

A Different View on Community Funds

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To the Editor: Over the past three years, the Foundation Strategy Group has consulted to community foundations across the country and interviewed dozens more to develop an understanding of best practices in the field. On the basis of our research, I must disagree with the way Emmett Carson framed the issue of community-focused versus donor-focused community foundations in his My View column ("Community Foundations Facing Crossroads," May 16).

Casting this dichotomy as mutually exclusive distorts both the reality and the potential of community foundations. The primary role of a community foundation is to create value for its community. Gathering unrestricted assets is one means of creating value, and facilitating the contributions of individual donors is another. But so is building the capacity of nonprofits, creating public-private partnerships, teaching donors or financial advisers to be more effective philanthropists, researching needs, convening leaders, creating innovative community-wide initiatives, reducing transaction costs for smaller foundations, and countless other services that community foundations across the country can and do deliver, regardless of their balance between donor-advised and unrestricted assets.

Nowadays, handling donor-advised accounts has become inseparable from building unrestricted assets. Older foundations are fortunate to have inherited large pools of unrestricted assets, but newer foundations that seek to grow rapidly cannot ignore the preferences of today's donors. Building relationships with donors through donor-advised accounts is often the best way to earn substantial unrestricted gifts in future years.

Ultimately, Mr. Carson's argument rests on two false assumptions: that a donor-focused foundation can never influence its donors, and conversely, that a community-focused foundation always understands community needs.

On the contrary, community foundations often influence donor-advised contributors. No other organization is better positioned to educate individual donors and teach them how to become more effective philanthropists, which certainly benefits the broader community. Foundations have also used donor-advised contributions to create and fund their own innovative programs: The Peninsula Community Foundation raised more than \$4-million from donor-advised accounts for its early-childhood literacy initiative.

It is equally wrong to assume that unrestricted funds always go to meet the needs of the community. Unfortunately, we have seen examples of community-focused foundations that are out of touch with their communities, funding programs that are no longer relevant or were designed without careful research and wide support. Donors, after all, are part of the community too, and donor-focused foundations have sometimes found that paying closer attention to their donors has taught them something about the real needs of their community.

Mr. Carson's conclusion, that private foundations should support the growth and development of community foundations, is one I strongly endorse. But they must recognize the many roles a community foundation can play, and support those that create value for their communities effectively with the full range of tools and expertise at their disposal, rather than depend on a litmus test of their asset mix. And the most effective foundations will be those that listen and respond simultaneously to both their community and their donors.

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