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Partnering for Success: How Family Foundations Benefit From Relationships With Community Foundations

by Mark E. Neithercut

To family foundations, it may seem like community foundations are only after one thing: their assets. Family foundations may worry that a relationship with a community foundation will be unbalanced, with the family foundation doing all the giving while receiving few benefits. A healthy relationship with a community foundation is possible, however, and it can be a very useful partnership for a family foundation. This article explores the many ways these two types of foundations can work together to achieve the goals and objectives of the family foundation.

Collaboration and Leverage

The decline of the investment markets a few years ago and a nationwide reduction in government spending have increased the pressure on private philanthropy. With diminished resources, family foundations and community foundations have banded together in new ways to maximize impact and coordinate efforts in their local communities. These partnerships are typically organized around a single theme or issue (e.g., hunger or teenage pregnancy). At their most formal, these partnerships are called “funding collaboratives,” and they may have an advisory board of foundation executives. (See case

study, *The Fund for Our Economic Future*, on page 2.) Other partnerships are more informal, with two or more foundations cooperating to fund and manage individual grants or entire grant programs.

Collaborating with a local foundation on an issue of mutual interest allows both parties to coordinate their funding to provide additional leverage and impact. (See case study, *The Weaver Foundation*, on page 3.)

Access to Local Information and Expertise

Many small family foundations do not have the staff to conduct extensive due diligence on local organizations, so they rely on their regional community foundation to provide information and expertise. Community foundations typically have strong connections in a specific geographic area, and their staff members have a finger on the pulse of area nonprofits. This relationship is especially useful when the next generation of family foundation trustees is dispersed and no longer has strong ties to the region where the foundation conducts its work.

Most community foundations are pleased to share their local knowledge with other foundations, as it contributes the larger betterment of the community. Family foundations should not hesitate to reach out and ask for advice on issues or com-

munities of mutual interest. (See case study, *The D & R Fund*, page 4.)

Local Partners

Family foundations that have a regional or national scope often find it difficult to work with nonprofits in disparate and diverse communities. For example, a family foundation may have a focus on reducing teenage pregnancy in the state of Ohio, but it might be difficult for the foundation to know all the relevant organizations in every city and how the dynamics of this problem are different in Cleveland, Columbus, and Cincinnati. Working with the local community foundations in each of these cities can be a successful strategy to help the family foundation achieve its goal. Community foundations not only have local knowledge and experience, they also have the very important ability to serve as a credible neutral convener in their communities. This ability can be enormously valuable to a national or regional foundation seeking to make an impact in many communities on an important social issue. In many cases, these partnerships involve grants to community foundations in a number of cities, and these community foundations then regrant the funds locally. The regrants are coordinated as part of a larger regional or national effort that may

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include technical assistance and regular convenings of the participating local partners. The C.S. Mott Foundation's Neighborhood Small Grants program worked with 25 community foundations over a 10-year period in a national effort to position community foundations as leaders in low-income neighborhood development, to learn how to stabilize urban neighborhoods, and to provide a network for peer learning. Twenty years later, this network has evolved into the Grassroots Grantmakers, an affinity group of the Council on Foundations (<http://www.grassrootsgrantmakers.org>).

Reducing Mundane Paperwork

For many family foundation trustees, the joy of foundation work comes from the opportunity to engage with nonprofits in the community and watch the impact of the foundation's grants. The required paperwork, however, is something that is of less interest. These mundane administrative activities might include acknowledging applications, choosing and tracking investments, monitoring the grantmaking bud-

get, writing board minutes, and filing the foundation's tax return.

Most community foundations already have systems in place to manage these administrative processes, and thus they are often able to help manage the "back-office" aspects of another foundation, usually for a fee. Because the systems are already in place, supporting an additional foundation can be relatively easy and the cost can be fairly modest. Having a local community foundation handle back-office operations can free up family foundation trustees for the work they find the most enjoyable and fulfilling.

Facilitating Termination

More and more family foundations are rethinking the idea that they will exist in perpetuity. Those foundations that are contemplating a sunset date will find that a community foundation can play a helpful role. The IRS has strict rules about the closing of a foundation; most of these rules are focused on ensuring that every last dollar of the foundation goes for charitable purposes. Even with the very best planning, it is difficult for a foundation to grant all of its funds and have a zero bank balance on

its last day. An easy solution to this problem is for any residual funds to be given to a community foundation at the termination of the family foundation. These funds could continue the family foundation's legacy by creating an endowment fund to benefit a long-time grantee of the foundation or a field of interest fund that would support projects in the areas of interest they previously supported. The newly created fund could be named after the terminating foundation, thus perpetuating the foundation's name.¹

Anonymity

Many families have been disappointed to discover that family foundations, which were relatively private enterprises 20 years ago, are now very public entities. Information about a family foundation's operations—including the names of board members, the size and purpose of each grant, and the salaries, if any, of the trustees and staff—is now easily and widely available on the Internet. To avoid a public notice of a specific gift, a family member could make a personal gift separate from

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Case Study: The Fund for Our Economic Future

The Fund for Our Economic Future is a collaboration of family foundations, community foundations, corporations, colleges, and individuals who have pooled resources to strengthen the economic competitiveness of northeast Ohio. Since 2004, contributors to the Fund have been working toward long-term economic revitalization in the region.

The idea for the Fund was born out of conversations between the GAR Foundation and two community foundations in the region. The GAR Foundation was established in 1967 by Galen J. Roush and his wife, Ruth. Given the foundation's mission, which is to strengthen communities in its region through discerning and creative support of worthy organizations, its early involvement in the Fund for Our Economic Future comes as no surprise.

In 2002, the GAR Foundation's president, Rob Briggs, called the leaders of The Cleveland Foundation and the Akron Community Foundation to talk about the economic problems he was seeing across northeastern Ohio. With an economic slowdown exacerbated by the loss of manufacturing jobs in the area and a lack of leadership at a regional level, the demands on family and community foundations were increasing. Leaders at the three foundations discussed how to collaborate, and the idea for the Fund for Our Economic Future was born. The GAR Foundation worked with the community foundations to speak to other funders about their idea of forming a group of grantmakers and other organizations from across the region who would work together to identify goals and strategies for economic prosperity in their communities, and provide resources to achieve those goals.

They succeeded in enlisting the support of several other grantmakers at the beginning, including the George Gund Foundation, the John S.

and James L. Knight Foundation, the Kelvin and Eleanor Smith Foundation, and the Kent H. Smith Charitable Trust, all of which have been major contributors to the Fund since its inception. The Fund officially became an organization in 2004, and the GAR Foundation has continued to play a leadership role in the group.

Since this early collaboration, the family foundations, community foundations, and other members of the Fund have raised more than \$70 million to support regional economic development organizations that accelerate, attract, and grow companies in the region. Membership in the Fund is extended to any organization or individual who commits \$100,000 or more over a three-year period. Members are part of the Funders Committee, the decision-making body of the organization, which determines the grants, research projects, and civic engagement initiatives that the Fund will pursue. An example of family foundation and community foundation cooperation that occurred within the Funders Committee comes from The Raymond John Wean Foundation and the Community Foundation of the Mahoning Valley. Both foundations were interested in ensuring that their subregion in and around Youngstown was part of the conversation concerning economic revitalization in the region, so they co-funded a seat on the committee.

What began as the result of a collaboration between a family foundation and two community foundations has turned into an organization that allows foundations and other funders of all sizes and types to come together to share and fund ideas that are driving economic development in northeast Ohio. The Fund for Our Economic Future is an example of how the cooperation of family foundations and community foundations can help transform a region.

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the grants of the foundation, but another option is for the foundation to create a donor-advised fund at a community foundation. A family foundation can make a gift to a community foundation to establish a donor-advised fund and reserve the ability to recommend gifts from this fund to qualifying charities, subject to the approval and guidelines of the community foundation. Although the community foundation will also publish its list of grants, typically this list does not identify which donor-advised fund is the source of each grant.

Payout

Despite the best planning, private foundations can find at the end of the year that they have not distributed 5% of their investment assets, as required by law. Because community foundations are public charities, a gift to a community foundation is an easy way to meet the annual payout requirement. A gift to a community foundation could take many forms. A gift could create a donor-advised fund, as discussed above, which would allow the family foundation to recommend gifts from the fund in the future. Another attractive option could be making a gift to an endowment fund that supports the work of a charity active in the family foundation's area of interest. In addition, a gift could create a field of interest fund that would support projects in an issue area or geographic area of interest to the family foundation.

More Grantmaking Tools

The IRS has different restrictions on the types of grants that family foundations and community foundations can make. For example, family foundations cannot make grants to individuals without prior approval by the IRS, so managing scholarship funds can be a tricky enterprise for family foundations. Community foundations, however, are allowed to make grants to individuals—consequently, many community foundations specialize in managing scholarship programs. Family foundations interested in scholarship programs will find that it is often easier to have community foundations manage these programs, especially since they have special staff and soft-

Case Study: The Weaver Foundation

Herman Weaver and his son, Mike Weaver, founded the Weaver Foundation in 1967. Based in Greensboro, N.C., the foundation supports a variety of projects and programs that benefit the greater Greensboro region. The Weaver Foundation has worked with the Community Foundation of Greater Greensboro (CFGG) in many ways and on various projects over the years. For example, Weaver makes an annual grant to CFGG for unrestricted grantmaking, and the two foundations were partners in launching the Guilford Nonprofit Consortium (<http://guilfordnonprofits.org>).

Perhaps the most inspiring example of how Weaver and CFGG work together is their co-sponsorship, with Cone Health Foundation, of Greensboro's annual Nonprofit Staff Appreciation Day. Every spring for the last eight years, these foundations have banded together to sponsor a one-day outdoor recreation experience at the local YMCA camp for staff and board members (and their families) of all nonprofits in greater Greensboro.

The Weaver Foundation hatched the concept of a Nonprofit Appreciation Day, and

invited CFGG to participate and help share the cost of the event. The purpose was to say "Thank you" to all the staff of the nonprofits for their dedicated work throughout the year. Although the event was originally conceived as a relaxing day away from the office for nonprofit executives, it has grown to include all staff members of nonprofits—many of whom could not afford a camp experience for their children or grandchildren. The activities include hiking, horseback riding, archery, swimming, basketball, and crafts. YMCA staff members manage the entire event. The children have the option of joining in a full-day "camp experience," or they can spend the day with their families and select specific activities in which to participate.

Nonprofit Appreciation Day has been a resounding success; last year, attendance at the event had to be limited to 500 people. With a budget of \$3,000, it is also a model of how a relatively small monetary contribution by each foundation can create a significant impact. It is a wonderful example of how a family foundation and a community foundation can join forces to give back to their local community.

ware in place to make the process professional and efficient.

In addition, there may be times when a family foundation wishes to make a one-time grant outside its published guidelines, and the foundation does not wish to increase expectations that additional similar grants might be made to other organizations. A family foundation can make a grant to a community foundation for support of a specific organization or project—and, in so doing, not create increased expectations in the community.² (See case study The Max M. and Marjorie Fisher Foundation, on page 4.)

Tax Advantages

The IRS also has a different, and more restrictive, set of rules regarding the types of gifts—and their deductibility—that a family can make to a family foundation compared to a community foundation. For instance, a family that gives closely held stock or an unusual or illiquid asset to a community foundation will often get better tax savings than if they had given that same asset to their family foundation. This same principle applies to a donor who has reached the maximum amount he can

deduct in a given year or years.³ For example, an individual can deduct up to 50% of his adjusted gross income (AGI) to a public charity, but only 30% of his AGI can be deducted for gifts to a private foundation. Similar limitations are in place for gifts of property. Thus, a family may find benefits in contributing some assets to its foundation and other assets to a fund at a community foundation.

Conclusion

Every community foundation is different, and not all community foundations will be interested in all of these options. However, no matter the size of the family foundation, community foundations can be a valuable partner for those family foundations that want to increase their impact, serve the public good, carry out the wishes of their founders, and feel good about the work they have done.

References

Brian Clontz, *Symbiotic Ways Private Foundations Use Community Foundations and Other Organizations*. Planned Giving Design Center, October 2010.

See *PARTNERING FOR SUCCESS*, next page

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Helmer N. Ekstrom, *The Practice of Family Philanthropy in Community Foundations*. National Center for Family Philanthropy, 2002.

Endnotes

1. For example, when the Beldon Fund closed its doors in 2009, it granted its residual funds to the Tides Foundation. *Giving While Living: the Beldon Fund Spend-Out Story, The Beldon Fund* (2009), p. 13. See also Ruth Masterson, *Closing Shop: When Small Foundations Get Out of the Foundation Business*, Association of Small Foundations (2009), pp. 21–23.

2. For a discussion of fiscal agents versus fiscal sponsors, see Jane C. Nober, *Fiscal Agency versus Fiscal Sponsorship*, Council on Foundations (2010).

3. Brian Clontz, *Symbiotic Ways Private Foundations Use Community Foundations and Other Organizations*, Planned Giving Design Center (Oct. 2010). See also Jerry J. McCoy and Kathryn W. Miree, *Family Foundation Handbook*, CCH (2012) § 2.03.

Case Study: The D & R Fund

The D & R Fund is a Chicago-based family foundation founded in 1951. In addition to its annual grantmaking, the Fund has established a donor-advised fund (DAF) at The Chicago Community Trust (the Trust). The DAF, which also is called the D & R Fund, provides the family foundation with a number of valuable opportunities that would otherwise not be available. For example, The DAF makes grants to small, grassroots organizations that are outside the grantmaking guidelines of the family foundation. In addition, the Trust's staff is able to conduct the necessary due diligence and monitoring required for grants to grassroots organizations, which the foundation does not have the resources to do. The Trust's program officers have deep local knowledge of nonprofit organizations and, in many cases, the program officers are able to introduce worthy organizations to the foundation. Thus, Trust staff vets the grassroots organizations, while the family can still be

involved in meeting the grantees and learning about their work. The Trust monitors the grants, processes the required reports, and then briefs the foundation on the status of the grants.

Because of their relationship with the Trust, the trustees of the family foundation have learned a great deal about the needs of their local community, and this experience and knowledge informs the family foundation's grantmaking, as well.

The relationship between the family foundation and the Trust has worked so well that the family foundation is considering transitioning the DAF into a supporting organization that would tie the two entities together in a stronger and more long-term way. This transition is part of the family foundation's plan for managing the succession from one generation to the next. The next generation will serve as the trustees of the supporting organization and will continue to benefit from the many services of the Trust.

Case Study: The Max M. and Marjorie S. Fisher Foundation

The Max M. and Marjorie S. Fisher Foundation was founded in 1955 by Max Fisher, a successful real estate developer and civic leader in Detroit. During the recent economic downturn, the trustees of the Fisher Foundation became concerned that the emergency service providers of metropolitan Detroit were facing a "perfect storm" of economic pressures: government funding was down, individual giving had declined, and the demand for the services of these organizations was rising rapidly. How might the Fisher Foundation help these human service providers during this difficult period?

The Fisher Foundation approached its local community foundation, the Community Foundation for Southeast Michigan (CFSEM), with this question. After a careful assessment of local needs, CFSEM proposed an innovative matching gifts and training program, now called The Community Foundation Challenge—Emergency Food & Shelter. The Fisher Foundation awarded a \$1.3 million grant to CFSEM to support this program, and CFSEM also provided additional significant support.

The goals of the program were the following:

- To strengthen the capacity of participating organizations to raise funds and build permanent capital (endowments) from individuals;

- To raise operating support and endowment for participating emergency food and shelter nonprofit organizations by providing matching funds; and
- To build public awareness of the need for emergency food and shelter.

CFSEM awarded \$1.125 million in matching grants ranging from \$20,000 to \$125,000 to 21 emergency food and shelter organizations. These matching grant funds provided \$1 for every \$2 of new gifts raised by the participating organizations for general operating purposes. In addition, a few of the organizations also built endowment funds, and those gifts were matched at \$1 for every \$1 of new endowment gifts. CFSEM also provided a year-long series of training programs for all emergency service providers in southeast Michigan.

These programs focused on individual fundraising, planned giving, endowment gifts, and volunteer engagement. The sessions were videotaped and made available online as a self-paced learning resource. They are available on the CFSEM website at www.cfsem.org.

When the match program ended in November 2011, the 21 organizations had used \$1.25 million in matching funds to raise a total of more than \$3.7 million in new operating funds and endowment.



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