short-cut to a private foundation" (Seminar on 8 March 2010).

In the United States and Canada, all donations from a certain minimum amount go to named funds which the community foundation tracks individually and reports back to donors about. Dorothy Reynolds stresses that named funds are a “very powerful sales tool” (Reynolds 2010).

In Germany, the overwhelming majority of the community foundations (70%) do not provide any donor services at all (Aktive Bürgerschaft 2009). They hold only one collective, unrestricted community fund which pools all donations without naming sub-funds or tracking individual gifts. The board decides on grantmaking from this fund. In spite of the reticence of some Germans to talk about their giving openly, named funds have also proved to be an excellent tool to attract a certain group of donors. This is indicated by the above-average high growth of community foundations which offer them. Also, the average contribution to a named fund or non-autonomous foundation within a community foundation is higher (€ 11,500) than to the unrestricted collective fund (€ 2,300). This indicates that donors give higher amounts of money if they are offered the option of having a say concerning the name or purpose of a fund.

The legal and fiscal frameworks allow German community foundations to offer two options to a donor. The first is to establish a named fund, which like in the US legally belongs to the endowment of the community foundation, but is tracked separately and can have specific purposes. The second is to set up a so-called non-autonomous foundation, which is comparable to the Anglo-Saxon trust. In this case, the donor signs a contract with the community foundation which serves as trustee and administers the foundation. The non-autonomous foundation gives more extensive rights to the donor than a donor-advised fund because the donor can even terminate the contract, withdraw the money from the community foundation and change the trustee. For a community foundation, funds are not only cheaper and easier to administer, they also guarantee that the money remains with the community foundation. Therefore, funds should be promoted more strongly than non-autonomous foundations.

“The Building Bricks”? Donor-Advised versus Unrestricted Funds

As German community foundations do not administer many funds yet, they are still flexible about which ones to offer. Looking at the North American experience, especially at the ongoing debate around donor-advised funds, can help to identify which factors need to be considered when devising strategic plans.

Since the first donor-advised fund (DAF) was established at the New York Community Trust in 1931, DAFs have become an integral part of many US community foundations (Luck 2002). By now they provide the majority of grantmaking: In 2008, 62% of community foundations' overall amount granted came from DAFs (Council on Foundations 2009). As Bob Edgar sees it, donor-advised funds "are not the building bricks of a community foundation. They are the easiest money to raise and explain, but not the most attractive" (Edgar 2010). He identifies the problem that donor-advisors give general support rather than programmatic grants and are not always progressive in their grantmaking.

In the 1960s and 1970s the rationale behind the promotion of DAFs was that they would be a good tool to attract living donors and after their death the money in the fund would become unrestricted. The first assumption was right as many donors established DAFs which accelerated the growth of community foundations. The second assumption has proved at least partly wrong as more and more donor-advised funds are spent down and donors often name a successor advisor. Now the rationale is that the fees generated from DAFs help pay for administrative costs and that donor-advised funds are a good vehicle to engage donors who will then be more likely to give again or include the community foundation in their planned giving[13].

In the 1990s, however, community foundations in the US came under pressure by commercial gift funds which offered DAFs to their clients for the same tax benefits. Commercial gift funds had several advantages, including lower fees, more investment options, more refined technology and financial management systems. In this competitive environment, many community foundations enhanced their donor services or decreased their fees, which made it more difficult to support their core operations.

The rapid growth of donor advised funds has triggered a large debate around two main questions: 1. How can community foundations negotiate a balance between the donors' interests and the needs of the community? 2. Which fund is good with regards to sustainability?

- How can community foundations negotiate a balance between the donor and the community?

As has been argued above, to grow sustainably community foundations should raise resources as a means to fulfil their mission to serve the community. Many experts and practitioners observe that the rapid proliferation of DAFs in the United States has caused a tension between

[13] A donor survey conducted by FSG came to the result that 57% of donor-advisors plan to leave additional funds to the community foundation from their estates. However, it is not known whether this would be in the form of a DAF directed by their heirs or an unrestricted fund (FSG 2003).

the mission and the need to serve the donor in order to grow and generate income. Emmet Carson has been one of the prominent critical voices. He argued that the emergence of commercial gift funds created an identity crisis for community foundations: “at the heart of this crisis lies a choice between two different approaches – one that focuses on catering to donors’ needs, the other that focuses on community needs” (Carson 2002). Carson urged community foundations to use their community ownership and knowledge as a competitive advantage and find ways to develop their assets and engage donors within their grantmaking and leadership roles (Carson 2007).

A recent study and webinar by CFLeads showed how community foundations can address this challenge and align their resources more closely with their overall mission. Examples show how community foundations can raise unrestricted funds around their leadership work and in connection with donor advised funds (Rader 2010). The **Community Foundation for Greater Buffalo** not only has an innovative donor engagement program (see Chapter 3.4), but also provides incentives for donor-advisors to support the community foundation’s overall vision. If a donor sets up a new DAF and names a successor advisor, the donor is requested to contribute at least 10% of its value to the unrestricted fund. If the donor agrees that the DAF will become unrestricted after his or her death, the foundation waives administrative fees for the fund, says CEO Clotilde Perez-Bode Dedecker (Webinar on 4 May 2010).

An excellent example of how a community foundation can cross-subsidize its leadership work by DAFs is the **Napa Valley Community Foundation** (NVCF). It serves a population of 125.000 in an area in rural California in which – as the foundation’s CEO Terence Mulligan describes – inequality is growing as wealthy baby boomers move in from Silicon Valley while at the same time poor Mexican migrants come in (Webinar on 4 May 2010). As NVCF’s asset base of US$ 20 million is made up mainly by flow-through DAFs, it had to find new ways to address urgent community needs and to ensure its sustainability.

NVCF set up nine Community Impact Funds which focus on issues like capacity building of health and social service nonprofits, the environment and civic engagement, and it integrates giving to them into the structure of donor-advised funds. If DAFs are set up, at least 5% of the initial donation must be given to one of the Community Impact Funds. In addition, 5% of the fund’s balance must be contributed annually[14]. To help pay for administrative costs, the

[14] NVCF’s donor-advised fund agreement can be viewed online at www.napavalleycf.org/documents/Donor_Ad_Fund_Agreemt.pdf.

Community Impact Funds are charged an administrative fee of 10% annually. This new income stream has helped the foundation to cover one-third of its administrative costs and to achieve a more balanced revenue mix (Mulligan in Webinar). At the same time, NVCF engages donors in its leadership work and could significantly increase its discretionary grantmaking from US$ 140,000 in 2006 to about US$ 700,000 in 2010. What is even more valuable, per Mulligan: “If a donor makes a contribution we are not talking about administrative fees any more, we talk about community impact and leverage.”

Barbara McInnes, CEO of the **Community Foundation of Ottawa**, is an advocate of the requirement that all funds at community foundations should be permanently endowed with variable purposes over time, so that the community foundation can focus on its unique strength, its knowledge of its community. She argues that donor engagement is at the heart of it: if donors are engaged and informed well, many of them agree to remove restrictions after a certain period of time, e.g. 25 years (McInnes 2008, on donor engagement see Chapter 3.4).

- Which fund is a good fund with regards to sustainability?

All of the community foundation practitioners I interviewed for my research emphasized that not all funds necessarily generate more income than is needed to cover their administrative costs. FSG stresses that “not all assets are equal when it comes to sustainability – not every fund is a good fund” (FSG 2007). What matters is the composition of the assets. Funds which are specifically dedicated to supporting the operating costs of a community foundation need to be distinguished from those which generate unrestricted money, are donor-advised or reflect a field of interest. In the latter case, the funds generate income from fees, but their revenues are designated to grantmaking.

A cost revenue study by FSG found that different fund types have very different costs to administer. Often some funds cross-subsidize others and the most costly funds are not the most important ones to fulfil the foundation’s mission (FSG 2003). According to the study, the most expensive funds tend to be scholarship and donor advised funds. Agency funds vary, with unrestricted and designated funds tending to make a positive contribution. Also, for smaller funds the administrative costs tend to be higher because in many cases they have the same amount of transactions. FSG comes to the result that foundation leaders can improve sustainability by making the following changes:

- reduce costs, e.g. by concentrating assets in fewer products, shifting toward larger average fund size or finding alternative sources of revenue
- emphasize products which make a positive contribution (e.g. unrestricted or field of interest funds) and de-emphasize products which are not important to the foundation's strategy or mission (e.g. scholarship or donor-advised funds)
- modify pricing: reconsider the pricing for each product and see if it can be increased (FSG 2003). John Molinaro of the Aspen Institute also stresses that community foundations should analyze their unit costs and adjust them if needed (Conversation with John Molinaro on 19 May 2010).

It is the board's responsibility to make deliberate choices about cost, pricing and marketing emphasis to enhance a community foundation's sustainability and align the asset development plan accordingly.

Fees and Pricing

For most community foundations in the US and Canada, fees are an important source of revenue. Usually, an administrative fee is charged on the balance of the assets of a fund, often a minimum fee is charged on small funds. Many foundations charge a separate investment fee. Administrative fee structures may vary according to fund type or asset size, to whether the fund is endowed or to the level of services provided by the community foundation[15]. The **Winnipeg Foundation** for example charges an annual administrative fee of 0.5% and an additional investment fee which is flexible and based on the annual audited management fees.

Although some German community foundations have followed the fee model, e.g. in **Hanover** or **Dresden**, most do not charge any administrative fees yet. Usually, the costs are then covered through volunteer work or by the financial institutions which hold the assets. They argue that waiving fees will help to establish trust, set up donor services and get into the market. All experts I interviewed agreed that this is a bad decision for several reasons. It evokes the wrong impression that the administration of funds does not cost anything because someone is subsidizing the actual costs. Fees do not only generate income, but also attach a value to the services a community foundation offers and to its expertise on community issues. They help the foundation to get a sense of its value and to communicate it to donors. Also, if a community foundation has offered free services, it will have problems introducing fees. The **Winnipeg**

[15] A good overview is provided in the following publication: Council on Foundations: What You Need to Know. Administrative Fees. March 2008.

Foundation, which was founded in 1921, still administers some funds free of charge as a reminder of its beginnings.

From a sustainability point of view, pricing can be a critical point of intervention. As has been mentioned above, fees can set incentives for donors to choose certain products. A pricing policy helps a community foundation to promote funds which make a positive contribution to the foundation's mission or finances. The **Community Foundation of the National Capital Region**, for example, charges lower fees for unrestricted or agency endowment funds. To be able to cover the administrative costs for small funds the **Community Foundation of Ottawa** charges fees on a sliding scale based on the size of the endowment from 1.5% for funds up to C$ 5 million to only 0.25% to any sum exceeding C$ 10 million. Also, it charges 2.0% for scholarship funds because they are more expensive to administer. Thus, by providing pricing incentives a community foundation can improve its sustainability.

3.4 Raising the Money: "It's all about Relationships"

All community foundation experts and practitioners I interviewed or spoke to in seminars agreed that resource development is about building relationships. They also emphasized that "making the ask" is the most important thing about fundraising. Dorothy Reynolds stresses that the first task is to define who will make the ask and how to make it, then to "make the request often and strategically enough" (Reynolds 2008).

Fundraiser Chuck Loring says that 90% of all fundraising work is focused on the cultivation of donors and stewardship, e.g. telling the donor how the money was spent and what impact it had (Seminar Foundation Center on 25 May 2010). Fostering relationships with prospective donors and engaging existing donors so they give again are therefore at the heart of all asset development efforts. This chapter looks at how community foundation can successfully engage different target groups of potential donors.

The first German study on donors' motivations revealed that most donors establish a foundation during their lifetimes: 34% of them donate in their sixties, 40% are younger than sixty (Timmer 2005). They tend to give smaller amounts, but include the foundation in their planned giving. Also, many of them want to be involved in boards (77%), grantmaking (53%) or fundraising (32%). Although the research did not focus explicitly on community foundations, it shows that a new kind of donor has emerged who seems to be a good match for the various kinds of financial and non-monetary engagement a community foundation can offer.

As Chapter 2.2 has shown, individual donors and businesses are the most important sources of donations to German community foundations, but government and nonprofit organizations can also be essential partners. Of utmost importance are relationships with professional advisors of the wealthy who can serve as intermediaries.

3.4.1 With Individual Donors

In the United States, major gifts from wealthy individuals have traditionally been at the center of development efforts. Now some community foundations are refocusing on gaining a broad donor base. Involving a breadth of the community in donating rather than merely focusing on building an endowment may be a means of achieving sustainability that is more compatible with the mission (St. John 2006).

“People give money to people they trust who advocate projects”, Jeff Yost states (Yost 2010). In Nebraska, the community foundation’s success largely results from the fact that it engages 2.000 community leaders, who in turn involve their friends, families and neighbours and encourage them to give to the community foundation or to volunteer. Thus, if donors feel attached to the community foundation, they will ideally become ambassadors or even fundraisers on behalf of it. Affiliate funds can be an excellent option to involve many donors.

Another simple and effective option is an annual fund program which Chuck Slosser, CEO of the **Santa Barbara Foundation** until 2008, describes as planting the seeds for future harvest. Anyone who gave a minimum of US$ 25 annually could join the foundation’s associate program, the message being that 99 cents of every dollar go to the community. Slosser calls it a “more egalitarian version of an annual fund with no public or private pressure to give more than one’s neighbour or golfing buddy” (Slosser 2009). The program enabled people of moderate wealth to feel part of the foundation while at the same time reaching out to wealthy individuals in a more comprehensive and methodical manner.

The community foundation wrote a letter and sent the annual report to the associates once a year. Until 2008, the foundation had engaged 1.000 associates who knew the foundation, its impact in the community and wrote a check every year. Slosser argues that a Native American proverb should be the anthem for all donor engagement programs: “Tell me and I will forget, show me and I may remember, involve me and I will understand.” He says that the writing of an annual check is involvement and makes the foundation a part of the donor’s charitable psyche (ibid.).

Slosser gives the example of a lady who "taught me that high-net-worth individuals came in all shapes and sizes." She had lead a very modest life at a mobile home park and never been on "anyone’s high-net-worth radar screen". When she died, the foundation found out that it was going to receive US$ 2.3 million from her. She had been an associate for 12 years who had never given more than US$100 dollars. Most of the major gifts the foundation received came from associates.

In Germany, many community foundations have focused on creating a broad donor base. For example, the **Community Foundation of Münster** was set up by more than 230 donors who each gave at least € 1,000. This not only helped to establish trust and legitimacy, but seeing the donors’ list gave the signal that as a good citizen you had to support the community foundation. The community foundation in the ethnically diverse Berlin district of **Neukölln** was founded by 102 donors from 15 different countries of origin, among them migrant organizations whose members raised the donation together.

In many cases, after the initial campaign for start-up funding is over, donations plateau or decrease. One challenge is to get donors into the habit of giving on an annual basis and to have them give more. In **Schwäbisch Hall and Heilbronn**, the community foundations have successfully established annual fund programs called the circle of friends. Many German community foundations have a donors’ assembly written into their bylaws. All donors who have given more than a certain amount, usually € 500 or 1,000, assemble once a year and are informed by the board about the foundation’s work in the community. Sometimes the donors’ assembly even is part of the governance structure and elects the advisory board which in turn elects the executive board. The assembly has the potential to be an excellent tool of donor engagement, but is not always used strategically with the objective to make donors give again.

Another challenge is to constantly try to engage new donors. If community foundations want to be more sustainable they should continue to work with a broad donor base, but also systematically approach and cultivate wealthy donors. This can be done via their advisors, by offering different vehicles of giving and by engaging prospective and existing donors.

Engaged donors are important for asset development as they tend to give more than once, make larger gifts and refer their family and friends to the community foundation. However, donor engagement can be demanding with regards to time, resources and services, so especially smaller community foundations need to be very strategic about what services provide.

A study of US donors by Penelope Burke came to the result that donors want three things from the organization they support:

1. prompt personal gift acknowledgement (not necessarily public)
2. confirmation that their gifts had been set to work as intended
3. information on the impact their gift had (Burk 2003).

The most important thing is that donors should be thanked promptly and personally in a letter, sometimes in a personal calls or visit. The letter should contain information about what project or grant their gift is supporting and what this has achieved so far. Further tools to engage donors include: recognition events, issue forums, annual reports, newsletters, meetings with grantees or site-visits. Many foundations publish stories of individual donors or have them speak at events and serve as ambassadors.

The **Winnipeg Foundation**, for example, hosts appreciation events for donors which connect donors and grantees. Donors receive two magazines annually which highlight the impact of the community foundation's work. Sometimes, they are invited by board or staff members to go to events with them. Also, the foundation offers two to three walking tours per year to visit community organizations which address certain issues, e.g. homelessness. The objective is to build and deepen relationships and to exchange information.

Ken Strmiska, former president of a community foundation and director at Council on Foundations, says "Asking for an unrestricted gift is like asking someone to marry you. It takes time, and the donor has to really know you" (quoted from Hole 2007). Engaging donors, connecting them to community issues and showing them the impact of their gift seems a very good approach to accelerate the process. Jennifer Leonard, President of the **Rochester Area Community Foundation** (RACF), calls donor engagement a "virtuous circle": when a community foundation invests in engaged and informed donors and donors see the impact of the foundation's community leadership, increased resources are generated (Rader 2010).

RACF does this by involving donors in leadership initiatives or project steering committees, seeking challenge grants from national foundations that donors can leverage or asking donors to partner with the community foundation on specific grants which relate to the donor's interest area. Leonard advocates defining success measures which are more sensitive than total asset size, e.g. increases in the number of overall gifts received, the number of bequests to unrestricted funds, the number of donors using the community foundation's grantmaking expertise or the proportion of assets in flexible funds.

Leverage and leadership are also used as donor engagement tools by the **Community Foundation for Greater Buffalo** (CFGB). CEO Perez-Bode Dedecker says that the foundation introduces prospective donors to its community leadership early on in the conversation in order to establish a common interest (Webinar 2010). After a year-long needs assessment the board identified four areas in which it wants to build capacity and unrestricted funds, among them economic self-sufficiency and reducing racial disparities. CFGB educates donors on the four areas through a web-based knowledge management library which is shared with another foundation, Community Impact Reports, a biweekly donor news digest and donor dialogues (Rader 2010). Perez-Bode Dedecker says that CFGB convenes stakeholders who develop a shared vision and action plan around issues ripe for attention (Webinar 2010). CFGB then leverages its funding with other resources by individual donors, regional and national foundations, businesses and local government. In the last years, US$ 1 million invested by the foundation in initiatives around literacy, the environment and safe homes has drawn US$ 6 million in additional support. "Building relationships ultimately draws resources", summarizes Perez-Bode Dedecker.

Planned Giving

In the United States and Canada, the first generation of community foundations was founded with large bequests, mainly in unrestricted funds. Nowadays, Dorothy Reynolds has observed that "unrestricted funds are still fairly easy to sell with bequests, but living donors often want to have a say" (Seminar on 15 March 2010). Lifetime giving has become an important source of income as well and lead to the rapid growth of donor-advised funds. Still, the majority of community foundations' assets come from planned giving, most often in the form of a bequest through a will or trust. Research shows that planned giving is likely to become an even more important source of nonprofit revenue in the United States. 80% of planned giving comes from bequests (Loring 2010). Even small community foundations consistently mention planned giving in their communication materials.

As Kevin Murphy points out in his whitepaper "It's About Time", it is hard to measure a community foundation's performance in planned giving as the results are not immediately visible (Murphy undated). He gives the example of a donor who sets up a small trust during his lifetime which benefits the community foundation. The trust will mature only after his children who are lifetime beneficiaries will die. The example illustrates that planned giving needs a strong board commitment and should be part of the long-term strategic planning. In North America, many community foundations create legacy societies which recognize donors who left bequests which have not yet been realized. They are an easy tool to thank and engage future donors and use their names to promote planned giving.

In Germany, offering planned giving options seems to be not only promising, but inevitable if community foundations want to benefit from the upcoming wealth transfer. As has been mentioned above, the tax code provides incentives for bequests to community foundations. Some community foundations have successfully started to work on planned giving, for example the **Community Foundation of Hamburg**. As a consequence it received a major gift by bequest in 2008. The donors had already established a small non-autonomous foundation administered by the community foundation during their lifetimes. They made a bequest of an additional € 5,4 million which effectively doubled the foundation's endowment and helps support its discretionary grantmaking program. As Germans regard not only money, but also death as a rather private concern, legacy societies are not likely to be a good vehicle. Promoting bequests as a giving option in all marketing and outreach materials and approaching wealthy donors via educational events and their professional advisors seem to be excellent tools.

3.4.2 With Professional Advisors

Community foundations in the US and Canada started to systematically target one specific group in the 1990s: the professional advisors of the wealthy. This includes attorneys, accountants, bankers, financial planners, lawyers or even life insurance agents. Karoff, Breiteneicher and Agard identified the potential that working with this group could unfold for US community foundations if they wanted to benefit from the upcoming intergenerational transfer of wealth (Karoff 1994, Breiteneicher and Agard 1995). They realized that if community foundations wanted to encourage the wealthy to give, it would be wise to employ their trusted advisors as intermediaries.

Advisors are usually involved in major decisions like selling a business or estate planning and thus have a big influence on whether and how their clients integrate philanthropic giving in their plans. This is of utmost importance in the United States, where gifts to community foundations are made from accumulated assets rather than income and endowments mainly come from bequests (Philipp 1999).

As part of their profession, advisors usually put a greater emphasis on the tax benefits than on values, effective ways of giving or the impact philanthropy can have on society. Breiteneicher and Agard warned that if community foundations did not develop a useful roadmap and educate the advisors of the wealthy about the benefits of partnering with a community foundation, they would not profit from the wealth transfer. The rationale behind the argument was that if professional advisors understood the flexibility and advantages of a community foundation they would be able and comfortable to discuss it with their clients and ideally bring in the foundation at an early stage of this conversation.

Nowadays, many community foundations in the United States and Canada have understood the potential of working with advisors and successfully devised long-term strategies to develop and foster relationships with the advisor community. In the UK, community foundations have been quick to adapt the approach (Daly 2008), as the example of the Community Foundation for Ireland demonstrates.

The Dublin-based **Community Foundation for Ireland** has developed and implemented a strategy of working with professional advisors only eight years after it was formally established in 2000 by businesses, NGOs and employer organizations. The endowment building process was fueled by a government challenge grant of £1 million. By now the foundation and its county funds have been able to raise a pooled endowment of £26 million. In order to better understand the Irish culture of giving, the community foundation surveyed professional advisors in Ireland and published the comprehensive report “Trends in Irish Philanthropy” (Community Foundation for Ireland 2008). In a second step, it conducted research on the development of legacy giving in 2010.

“The Community Foundation seeks to introduce philanthropy to professional advisors and wealthy people in Ireland and this new research is providing a means to talk about philanthropy to some key people”, Niall O’Sullivan, Head of Fund Development, describes the objective of the report (McCaffrey 2010). Accordingly, the research helped the community foundation to establish a close and trusted relationship with professional advisors, to understand them and their clients better and to promote the community foundation as a vehicle of philanthropy. At the same time, it can be used by the community foundation and the entire nonprofit sector to understand cultures of giving and translate the knowledge into more effective and efficient fundraising efforts.

In order to establish a "community of philanthropy experts" in which philanthropic advice becomes a more intrinsic aspect of the advisor-client relationship, the foundation created a permanent Professional Advisors Steering Group as a sub-committee of the board. It also held about 15 seminars within the last years, e.g. on family philanthropy, legacy, women in philanthropy. In some of them, donors talked about their philanthropy. A first event is coming up with a law firm which invites its 300 to 400 clients (Conversation with Niall O'Sullivan on 19 May 2010). This example shows how a community foundation can not only build strong, institutionalized relationships with advisors, but also contribute to fostering a more vital culture of giving in its country.

There are many ways of approaching and engaging the so-called "gatekeepers" or "agents of wealth". In the US, Canada and the UK, umbrella and infrastructure organizations have created materials to help community foundations develop a strategy and a clearly defined message (e.g. CMF 1999, Aspen 2005). Community Foundations of Canada (CFC) and the British Community Foundation Network (CFN) provide standardized marketing materials, manuals and sample documents their members can adapt. CFC also posts specialized information for professional advisors on its website[16].

The experience of those countries shows that community foundations willing to establish and cultivate strong relationships with professional advisors should take time to devise a strategy which considers the following key points:

- **define and communicate the value-add to educate advisors**: If professional advisors are to refer their clients to a community foundation, they have to understand the role of the foundation as well as the benefits to themselves and their clients. The value that distinguishes a community foundation from others is that it is not "just another charity", but a flexible one-stop vehicle *through* which donors can give to fulfil their individual philanthropic interests. At the same time, the foundation is an expert on community needs and challenges and can help direct the grantmaking to where it can really make a difference.

- **identify advisors and develop strategies to approach them**: A pragmatic approach is to identify the advisor groups in the community and create a list of individual advisors

[16] see http://www.cfc-fcc.ca/pa-eresource/index.cfm.

which is then added to the mailing list. The Aspen Institute points out, that working with a comprehensive list can be promising in rural areas where professional advisors often work with people whose wealth is neither apparent nor in cash-based assets (Aspen Institute 2005). Often, the existing database is a good starting point. **The Winnipeg Foundation** started its efforts by identifying advisors who already knew the foundation and had referred clients. In a second step, it contacted estate planners and insurance agents who are important for referrals of gifts to help build the endowment and unrestricted funds. Finally, the foundation reached out to financial planners and other advisors (Conversation with Jennifer Litchfield on 5 May 2010).

- **create meeting opportunities and marketing materials**: Most community foundations in the US and Canada by now offer events (e.g. on planned giving, tax benefits or community events for advisors and clients), as well as specialized information for advisors (newsletter, website, handbook, sample documents). For example, the **Winnipeg Foundation** co-sponsored conferences for estate planners and a will week by the barrister association. It also regularly hosts recognition events for advisors who referred their clients to the foundation. Publications include a section of the website with specialized information and samples as well as an e-wire which updates professional advisors on the foundation's activities and relevant legal or fiscal issues. Like many of its Canadian peers, the **Community Foundation of Ottawa** uses an electronic or printed toolkit provided by CFC to show advisors how to help clients achieve their philanthropic goals by integrating giving in estate, tax and financial planning[17].

- **engage advisors in the community foundation**: Most community foundations in the United States and Canada include at least one advisor on the foundation board. Many have successfully created Professional Advisors Committees (like the one in Ireland) which are integrated in the foundation structure in order to ensure a lasting relationship. In **Winnipeg**, a small Professional Advisors Committee advises the community foundation on its strategy and on what information is helpful to the professional advisors community.

In the United States and Canada, working with professional advisors has by now become a

[17] The foundation hosts a special website for professional advisors, see www.cfo-fco.ca/site/site_en/advisors/Professionaladvisors.htm. The electronic version of the toolkit is available on CFC's website at www.cfc-fcc.ca/pa-eresource/index.cfm.

crucial success factor for endowment building. For most community foundations, advisors have become the best source of donor referrals (McInnes 2008). Especially concerning major gifts and bequests to community foundations, professional advisors are often involved.

In the case of **Berks County Community Foundation**, 70% of the total assets come via referrals from professional advisors. This is due to the fact that the community foundation has not been shy in developing “aggressive methods of working with them”, as President Kevin Murphy underscores (Site-visit on 9 April 2010). The community foundation hosts an annual dinner, has established frequent contacts with the local barrister association and even runs the Estate Planning Council out of its offices. There are approximately 400 advisors in the county. The community foundation has approached all of them and created close relationship with those who understand the community foundation’s value-add for themselves and their clients.

On a national level, cooperative strategies have included the negotiation of partnership agreements with banks and financial institutions. This development has its roots in the United States where the first major partnership was created between a group of community foundations and the financial firm Merrill Lynch as a reaction to the competition community foundations faced from commercial gift funds in the 1990s. Merrill Lynch agreed to invite its clients to set up donor advised funds with their local community foundations while the foundations agreed to invest the money in the funds with Merrill Lynch (Cohen 2002). Since then, other banks and financial management firms have followed. In Canada, the first national alliance was launched in 2003 between Community Foundations of Canada and the Bank of Montreal[18]. The rationale behind the partnership is that the bank remains hold of the money while the community foundation advises donors on grantmaking and brings in community expertise.

In Germany, professional advisors are usually involved when foundations are established and when they receive major gifts or bequests. The donor motivation study found out that the reasons why donors set up a foundation include: tax benefits, settling their estate, having no heirs, gain of wealth, experiencing a stroke of fate, retirement or selling or handing over a business (Timmer 2005). Professional advisors can be very important partners for community foundations. Considering that “people give to people they trust” (see Chapter 3.4.1), they can serve as important multipliers: If a professional advisor trusts the community foundation, he will mention or even recommend it to his clients who again trust their advisor’s judgement. Although not many community foundations are working explicitly with advisors of the wealthy, some of them have started to target them successfully. The foundations in Braunschweig and Hamburg, for example, have hosted legacy days and other events on planned giving. Some individual community foundations have also successfully established individual partnerships with banks. These strategies seem to contribute to above-average high growth. For the majority of foundations, however, there still is untapped potential in working with professional advisors.

3.4.3 With Businesses, Government and Nonprofits

With Businesses

In the United States and Canada, businesses are not among the most important target groups for community foundations. However, they are approached for organizational support or give challenge grants, like the Nebraska phone company (see Chapter 3.3.1). Often, corporate donors set up donor-advised funds at their local community foundation. David Okorn, CEO of the **Long Island Community Foundation** (LICF), says that by giving to the community via the foundation businesses show corporate responsibility. Other motivations may include boosting the employees' morale and stakeholder equity. Giving through the community foundation is a simple, cost-efficient way of giving. When setting up a fund at LICF, no cost is involved and no employee has to be paid to administer grants. Rather, businesses "have access to program staff" and LICF only charges 0.04% administrative fees. Many donor-advised funds set up by businesses have employee advisory committees (Site-visit on 16 April 2010).

In the UK, community foundations give a strong emphasis to targeting the corporate sector from multinationals to local businesses. Corporations (or their executives) are contacted via the personal networks of board members or other ''friends'' or supporters of the community foundation (Daly 2008). The **Community Foundation for Ireland**, for example, holds several flow-through donor-advised funds which were set up by corporations. Employee advisory committees often set up the criteria and advise on grantmaking; sometimes they visit the grantees (Conversation with Niall O'Sullivan). In few cases, company giving is combined with employee giving or payroll giving schemes, but the foundation does not encourage it as it is complicated and raises only small amounts. O'Sullivan observes that smaller companies are usually not as involved as they tend to give to nonprofits locally and want to keep those close relationships.

In Germany, businesses are the most important group of donors after individuals. As has been mentioned, in 2008 22% of all donations towards the endowment (*Zustiftung*) and one-third of

[18] For more information on the program see http://www.cfc-fcc.ca/programs/cfc-bmo-alliance.html.

flow-through gifts (*Spende*) came from private corporations (Aktive Bürgerschaft 2009). Businesses support their local community foundations in many ways, including:

- endowed or flow-through funds
- challenge grants directed at building unrestricted endowment or supporting programs
- in-kind gifts, e.g. office space
- project-related cooperation and funding
- volunteering of business leadership or employees on the foundation's boards or in projects (Hellmann 2009).

Employee-advised funds have not been used yet, but would be a good tool to not only build relationships with the head of a business, but to connect with its employees as well.

A community foundation offers not only flexible giving options, but also expertise and knowledge of the community. Especially for small and medium-sized businesses, the community foundation is an attractive option to give in a tax- and cost-efficient way and to leverage resources. It enables corporations to establish new relationships and to connect with others around community issues. Sometimes giving through the community foundation as an intermediary can serve as a firewall as potential grantees apply to the foundation rather than to the business. By giving locally, a corporation can increase the quality of life in the area where it conducts its business and its employees live (ibid.). Not all community foundations are using this potential and making the case why a business should partner with them, yet. Advocating ways of giving and sharing powerful stories and examples of how a business partnered with a community foundation can be good measures to get started.

With Government

Government can be an important partner for community foundations. All of the community foundation practitioners I interviewed cooperate with local or state authorities in some ways. Partnerships can be created around leadership issues, advocacy or rural development. Sometimes resources are leveraged by government funding.

In the UK, government and public agency funding is the most important source of revenue for community foundations. Community foundations deliver a range of grantmaking programs on behalf of local authorities or the central government. In 2003 to 2004, 59% of overall community foundation income came from statutory sources, only 18% from individual donors and the corporate sector (Sacks 2008). For example the Big Lottery Fund Fair Share Trust cooperates with community foundations to channel funding into areas underserved by lottery funding and to give communities a say over how the funding should be allocated (Daly 2008). Daly points out that the reliance on public funding has raised the question of sustainability as the bulk of community foundations with endowments of less than £1 million are dependent on the administration of flow-through public funding. Many of the community foundation practitioners she interviewed pointed out that the focus on administering government funding has spurred some community foundations ahead of a natural scale of development, but prevented them from building up a diverse local donor base.

In Germany, with its long tradition of public funding of nonprofits, community foundations have succeeded in developing strategies to find new sources of revenue. They need to remain careful to keep their independence, as there is often a blurred line between funding the public benefit and being instrumentalized by public authorities. As Aktive Bürgerschaft's research has shown, oftentimes local authorities draw on the community foundation model in an attempt to reduce their growing budget gaps. For example, in the federal state of Baden-Wuerttemberg a systematic "municipalization" of the concept of community foundations could be observed. In 2008, 53 community foundations which complied with the "10 characteristics" were confronted with 45 non-independent so-called community foundations, the majority of them dominated by municipalities (Aktive Bürgerschaft 2008). The exertion of influence by municipalities varies in the latter. In some cases, the foundation's bylaws determine that members of the board are elected by the municipal or town council, which clearly conflicts with autonomous decision-making. In order to counter this tendency, Aktive Bürgerschaft and other support organizations like the Federal Association of Foundations promote and support community foundations which comply with the "10 characteristics".

However, in many cases community foundations have established constructive relationships with local authorities. Besides collaborating on certain community issues, there are also good examples of partnering in asset development. In **Stuttgart**, the local authorities supported the start-up phase of the community foundation by giving a challenge-grant of € 256,000 in the each of the years 2001 and 2002. In **Wiesbaden**, they transferred the funds of dormant trusts to the community foundation. Often, the mayor is patron of the community foundation, but does not have a vote or sit on the board.

With Nonprofit Agencies

Community foundations cooperate closely with local nonprofit organizations. A good and equal relationship is decisive for a community foundation's successful work with grantees or program partners. Nonprofit organizations can also be engaged as donors. Agency funds provide organizations with the opportunity to build endowment under the umbrella of the community foundation in order to sustain their work.

Many community foundations in North America and the UK have agency funds in their portfolio. The emphasis given and administrative fees charged differ. The **Vancouver Foundation** administers the funds of more than 500 agencies of all sizes and types across British Columbia. The **Community Foundation of Ottawa** had 50 agency funds with a combined endowment of more than C$ 12.3 million at the end of 2008[19]. In contrast, the **New York Community Trust** does not handle endowments of other nonprofits at all. As Bob Edgar states, the Trust does not want to be a mere administrator and only takes on funds if it can add a value.

In Germany, community foundations can offer nonprofit associations a strong value-add in offering them the ability to build permanently endowed funds. German fiscal law does not allow them to build an endowment, but requires them to spend donations within the year following the reception of the gift. Offering agency funds community foundations can therefore not only create a new source of revenue, but strengthen the community by enabling nonprofit organizations to ensure more sustainable, long-term funding.

4. Enhancing Organizational Stability

The financial sustainability of a community foundation is closely interrelated with its organizational stability. As this paper analyzes how community foundations can increase their financial sustainability, it must also – at least briefly - touch upon ways to enhance the organizational stability. In the following, two approaches are selectively introduced which seem particularly appropriate for the German context.

4.1 Collaboration

In the United States and Canada, one approach to strengthening organizational and financial sustainability is collaboration, often in the form of operating shared back-offices. Especially small

[19] See Annual Report 2008, www.cfo-fco.ca/AR08/.

community foundations in rural areas use alliances on a local or regional level. As research by the Council of Michigan Foundations has shown, the spectrum of partnerships is wide and includes sharing of operational, management or governance structures (Council of Michigan Foundations 2005). The study concluded that alliances have the potential to reduce operating costs and increase the organizational capacity of community foundations.

It also detected an important shift in assumptions that have guided the proliferation of community foundations: “A core assumption for many was that success of the field meant a community foundation *in* every county. […] We are entering an age where the goal is, instead, accessible, effective community philanthropy *for* every county” (ibid.). This finding is confirmed by Linda Raybin, Managing Director of the Council on Foundations` Community Foundation Services, who says that the Council does not encourage the establishment of new community foundations, but rather promotes affiliate funds (Conversation on 15 April 2010). Community Foundations of Canada goes a step further: It does not accept newly established community foundations as members, but rather connects initiatives to already existing community foundations in order to help pool resources (Monica Patten in Seminar on 11 May 2010). In order to promote strategic alliances, CFC has publicized a comprehensive discussion paper which provides an overview of resources and successful collaboration models (CFC 2010).

Three main collaboration models have been identified by the Council on Foundation’s Community Foundation Leadership Team in 2009:

- **umbrella model**: One foundation provides an umbrella of core administrative services to other foundations. For example, the **Minnesota Community Foundation** operates from the offices of the **St. Paul Foundation** and is fully supported by its staff and board. The foundations share technology and offer the same services, but serve a different geographic area.

- **affiliate model**: A community foundation provides services to community-based affiliate funds as has been described for the **Nebraska Community Foundation** (see Chapter 3.3.1). Another example can be found in Michigan where eight small community foundations agreed to become affiliates of the newly formed **Community Foundation for the Upper Peninsula** in 2003. By now, the foundation serves nine affiliate funds and seven independent community foundations all of which share a back-office with four staff (Conversation with John Molinaro on 19 May 2010). Services shared include auditing, investing, accounting, technology, grant proposals, payroll administration, staff training etc. Each affiliate pays a fee of 1% of its assets. Alliance members saved expenses on auditing, investment and operational costs. The collaboration also helped board members to focus on more strategic questions rather than day-to-day operations. Only 2 and a half years after the Community Foundation for the Upper Peninsula was established, it achieved total savings of approximately US$ 140,000 per year and had been able to nearly triple the combined endowments of its affiliates[20].

- **consolidation model**: Two or more community foundations are merged into a stronger single entity, e.g. the Community Foundation Silicon Valley and Peninsula Community Foundation merged creating the **Silicon Valley Community Foundation**.

In Germany, collaboration and the pooling of resources can be a promising approach for creating more sustainable community foundations, especially when there is more than one community foundation in a city or county. Also, the area covered by a community foundation tends to be small. A few community foundations are already administering affiliate funds or non-autonomous local foundations, e.g. in **Laichinger Alb, Hellweg or Dresden**. Support organizations should make a stronger case for having community foundations *for* and not *in* every county. If regional funds are introduced or back-office functions shared, the board can devote more time to governing, grantmaking and fundraising.

4.2 Operating versus grantmaking

Unlike in the United States, many German community foundations are operating their own programs. They are influenced by the German tradition. The database of the Association of German Foundations shows that only 46.9% of all German foundations are grantmaking only. 30.1% are operating foundations, 14.7% are both[21].

The reason given for operating programs often is that foundations want to find innovative solutions for problems which can then be adapted by others. As Michael Göring argues they want to find new ways to help towards social cohesion and social change (Seminar on 13 April 2010). Many community foundations also run programs to distinguish themselves and to give potential donors a concrete idea of how their funds would be used. The **Community Foundation of Berlin** is one among many which send volunteers to elementary schools to

[20] Financial support by the Council of Michigan Foundations and the Kellogg Foundation facilitated the set-up of back-office operations. These case studies are available in Council on Michigan Foundations: Snapshot, 2005.
[21] See www.stiftungsindex.de. About 50% of all German foundations are registered here.

improve the literacy and reading skills of disadvantaged children[22]. This is a reaction to the fact that many disadvantaged children - especially from migrant families - do not have sufficient reading, writing and speaking skills and teachers are not able to support each child individually as much as needed. In Berlin, the community foundation sends 250 volunteers to schools and trains them with a university. The volunteers' feedback and knowledge is reported back to the university in order to bring practical experiences and academic research together and enhance literacy programs. The example shows that operating programs can have a big impact and set high qualitative standards for others, but also absorb much capacity.

In the United States and Canada, there is a wide consensus that foundations should not operate programs (Reynolds in Seminar). It is agreed that foundations should fund nonprofit organizations which are experts in a certain field to deliver programs. Because of the long German tradition of operating foundations, this does not seem to apply immediately. However, community foundations should be strategic on how they use their limited resources, especially if they have no or few staff. If a community foundation operates programs, it needs to have enough resources and an overall strategic plan to make sure that it does not neglect its other functions, like endowment building and donor engagement. One way can be to focus on one flagship project. Another way can be to eliminate operating projects altogether, install grantmaking and increase collaboration with other foundations and organizations, as the **Hanover Community Foundation** has done (TCFN 2002).

5. Recommendations

How can German community foundations grow in a sustainable way and what can they learn from their counterparts in North America and the UK? As the debate around donor-advised funds has shown, German community foundations have one major advantage: Compared to their well-established North American counterparts, they are still young. Thus, they are more flexible and can adapt quickly. From the research, interviews, seminars and discussions which were part of the fellowship, a number of recommendations can be deducted to give to the field.

What can community foundations do?

- ***Continue to build an endowment to fulfil the mission in the long term:*** Community foundations in Germany have a unique potential to serve as a model in raising private

[22] For more information see http://www.buergerstiftung-berlin.de.

money for the public benefit. Endowments will help community foundations to permanently fulfil their mission by generating income from investments. This will increase the foundations' independence from individual donors, current economic developments or decreasing annual income from donations.

- ***Undertake strategic planning:*** Careful strategic planning by the board is needed to guide the foundation to sustainable growth. An asset development plan can be the central goal setting tool and define tasks and responsibilities. It should define what operating budget is needed for infrastructure or staff and how it will be raised.
- ***Govern well and recruit the right board members:*** The board members are key to a community foundation's success. Good governance is a precondition for achieving more sustainability as is the composition of the board. Board members should be representative of the community and have different spheres of influence. Ideally, they should be willing to support the foundation regularly and to serve as donor-ambassadors. Newly recruited board members should be educated about their fundraising role and obligation.
- ***Invest in capacity building of board (and staff):*** Building board (and staff) capacity is an essential driver for growth. Community foundations should invest in educating their board members about asset development, fundraising techniques, governance, etc.
- ***Focus their resources strategically:*** In order to be more sustainable and achieve as big an impact as possible, community foundations should concentrate their limited resources. One way to do so is through collaboration, e.g. by sharing back offices, governance structures or by creating regional funds. Another way is to revise a community foundation's operative and/or grantmaking strategy.
- ***Position the foundation as the vehicle through which donors give***: Named funds have proven to be a powerful tool for growth. Donor services and different vehicles of giving should be offered by every community foundation. Planned giving options should also become part of the portfolio.
- ***Use incentives and pricing to keep resources and mission aligned***: In order to increase the operating budget, fees need to be introduced for services. The board should devise an overall strategy which introduces funds and administrative fees, but is very deliberate about which fund types to offer at what costs. Promoting funds which enhance the foundation's strategy or mission and a corresponding pricing policy can be drivers of sustainability.
- ***Build relationships with donors:*** Personal relationships and trust are the most important preconditions for asset development. Individual donors, corporations,

government and non-profit organizations can be potential donors and should be offered individual ways to get engaged. Special focus should be given to individuals and corporations.

- ***Engage and educate the advisors of the wealthy*:** Professional advisors are the gatekeepers of wealth. Therefore, a good way of reaching out to wealthy donors can be to engage and educate their advisors about the benefits of cooperating with a community foundation. Useful strategies from community foundations abroad for identifying and educating advisors, creating meeting opportunities and marketing materials or engaging them in the community foundation can be adapted.
- ***Develop a mission-driven approach to growth***: As the debate in the United States around donor-advised funds has shown, it is essential for community foundations to grow in a way which balances the interests of the donor with its mission and the needs of the community. In order to prevent a rift between the donor and the community, good practice from North American community foundations can help to engage the donor and connect him with the community from the moment he or she sets up a fund. Fostering a culture of giving by involving local citizens as owners and ambassadors of the foundation can also be an excellent approach.
- ***Cultivate and engage donors***: As engaged donors are more likely to give again, donors should be thanked and told how their funds were used. Annual funds can be a good tool to regularly connect donors to the community foundation, as are appreciation events, issue forums or newsletters. Engaging donors can involve educating donors on community issues or connecting donors to the mission, e.g. via site-visits with grantees, community impact funds or other measures.
- ***Continue to use all assets to serve the community!*** A major strength of German community foundations is that so far they have focused on building unrestricted funds and using all assets to serve the community. Their approach is to involve as many people as possible who donate money, time and ideas. Thus, they have built trust and established a broad base of donors as well as volunteers. This is a solid basis which can be expanded.

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II. List of Interviews

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III. Characteristics of Community Foundations in Germany

German Federal Association of Foundations
Affinity Group “Community Foundations”
(Arbeitskreis Bürgerstiftungen des Bundesverbandes Deutscher Stiftungen)

A community foundation is an independent, autonomous, non-profit foundation with a broad charitable purpose. A community foundation provides lasting and sustainable support for a community within a defined service area and serves all members of the community by making grants and operating programs. Community foundations seek to foster the commitment of the residents to their community.

1. A community foundation is a non-profit, charitable institution that operates for public benefit and plays an active and supportive role in civil society.

2. A community foundation is typically established by several donors. The initiative to set up a community foundation can be put forward by individuals or individual institutions.

3. A community foundation is economically and politically independent. It is neither associated with political parties or religious confessions nor dominated by single donors, groups, or companies. Political and administrative agencies must not exert influence on the foundation’s decision-making.

4. A community foundation has a defined service area: a town or city, a county or a region.

5. A community foundation continuously builds an endowment. It accepts donations from those who care for their community and share the vision of the community foundation. A community foundation also accepts flow-through resources and provides the opportunity to establish funds that may pursue specific purposes or serve a particular community or region.

6. A community foundation meets a wide array of local needs and therefore has a broad charitable purpose, as a rule encompassing arts and culture, youth and social issues, education, nature and environment and the protection of historic buildings. A community foundation pursues its goals by making grants and/or operating programs.

7. A community foundation supports programs which foster the engagement of the citizens or provide the means to help people help themselves. In doing so, the community foundation instigates new forms of civic engagement.

8. A community foundation publicizes its activities and has a comprehensive communications strategy to give every member of the community the possibility to engage in the projects and programs.

9. A community foundation may coordinate a local network of non-profit organizations.

10. A community foundation conducts its activities in a transparent and participatory way. A community foundation has several governing bodies (Executive and Advisory Board) that allow members of the community to direct and monitor the performance of the foundation.

** Non-official translation of the document ‘Merkmale einer Bürgerstiftung’, which was passed by*

the Affinity Group on Community Foundations at the 56th Annual Conference of the German Federal Association of Foundations in May, 2000.
Download: http://www.tcfn-cfc.ca/wp-content/uploads/2009/06/Characteristics-of-Community-Foundations.pdf