

# On the Brink of New Promise

## THE FUTURE OF U.S. COMMUNITY FOUNDATIONS

By Lucy Bernholz, Katherine Fulton, and Gabriel Kasper



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Charles Stewart Mott Foundation and the Ford Foundation

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# An invitation from the Charles Stewart Mott and Ford foundations

Our two foundations have been privileged to have worked with community foundations across the United States over the past quarter century. For both of us, this is an area of philanthropy we care about deeply. The Charles Stewart Mott and Ford foundations work at national and indeed international levels. Yet we both know how valuable it is for large private foundations to have strong, dynamic community foundations as partners working at the local level. This is why we embraced the opportunity to look deep into the future of the field through the expert eyes of Lucy Bernholz, Katherine Fulton, and Gabriel Kasper.

Over those years, Mott and Ford have made grants to community foundations to build general and administrative endowments, to provide peer-to-peer learning opportunities and technical assistance, and to strengthen programming expertise in areas such as low-income neighborhoods, the environment, and minority communities. We have also assisted the field to develop abroad, and we have helped build the infrastructure for community foundations across the nation.

**We recommend this report to community foundation staff, boards of directors, volunteer committee members, and donors.**

What we and American society have gotten back has been immeasurable. Community foundations are important funding partners at the local, sometimes even the neighborhood, level. Where it may be difficult for a large foundation to make a small grant to a grassroots organization, community foundations can do that, and then share their knowledge. They allow countless donors, large and small, to express their charitable impulses and to give back to their local communities. Across the nation, they have become powerful, robust community assets to address local challenges with courage and leadership.

In today's world, the pace of change is highly accelerated, and the number of community philanthropic organizations has grown dramatically. That is why we asked the authors to explore the future of the field. In the following pages they offer a compelling vision of trends that will affect community foundations and local philanthropy, such as globalization, changing demographics, a shifting regulatory environment, and the commercial sector's interest in philanthropy.

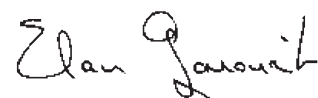
We recommend this report to community foundation staff, boards of directors, volunteer committee members, and donors. It should help them understand the changing world. It will also help them envision how to continue to build this valuable philanthropic asset, and how to use that asset for their community's best advantage, today and into the future.



William S. White  
President & CEO, Charles Stewart Mott Foundation



Susan Berresford  
President & CEO, Ford Foundation



Elan Garonzik  
Program Officer, Charles Stewart Mott Foundation



Linetta Gilbert  
Program Officer, Ford Foundation

# Introduction

**U.S. community foundations have entered a pivotal new era. The generation ahead, from 2005 to 2025, will be marked by dynamic change within and around community philanthropy. Every individual community foundation—and the field as a whole—will face new choices. The path ahead is full of promise. Unfortunately, that promise will not be easily realized.**

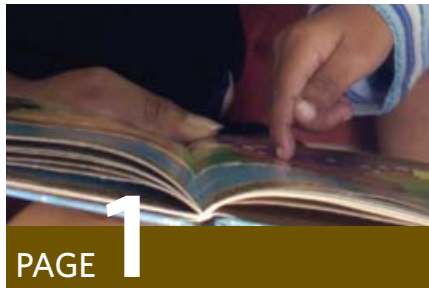
These are bold claims, and we make them only after a process of discovery, analysis, and iteration that has involved more than 300 philanthropic leaders since the spring of 2004. The impetus for the research came from the Charles Stewart Mott and Ford foundations,

who asked us to provide U.S. community foundations with some advance warning about the world to come.

The study looks not just at community foundations, but at the entire field of community philanthropy, which we define as the practice of catalyzing and raising resources from a community on behalf of a community. “Community” itself is defined in a number of different ways, including affinity across geography, issues, and identity. Within this, community foundations are simply one form of community philanthropy, in which the community is defined in terms of geography. As geography has slowly become just one of many ways that people identify their communities, it becomes

## Overview

### Learning from the past



The growth and adaptation of community philanthropy in the U.S. has unfolded in fits and starts. A scan of history reveals an inspiring and instructive story of adaptation and growth.

### Today's landscape for community foundations



Growing competition and diversification within the field have created a very different operating environment for community foundations, and have led to the breakdown of many of the founding assumptions of the organizations.

## ON THE WEB: Tools for building your future

This document contains the synthesis of our findings, and is designed for the leaders of U.S. community foundations, both senior staff and board members. A companion discussion guide and other resources will be available at [www.communityphilanthropy.org](http://www.communityphilanthropy.org) to help individual community foundations apply the lessons of this document to the specific circumstances of their communities and organizations.

increasingly important to understand community foundations as inseparable from this broader whole. In the past decade, the new complexity and competition facing community foundations has led the U.S. field to look inward to the mechanics of philanthropy—areas where organizations can assert control—an understandable, and necessary, first-order reaction to external forces. This new moment clearly calls for the opposite—for looking outward and forward, for embracing the new possibilities and making calculated gambles.

Not all of today's institutions will survive. Some will survive and even grow, even as they become less relevant to the changing needs of their communities.

Others will adapt and thrive in every sense, for bringing people and resources together to address the social, educational, economic, environmental, and cultural challenges of the country's places is an inspiring mission. Indeed, leading our communities toward greater civic resilience and building trusted global connections are among the compelling opportunities of the generation ahead.

What's clear is that in the coming years, community foundations will face a far greater challenge than they have in the past to define and act on their distinctive value to their communities. The good news is that this next era is ripe with opportunities. Our purpose is to help you seize them.

## The emergence of the next era



PAGE **15**

A combination of inescapable external forces—economic pressures, demographic changes, shifting expectations for regulation and accountability, the emergence of the commercial sector as an innovator, and changing relationships between the sectors—is leading community philanthropy toward something new.

## The future is now for community foundations



PAGE **23**

Community foundations have identified many of their current challenges, but the future also holds dimensions that we cannot now predict. Scenarios help shed light on how today's choices might shape tomorrow, and allow us to imagine different, yet plausible, futures that could emerge.

## Lessons from the future



PAGE **35**

Individual community foundations and the field as a whole will need creative and courageous leadership to thrive in the era ahead. Much of the mindset that has guided the field to this point needs to be replaced with a new set of assumptions about priorities, operations, and the definition of success.





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# Learning from the past

To understand the prospects for community philanthropy—and therefore for community foundations—we first have to understand the field’s context and evolution. A scan of key changes, primarily in the United States, reveals an inspiring and instructive history.

The growth and adaptation of community philanthropy in the United States has unfolded in fits and starts. Nevertheless, in scanning the past, we found several formative periods, each marked by notable growth in community philanthropy, changes in the organizational forms and structures, and new roles for both established and emerging structures. Our scan is illustrative, not exhaustive, drawing from those fields within community philanthropy that have the most accessible documentary history. Most of our conclusions are drawn from data on American community foundations, as there is considerably more data on these structures than on others. But we believe that our findings are broadly relevant to all forms of community philanthropy. Closer historical analyses of women’s funds, mutual aid societies, hometown associations, or faith-based giving communities will each reveal its own important storylines as well.

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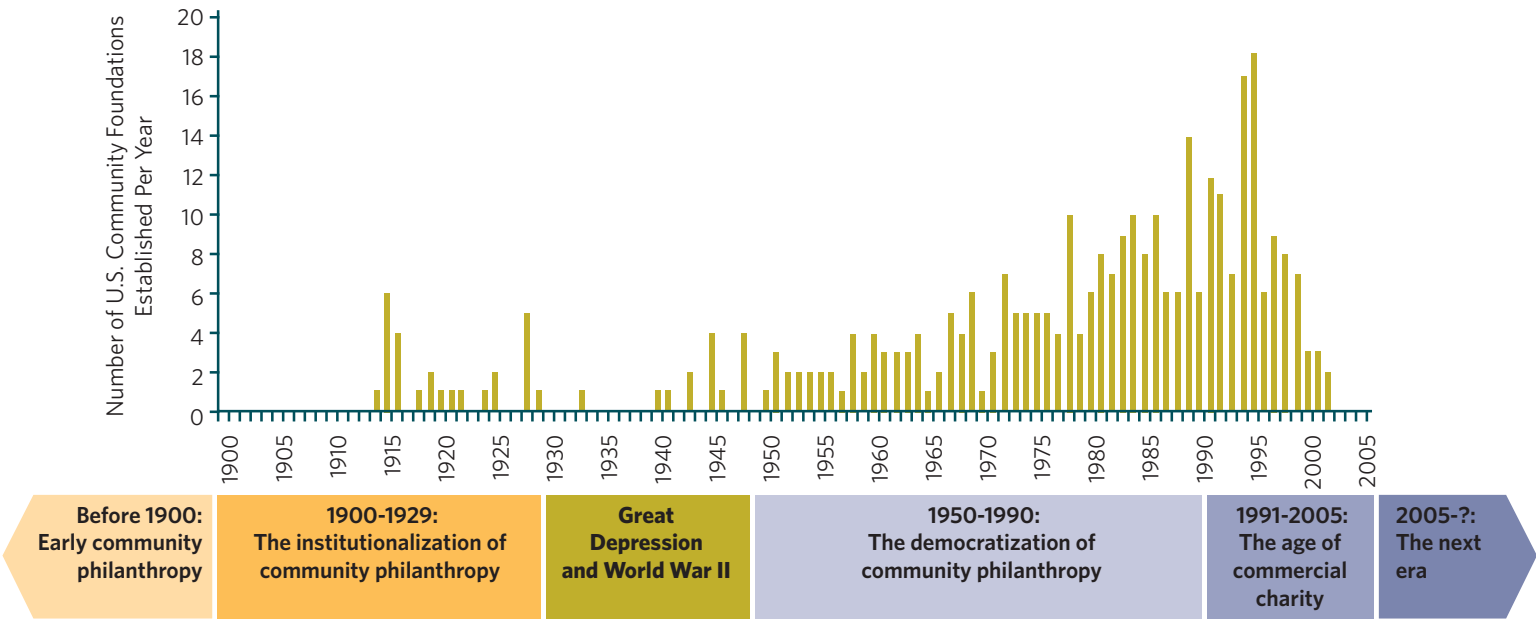
A quick tour of history is important for two reasons. First, it highlights the inherent adaptability of community philanthropy to challenging new circumstances and provides us with an evolutionary understanding of the roles and potential for these organizations. Second, we find in this historical scan moments in time quite similar to the one in which we find ourselves today. We can see how community philanthropy adapted to earlier eras marked by large-scale shifts in economics, demographics, regulatory structures, and social attitudes about the roles of public and private institutions. The debates taking place

today should be understood as part of a long evolution—not as a blip in time, unrelated to what has come before or after.

One key indicator in each era is the growth of community foundations. The first U.S. community foundation was founded in 1914. The ebbs and flows of community foundation growth since then are telling markers, though by no means complete indicators, of the punctuated growth in community philanthropy over the course of the last century. Figure 1 presents a snapshot of U.S. community foundation growth from 1914 to 2005, along with the periods we see in community philanthropy history.

By using community foundation creation as a proxy, the preceding century reveals four loosely defined periods: the era prior to 1900; 1900 to 1929, when the Great Depression hit and reshaped the American economy, politics, and society; a post-War boom era running until 1990; and the more recent explosive growth of the 1990s. Each of these eras is detailed on the following pages, with an emphasis on the commonalities in their economic and socio-political characters and how those influenced community philanthropy.

Figure 1: The evolution of community philanthropy in the United States



Source: Sample of 337 Community Foundations; Foundation Center Data, Monitor Institute Analysis



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## EARLY COMMUNITY PHILANTHROPY: BEFORE 1900

American community philanthropy is a collage of many diverse traditions of giving. In Native American communities, notions of sharing, honor, exchange, and mutual responsibility were already embedded in many rituals, ceremonies, spiritual events, and tribal activities even before Europeans began to arrive in the country. Similarly, Catholics, Protestants, Jews, Muslims, Asians, Latinos, African Americans, and others transplanted and adapted the customs of giving and sharing from each of their cultures.

The last half of the nineteenth century saw the American republic fracture and then rebuild itself. Mid-century was marked by the discovery of new wealth in the American West and, 50 years later, the country experienced an even broader economic shift from agriculture to industry. Finally, the period was marked by massive migration that brought tens of millions of people across the Atlantic Ocean for a new beginning in the United States.

Each of these factors shifted the notion and location of communities in the U.S. and abroad. In many ways, these shifts served to strengthen practices of community philanthropy—of “taking care of one’s own”—that have long been based in the daily practices of community life itself. In booming American cities, immigrant communities organized in pockets locally to help and support one another and to preserve their distinct cultural identities. Enclaves of Irish residents helped new Irish immigrants. Italians supported other Italians, both new arrivals and those back home. Jews aided Jews.

Community philanthropy was simply a part of the way groups of people lived; it was informal and integrated into daily life, just as it long had been for African Americans, Latinos, and other racial and ethnic communities.

By the late 1800s, these unstructured activities were beginning to develop into more organized, charitable bodies to help local populations care for members of their communities. Much of this new institutional philanthropy was organized around religious and ethnic identity. Lutherans and Jews were two of the first groups to formally organize their giving and distinguish between religious activities and community services. Mexicans in the American southwest organized mutualistas as early as the

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1880s, helping newly arrived Mexican immigrants adjust to life in the United States. In the African American community, black churches, fraternal organizations, and Freedmen’s Aid Societies provided relief and assistance to newly emancipated slaves.



This was a period of powerful, and subtle, community philanthropy. Institutions were secondary to the shared identity and commitment within groups. Communities, both geographic and identity-based, were largely responsible for meeting their own needs, as government services were only just beginning to grow beyond elementary schooling and public safety services.

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## THE INSTITUTIONALIZATION OF COMMUNITY PHILANTHROPY: 1900-1929

As the twentieth century dawned, the economic and demographic forces at work on American communities only intensified. Great fortunes were made in steel, oil, and finance. Southern blacks flocked to northern cities; Eastern European immigrants rewrote entire neighborhoods in Greek and Cyrillic alphabets; and brand new systems of public transportation and private motor cars put the entire country on the move. The greatest fortunes lived only blocks from the depths of poverty. From

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San Francisco's geology to Chicago's meat packing plants, every force from city-leveling earthquakes to muckraking journalism to podium-stomping politicians would shine its light on the profound disparities between rich and poor.

These disparities and the varied attempts to redress them radically transformed American expectations for the public sector, private enterprise, and

community organizations. As Carnegies, Morgans, and Rockefellers amassed unprecedented fortunes, they created new institutions to hold them. The private foundation structure was developed, as well as other vehicles for community giving, including giving federations and "community chests," early precursors to the United Way.

In 1914, a Cleveland banker named Frederick Goff created the first U.S. community foundation, The Cleveland Foundation, as a way to collect many charitable trusts under unified management and allow a select group of local leaders to ensure that the funds' charitable directives would be served over time and under changing local circumstances.<sup>1</sup> He then took his "Cleveland Plan" around the country, and in 1915 alone, eight new community foundations were created.

Coinciding with this activity in communities was a seismic shift in the public's expectations for its government bodies. This period gave birth to modern public health systems, social work, public libraries, and high schools. Some of these new public institutions were catalyzed initially with philanthropic support. With the passage of the first federal income tax, the Congress codified tax structures that would shape government services and institutional philanthropy to the present day.

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## THE DEMOCRATIZATION OF COMMUNITY PHILANTHROPY: 1950-1990

Following the Second World War, American communities returned to the work they had left off before the Great Depression. The decade immediately following

V-J Day saw birth rates grow and economic prospects for many turn positive. Even such far off dreams as home ownership and a college education came within reach of millions though public support for GI benefits. Union membership made middle-class lives possible for millions, and New Deal promises such as Social Security let people dream of retirement.

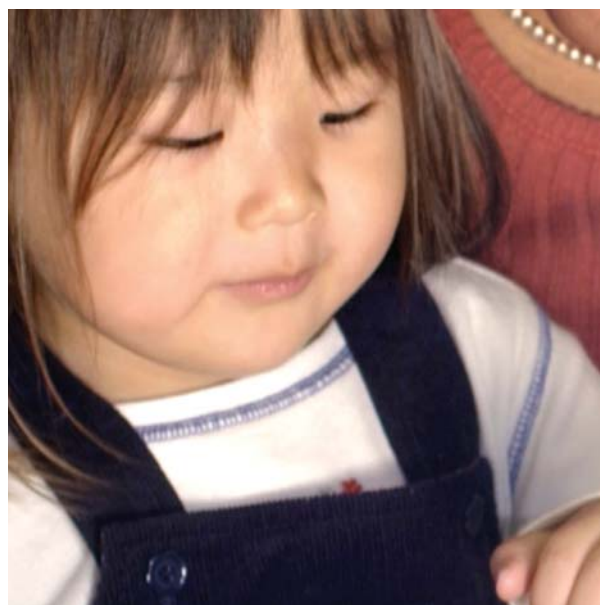
These gains were not universal, however. Race, ethnicity, gender, and immigration status still marked clear divisions in American society after the Second World War. Where it had been necessary to build whole new institutions in the prior era, the fight now was to provide broad access to the rights embodied by those institutions. The civil rights battles for educational opportunity, access to the ballot box, and fair pay marked this 40-year period. In general, these efforts were pitched along two strategic lines: democratizing existing institutions and building ethnically specific organizations that gave communities ownership and control.

For example, in schools the required shift was for access and opportunity. When it came to community philanthropy, however, the emphasis turned to building institutions for self-help. For reasons of both exclusion and self-identification, many African Americans, Hispanics, Asian Americans, Native Americans, women, gays and lesbians, and activists from the environmental or social justice movements often chose to create their own philanthropic institutions rather than fight for inclusion in those that existed. This led to the formation of dozens of women's, Latino, progressive, and other alternative funds.

Within community foundations, the democratization of giving was bolstered in the mid-1970s when national regulatory changes established the "public support test," which required community foundations to demonstrate that they received at least one-third of their support from the general public, in effect launching the widespread practice of donor development.

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This era also saw the spread of philanthropic institutions beyond their original urban centers. Community foundations, once the purview of large cities, spread across the country through the 1970s and 1980s, often aided by support from large private foundations.<sup>2</sup> The tax changes passed in 1969 and enacted by the mid-1970s temporarily slowed new philanthropic formation, but within a decade the rate of new institutional creation was



once again on the rise. By the end of the period, three states in the Midwest—Michigan, Ohio, and Indiana—would account for more than one-third of the nation’s community foundations.

## THE AGE OF COMMERCIAL CHARITY: 1991-2005

By 1990, the American philanthropic landscape was broadly dispersed, diverse in function and form, but uniform in that almost all philanthropic institutions were securely situated within the nonprofit sphere. This all changed in 1991 with the advent of the Fidelity Charitable Gift Fund, a shot across the bow of endowed philanthropic entities. With that single product launch, the commercial financial services firms that had played a supporting role to nonprofit philanthropy for generations showed that they were ready to sell “direct to the customer.” Other commercial enterprises quickly followed suit. During this period, community foundations also grew

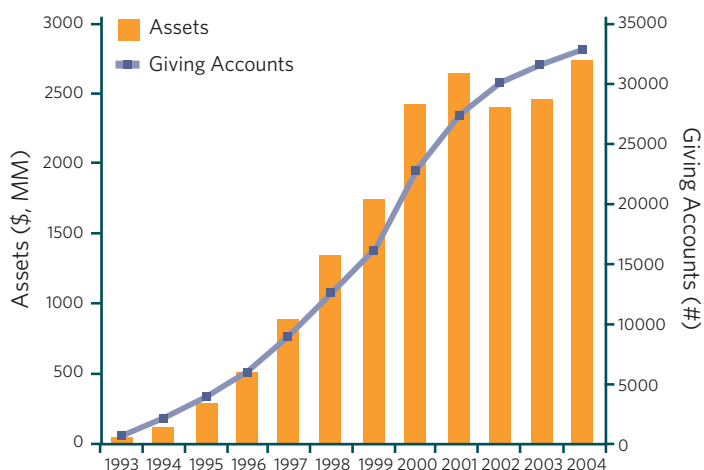
tremendously in both number and assets. Within a single decade the commercial financial services sector established itself as a major purveyor of philanthropic products, and community foundations found themselves focusing anew on organizational efficiencies and alternative streams of revenue.

The interest in philanthropy was, of course, a natural outgrowth of the search for new products and services to the wealthy—a group growing rapidly in number because of the long bull stock market, the growth of the mutual fund industry, large-scale generational wealth transfers, and the boom in technology stocks. That wealth created not only more philanthropy but the sudden realization that philanthropy was a *business* and potentially a profitable market or product extension for financial services firms.

The nonprofit sector of philanthropy responded to the entrance of commercial firms by getting organized. Together, community foundations created Community Foundations of America and the Community Foundations Leadership Team of the Council on Foundations; regional associations of grantmakers in Michigan, Wisconsin, and elsewhere began to work to strengthen community foundations in their territories. These groups spent significant resources to improve their members’ operating practices in order to compete in a world in which access to information is instant and consumers hold the power of choice.

Commercial funds, motivated to maintain customer relations and portfolio assets, extended and accelerated the field’s use of asset size as a proxy measure of success. Where growth mattered explicitly and for

**Figure 2: Fidelity: Growth in assets and giving accounts**



Source: Fidelity Annual Report, 2004

obvious business reasons to the commercial players, in the past 15 years it has become a measure of meaning for most community foundations as well.

It was the more fundamental shift in the power of the consumer, however, that truly transformed philanthropy in this period. Unleashed by the Internet, the combined force of consumers' access to information and new business models that bypass intermediaries reshaped industries as diverse as auto sales, journalism, financial services, music, movies, and publishing.<sup>3</sup> This force has only just begun to hit philanthropy and the broader nonprofit sector.

Online giving raised an estimated \$2 billion in 2003, up more than 60 percent from 2002,<sup>4</sup> with enormous potential for even more growth. Despite the tremendous response in the wake of the Southeast Asia tsunami (where online giving alone raised over \$350 million for relief efforts)<sup>5</sup>, still just 13 percent of Internet users report having ever given to charity online.<sup>6</sup>

This age of commercial charity has led us to our current circumstances, and to the brink of a new era for community philanthropy.







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# Today's landscape for community foundations: An assault on old assumptions

The cumulative changes both inside and outside philanthropy have created a challenging new landscape for community foundations that is remarkably different from a generation ago. If the last era forced community foundations to improve themselves operationally, the coming decades will challenge them to define and distinguish themselves strategically.

Before looking at the forces that are creating the next era of adaptation, it is worth pausing to take a closer look at community foundations' present operating environment—the growing competition, the diversity within the community foundation field, and the breakdown of many of the fundamental assumptions that once guided community foundations.

## THE NEW COMPETITION

The most striking aspect of the new environment is the diversity of competitive forces that have emerged. Regardless of where you reside, chances are good that your community is now served by several kinds of philanthropy organizations besides the local community foundation. The next two pages highlight the changing landscape in which community foundations are operating—first listing many of the types of philanthropy organizations now found in communities, and then, in Figure 3, picturing the other competitive forces at work in the field.

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## The landscape of community philanthropy today

Community philanthropy is as old as human civilization. Born from innate human desires to care for our neighbors and improve our surroundings, groups of people have long expressed their mutual responsibility through aid societies, faith groups, funeral societies, loan funds, and community funds in virtually every place and every culture.

Over the last century, the long-standing functions of community philanthropy—mutual assistance and shared responsibility—have not changed. However, the number and types of institutions that provide these functions and the scale of the resources involved have grown exponentially. Community philanthropy organizations now number in the thousands, manage billions of dollars, and regularly act in the public eye and on the public's behalf. Below is a select snapshot of some of the most prominent of today's players.

**COMMUNITY FOUNDATIONS.** More than 46 countries are now home to 1,175 community foundations.<sup>7</sup> The growth of these organizations has been unprecedented, with the United States itself experiencing almost 300 percent growth over two decades, from the 250 community foundations that existed in 1985 to approximately 750 today.<sup>8</sup> These organizations control more than \$30 billion, and range in size from a few thousand dollars to almost \$2 billion in assets.<sup>9</sup>

**UNITED WAYS.** There are more than 1,400 United Way chapters in the U.S. Focused primarily on workplace giving, they generated more than \$4 billion in revenues in 2003-2004.<sup>10</sup> United Ways and other workplace giving funds can be found in many parts of the world.

**FEDERATED GIVING.** Hundreds of Jewish, Lutheran, and other federated charities exist in the United States and abroad. They are a mix of multimillion dollar endowments and annual giving campaigns, small entities focused on single cities, complex international organizations that aggregate many small gifts into significant global revenue streams. North America is home to more than 150 Jewish federations with assets of more than \$7.9 billion.<sup>11</sup>

**IDENTITY-BASED FOCUS FUNDS.** The exact number of funds that serve communities defined by race, ethnicity, gender, religion, and other identity-based distinctions is not known, but is at least several hundred. There are more than 100 institutional members of the Women's Funding Network and more than 50 funds for Native Americans. Similar funds exist for Asian American, African American, and Hispanic communities; gay and lesbian populations; and most religious denominations.<sup>12</sup>

**ALTERNATIVE AND COMMUNITY-BASED PUBLIC FOUNDATIONS.** A 2004 National Committee on Responsive Philanthropy report identified 192 community-based public foundations in the U.S. These include identity-based funds, funds for communities galvanized by common political beliefs, and issue-specific funds dedicated to education, health, and other issues.<sup>13</sup>

**GIVING CIRCLES.** A 2004 survey found 220 U.S. giving circles—more or less formally organized groups of individual donors who come together to learn and give collectively—and estimated that the actual number of circles is many hundred higher.<sup>14</sup> Social Venture Partners, one form of giving circle, has chapters in more than 20 U.S. cities and is helping chapters develop in Europe, Canada, and Mexico.<sup>15</sup>

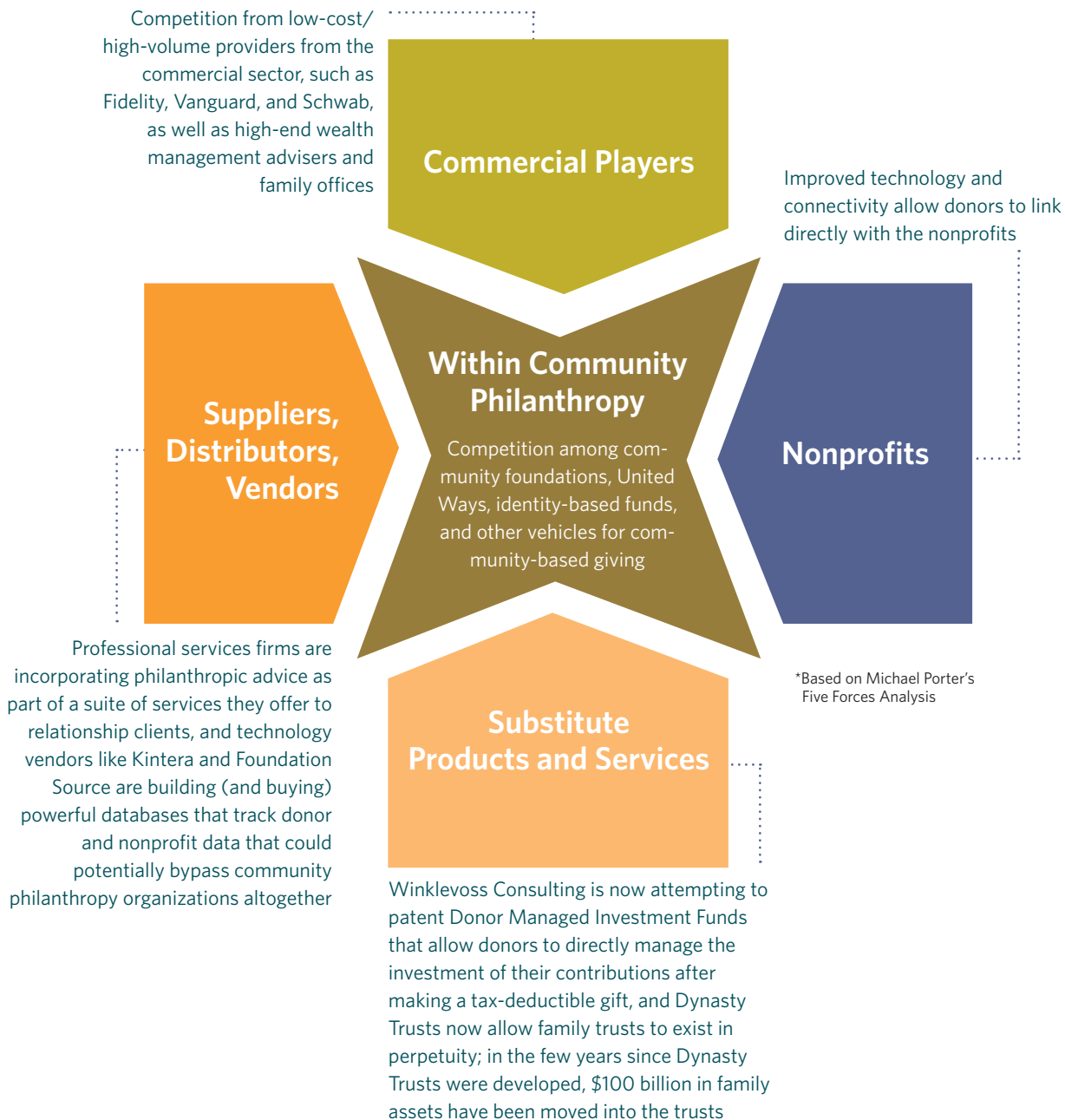
**HOMETOWN ASSOCIATIONS AND OTHER REMITTANCE GIVING.** Immigrant groups have always sent money home, and in recent years this giving has been aided by formal organizations. In 2003, for example, more than 600 Mexican Hometown Associations (HTAs) contributed to the flow of funds from Mexicans in the U.S. back home. The total given exceeded \$13 billion.<sup>16</sup> These associations pool many small gifts from donors to provide substantial aid to their towns and communities.

**HEALTHCARE CONVERSION FOUNDATIONS.** More than 165 new foundations have formed in the last two decades as hospitals, health plans, or health systems have converted their status from nonprofit to commercial.<sup>17</sup> As a result, new entities dedicated to community health were born, many of which operate as public grantmaking charities. Almost all of these are required to involve target populations in their work, creating new forms of community accountability mechanisms.

**COMMERCIAL CHARITABLE GIFT FUNDS.** Fidelity Investments launched a new age of philanthropy in 1991 with the introduction of its Charitable Gift Fund. Since its inception, the Fidelity fund has brought in more than \$3 billion in assets<sup>18</sup> and attracted a multitude of similar products from Fidelity's competitors. In 2004 alone, the 23 commercial gift funds surveyed by *Bloomberg Wealth Manager* magazine saw their assets rise 27 percent to \$5.1 billion.<sup>19</sup>

Some of these institutional forms were nurtured within community foundations themselves. Others were created because specific communities felt excluded from community foundations or as intentional competition to them. In a sense, community foundations have helped create many parts of the crowd in which they now find themselves.

**Figure 3: Today's competitive environment for community foundations**



The increasingly crowded nature of the field prompts new questions about the relationship between community foundations and the rest of community philanthropy. What does real cooperation across community philanthropy look like? How do innovations that come from outside the field, such as Donor Managed Investment Funds and Dynasty Trusts, affect community foundations? What are community foundations best positioned to create, and how can they catalyze the necessary innovation? How can community philanthropy accelerate its work by capitalizing on commercial investment in new products? What must community foundations do to remain necessary partners as donors and nonprofits become ever more able to access and assess each other directly?

## DIVERSITY WITHIN THE FIELD

As community foundations have responded and adapted to their communities' needs and to new players and new forces, the field has grown dramatically more diverse. Today, a community foundation in the U.S. can be:

- Located in a rural, agricultural area, with assets of less than \$2 million, with a working board that cooperates with local government to plan, and in some cases operate, major infrastructures projects, among many other things needed by its community.
- Located in a large metropolitan area, managing more than \$850 million in assets in more than 1,500 funds, making annual grants in a traditional philanthropic style of almost \$75 million a year.
- Located not in a local community, but instead in a state, serving as an umbrella organization for more than \$100 million in assets spread across regionally distributed offices that make grants from more than 130 funds advised by local councils.

Although they look very different, each of these is still a community foundation, which raises a question: What do community foundations really have in common, and how do they differentiate themselves from others working on behalf of communities?

## ORIGINAL PRINCIPLES—AND HOW THEY'VE BEEN CHALLENGED

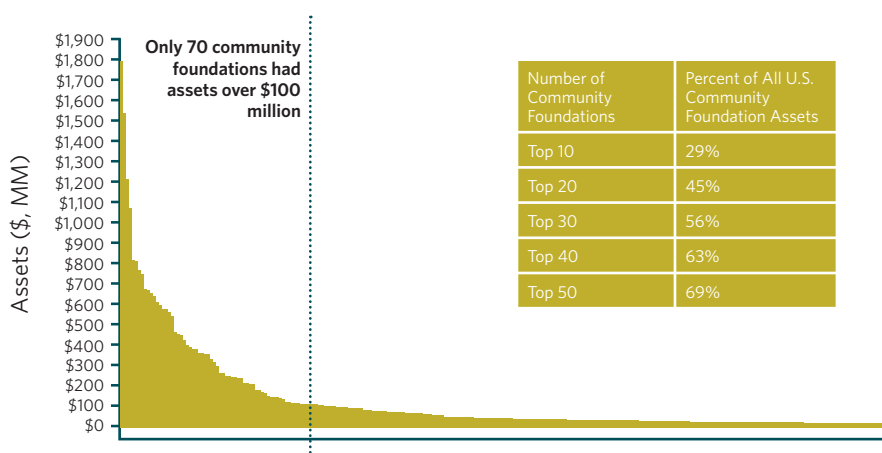
Many of the original assumptions that guided the early community foundations—and continue to influence the DNA that forms community foundations' core identity today—no longer necessarily fit today's operating environment.

A close look at history indicates that the following five key principles once guided the first community foundations. For each, we have noted how changing circumstances have now altered the relevance or meaning of that principle.

**1) The money comes from within a community and goes to that community**—which is defined by place. This principle was rooted in the importance of geographic communities in a time when long-distance travel and communication were expensive, time consuming, and often very difficult.

But today, with advances in technology and transportation, individuals are no longer as bound to a single place as they once were, even as place remains central. People now identify in many new ways—by race, ethnicity, gender, religion—and through the course of their lives they may develop deep relationships with several places. They emphasize some elements of

**Figure 4: Community foundations sorted by asset size, 2003**



Source: The Columbus Foundation, Community Foundation Survey 2003; sample n=645

their identity more than others at various times in their lives, and want multiple, meaningful connections to all relevant communities.

**2) Community foundations do multipurpose, non-sectarian giving.** Individuals and communities in the first part of the twentieth century were tightly connected to houses of worship that managed their own fundraising. Non-sectarian groups and community issues needed alternative structures of support.

Since then, entire systems of social services, arts, health providers, and educational options have developed outside of sectarian worship, and vast public programs have been built, redesigned, and devolved that address community needs.

**3) The purpose is to build a permanent non-profit institution that both honors donor intent and flexibly responds to community needs over the long term.** Back when the first community foundations were established, many kinds of institutions in the U.S. were being built to serve as reliable, credible pillars of society. While few members of society had estate resources, those who did had few ways beyond the promises of family members to ensure that their charitable goals were carried out after death.

Today, there are many other visible alternatives for long-term estate planning that did not exist a century ago, and the credibility of institutions of all kinds has eroded. Furthermore, while giving in perpetuity still has appeal for some donors, especially late in their lives, a new generation of donors is just as interested in making an impact today, while they are alive.

**4) Money comes from wealthy elites who also decide where it goes through governance power.**

This principle would not have been questioned in a time when communities had clear social hierarchies and individuals and families with financial resources could expect to exercise influence without being seen to do so, much less held accountable for how they did so.

Social hierarchies are not as stratified as they were a century ago, and many disenfranchised communities are now calling for greater control over their own direction.

**5) Community foundations serve the community by being a bank for philanthropic transactions.**

Banks were once trusted financial institutions; there was a belief that the community needed a bank for social resources just as it had a bank for local business needs. The same decision-makers often led both organizations.

Today, banks and other financial institutions no longer have the untarnished reputations they did when community foundations came into being. Individuals are increasingly able to manage their assets on their own, without the intervention of traditional intermediaries.

The slow erosion of the relevance of these principles has made it increasingly difficult to understand community foundations as a unique field, distinct from the rest of community philanthropy.

But here's the real kicker: The changes have only just begun, as the next section will demonstrate.





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# The emergence of the next era

The past eras show how philanthropic institutions are shaped by economic pressures, demographic shifts, and the relationships between communities, commerce, and the public sector. The current changes in our economic, demographic, and sectoral relationships are at least as profound as those of earlier eras.

Our research indicates that a “fifth” formative period is now beginning. The changes coming in this period will challenge the core assumptions around which community foundations have built their operations.

We expect that the coming period will evolve more rapidly than its predecessors, and that the rate of change and required adaptation will continue to accelerate in the future. Thus, the next two decades may even see two cycles of adaptation and reformation for community philanthropy, whereas previous periods often took a generation or longer to fully play out.

The community philanthropy that we know today will not disappear, and its descendants will surely resemble some of what is now familiar. But like it or not, a combination of inescapable changes will alter many fundamental aspects of community philanthropy. Community philanthropy, our research shows, is heading toward something new.

It is worth taking a closer look at the forces that are shaping this new era.

**The community philanthropy that we know today will not disappear, and its descendants will surely resemble some of what is now familiar. But like it or not, a combination of inescapable changes will alter many fundamental aspects of community philanthropy.**

## ECONOMIC PRESSURES

*The economic changes now underway ensure that communities that have experienced profound success in the past generations are by no means assured of success in the near or long-term future. Wealth will be created in places and in ways unfamiliar to us now; some communities will benefit while others will fail.*

The shift from the agricultural to the industrial age at the turn of the last century unleashed new fortunes, new poverty, new politics, and new global relationships. Changes spawned by the current global transition from the industrial to the information age are already proving equally profound. As the U.S. displaced Great Britain as the world's largest economy a century ago, China and India are now predicted to eclipse the U.S. in less than two decades. New global telecommunications networks and skilled workers in these nations are shifting the locus of all manufacturing work from the Western Hemisphere to the East, while also rewriting global expectations on where professional services such as accounting, software development, engineering, and design take place.<sup>20</sup>



The economic upheaval of the last century was met with great institution building efforts and new demands for public services; current reformers are now fighting about the shape and scope of those same institutions and services. Americans are in the midst of a major overhaul of social welfare programs, medical support for the elderly, and public retirement plans, even as the country's elderly become a larger percentage of the population than ever before. We are in the midst of a significant decline in the ratio of workers to retirees,<sup>21</sup> and whole industries from airlines to auto makers are turning to the public sector to meet their pension obligations. The pitched political rhetoric and divisive nature of the U.S.'s first two twenty-first century presidential elections may only increase as the global wealth disparity continues to grow and the gap challenges societies at local, state, national, regional, and international levels.

That there will continue to be turbulence and economic upheaval is certain. That they will affect community philanthropy is also certain. Communities have already seen significant shifts in leadership as corporations have merged and moved out of the communities that spawned them. The globalizing economy is likely to accelerate the mobility of corporations and their jobs. Decisions about economic policy at the national and global levels, as well as local experiences of gaining or losing jobs and industry, will determine community by community whether the coming age is prosperous or embattled. This is the context in which community philanthropy will seek to define, and continually redefine, its niche.

## DEMOGRAPHIC CHANGES

*In the next 50 years, the U.S. will grow bigger, older, and more diverse.<sup>22</sup>*

The face of America in 2050 will be quite unlike what it was in the 1950s, or even 2000. It is already changing astonishingly quickly in some regions. On the whole, the nation is getting older and more diverse, and the overall population of the country is expected to increase by almost 50 percent by 2050, much of the growth due to immigration. As the early twentieth century saw great growth in new immigrants in a short quarter-century or so, the next 25 years will also see large numbers of new immigrants. A baby boom within certain ethnic groups is also underway. In fact, most of the growth in the U.S. population in the next 50 years will be among Hispanics and Asian Americans.<sup>23</sup>

The white population is growing at the slowest rate and makes up the largest percentage of residents over age 65. By 2030, the U.S. as a whole will “look like Florida,” with one in five people over age 65.<sup>24</sup>

Aging populations put a different set of priorities before public policy makers and may significantly shift public resource flows from youth and education services to elder care and medical support. The balance between workers (who are increasingly diverse) and retirees (who are predominantly white) will be unlike any other point in American history. This has already informed fairly dire predictions about tax revenue and the cost of public services; the cultural and social implications (e.g., on mobility, community concerns, safety, family structures) are subjects of much speculation.

Of special note to community foundations is how the aging population will influence estimates of

wealth transfer between generations. As lifespan increases, medical and living costs rise. Coupling these new demands with uncertainties about everything from estate taxes to public health and social security programs for the elderly adds up to a great set of unknowns for elderly residents, their families, and their communities.

As the overall population grows, communities (and community philanthropy) will be influenced by migration patterns within the U.S., rural and urban discrepancies, and new or emerging population centers.<sup>25</sup> The social dynamics and politics of places will shift as new population majorities are established or emerge. Community philanthropy faces the increasing mobility of residents, more temporal or seasonal populations, and an increasing percentage of donors who have the technological wherewithal to direct their giving themselves as they move from place to place.

## CHANGING EXPECTATIONS FOR REGULATION AND ACCOUNTABILITY

*Philanthropy in the next generation will operate under increased regulatory and public scrutiny. It also will become increasingly sensitive to changes in related systems such as tax law, homeland security, and intellectual property law.*

Regulation in one form or another reared its head as a force in each of the previous eras of adaptive change, first with the passage of the income tax, then with new tax regulations in 1969, and again when the commercial gift funds were approved by the IRS in the early 1990s. The nested systems of regulation that guide philanthropy are complex and involve tax structures at multiple jurisdictional levels (state, national, international) and can be shifted

by new regulations on organizations (foundations) and/or individuals (the estate tax).

The combination of increased public awareness of philanthropy, fueled by national disasters (natural and manmade) and public oversight by legislators and regulators (from state attorneys general to the IRS to Capitol Hill), sets the stage for an era of continued regulatory proposals and revision. Philanthropy is also affected by changes to regulations from other sectors, including intellectual property and copyright law, homeland security, communications, civil rights, immigration law, and the personal and corporate tax codes.<sup>26</sup>

Alongside the external regulatory activity, organized philanthropy continues to implement efforts at self-monitoring. More than two-thirds of U.S. community foundations have taken the first step toward compliance with national standards. In addition, common stewardship principles were developed and launched for corporate, independent, and family foundations. All of this activity creates an important edge of uncertainty for community philanthropy.

## THE COMMERCIAL SECTOR AS INNOVATOR

*By 2025, and perhaps much sooner, even philanthropic transactions with complex tax implications will be as easily processed as credit card or ATM transactions—and the need for help of the kind that created community foundations in the first place will lessen. This does not mean help will not be needed, but that help may change in nature. As it does, community philanthropy will be nested differently in the advisory universe.*

Ever since the age of institution building, community philanthropy has been connected to several allied industries, such as accounting, tax law, estate planning, investment advising, and financial management. As institutions have grown, these connections have tightened. Technology vendors that build software and hardware systems for managing grants, investments, and entire charitable operations are the latest new player in this mix. As each of these industries innovate, merge, and develop new services, they force the others to do so as well, each exerting and responding to ebbs and flows in the others.

The age of commercial charity was driven in large part by innovation within the financial services industry. Much of today's dynamism is coming from the technology companies that provide software systems and platforms for managing grantmaking, investments, and foundation administration. The same technological advances that forced down the costs of transactions while raising the bar on reporting accuracy, speed, and access will soon introduce derivative products that will challenge community philanthropy's dominance of knowledge and leverage services as well.

Each of the technology vendors now selling grants management, donor-advised fund management, or foundation administration platforms are creating enormous proprietary databases on donor behavior and grants. Trend reports and aggregate data analyses from these sources could ultimately replace current nonprofit industry data resources such as the Urban Institute and Foundation Center. The commercial sector prioritizes product develop-



ment and is motivated to innovate on information delivery, subscription models, syndication, real-time reporting, and any other packaging of models that proves profitable. Their independence, built-in scalability, and customer focus give them an important advantage over individual and joint efforts by community foundations. Given this, we anticipate that commercial vendors will continue to be the source of much of the new product innovation in philanthropy.

These shifts follow on a decade that significantly lowered the costs of conducting philanthropic transactions and gave the advantage to mass providers.<sup>27</sup> As a result, transactional efficiency has shifted from being a distinguishing value to being a baseline standard that community philanthropy organizations must meet. Community foundations now seek to define themselves by broad-based knowledge, social missions, the potential to leverage other donors, and the breadth of services they can provide to communities.

These services are directly in the line of sight of the commercial sector. Commercial innovation threatens community philanthropy organizations' position as the premier provider of services to match donor interests with community causes and its role in helping donors find peers and leverage their gifts. Specifically, it will put the tools for finding partners or pooling funds, benchmarking progress, and aggregating information in the hands of consumers, at unbeatably low prices, and with "always on" availability.

Many of the industries that have traditionally partnered with community philanthropy are also



changing in significant ways. For example, law firms are bringing in finance and philanthropy experts and credit unions have developed an international remittance network to compete with global banks. Family offices and wealth management advisers are growing in number, services, and assets under management.<sup>28</sup>

The banking industry is of special note, as it is a highly regulated and globally dynamic industry in which changes can have an almost immediate influence on philanthropy. Banking regulations in the European Union have already caused sea changes in community philanthropy organizations. Financial industry watchers are paying attention to the

**Transactional efficiency has shifted from being a distinguishing value to being a baseline standard that community philanthropy organizations must meet.**

provision of retail financial services by Wal-Mart, the growth in international remittances facilitated by global banks, the creation of new financial products such as PayPal, and increasing concerns about identity theft and financial security.

We can expect all of these industries—banking, law, accounting, and finance—to continue seeking opportunities to direct the flow of philanthropic assets, either by doing it themselves or through cost-efficient relationships with other vendors (possibly community philanthropy organizations).

### CHANGING RELATIONSHIPS BETWEEN SECTORS AND NEW EXPECTATIONS FOR PUBLIC PROBLEM-SOLVING

*Ongoing structural shifts in government services and corporate responsibility will require philanthropy to continually assess these relationships as it defines its role.*

Each of the previous eras of community philanthropy saw new norms emerge for the expectations of communities, the public sector, and private corporations. The age of institutionalization coincided with broad new expectations for public systems, as well as the creation of permanently endowed, proud community institutions dedicated to knowledge, health, and well being. After the Second World War, whole classes of Americans joined the ranks of college-educated homeowners by virtue of public incentive programs. By the end of the last century, many of our expectations for community benefit had shifted to corporate entities, as we depended on jobs for health insurance, sought corporate social responsibility in our stock portfolios, and turned to financial services firms for philanthropic products.

**Individually and together, the roles and responsibilities for community philanthropy, the public sector, and private enterprise are in flux.**



In line with this increasing reliance on corporate goodwill has been a long-term reconsideration of the role of the government in American life. Slow but steady progress has been made in shifting federal programs to the states, and deregulation of industry has been a primary element of almost every presidential administration since Richard Nixon.

The result for community philanthropy is an uncertainty in its relationship to local government decision makers who have new responsibilities but not the accompanying funding to fulfill them. The devolution of funding and social services, new demands for homeland security, and the extended deployment of National Guard troops have increased demands for local services without any concurrent growth in local funding.

As government and corporate roles and responsibilities have shifted, the nonprofit community benefit sector has been exploding in size and diversity. More than 1.5 million organizations that account

for 5 percent or more of U.S. gross domestic product make up the American nonprofit sector.<sup>29</sup> Most of the organizations are small, local entities, but the sector also includes large slices of the healthcare industry and the majority of higher education and religious institutions. Within this broad expanse can be found 72,000 philanthropic foundations, nearly 1,000 of which are classified as public grantmaking charities. The universe as a whole is large. In many regions of the country it is so densely packed that the differences between nonprofit organizations, community philanthropy groups, and faith-based social service providers are hard to articulate.

This all adds up to a dynamic set of changes within philanthropy and around it. Even as community philanthropy navigates the effects of government devolution on local social services or cultural entities, it is also trying to attract corporate partners. Individually and together, the roles and responsibilities for community philanthropy, the public sector, and private enterprise are in flux, greatly magnifying the intensity—and the potential—of our current time.



*Community foundations have identified many of their current challenges, but the future also holds dimensions that we cannot now predict. Scenarios help shed light on how today's choices might shape tomorrow, and allow us to imagine different, yet plausible, futures that could emerge.*

# The future is now for community foundations

It is not simply the presence of deep changes in separate realms that will force community philanthropy to adapt. It is the ways in which these forces combine and compound one another that mark true transition periods. This is why we conclude that:

- The combination of the new complex environment within philanthropy and the inescapable forces around the field is already creating a new wave of adaptation in community philanthropy.
- The next generation is likely to create surprises as important as Fidelity's entrance into the field in the past generation.
- In the coming years, community foundations will face a far greater challenge than they have in the past to define and act on their distinctive value to their communities.

In this section, we do two things to begin to make sense of how the future might evolve from the choices being made today. First, we highlight a few themes that we believe will characterize the next era. Then, we dive into key aspects of the ways community foundations and other community philanthropy organizations might respond to the forces we have been outlining. We'll do this by telling some brief stories of the future, looking back from 2025 at how today's field might change.



At a high level, it is important to stress that we do not think that growth will be the defining characteristic of the next era in community philanthropy as a whole and community foundations in particular. By virtue of their endowed invested status and new wealth creation and transfer, philanthropic assets in the United States will grow over time even if nothing more is done from now on. But growth in assets cannot—and should not—be equated with success. It is an easy marker, but not the most useful one. As the responsibilities and potential for philanthropy are recalibrated in this coming era, the measure that matters will be impact, not asset size.

**As the responsibilities and potential for philanthropy are recalculated in this coming era, the measure that matters will be impact, not asset size.**

Measuring impact is hard. This is partly why asset size has been so popular—it is an easy proxy. The task of measuring impact is not going to get any easier. Indeed, it is likely to get harder, as investments become more complex and strategies involve multiple partners. But doing the easy thing because the right thing is too hard is no longer an option. Community foundations must find ways to help gauge improvement, if for no other reason than to distinguish themselves in the increasingly crowded marketplace of choices.

While those institutions that are already established and endowed are unlikely to disappear, we expect that U.S. community philanthropy will undergo an initial fracturing in the coming years as identity-based and other focused groups proliferate to serve the (often sizeable) interests of specific communities. The abundance of organizations serving some

communities, however, may reward consolidation, as the emphasis rightly returns to the function of philanthropy, not its operational structure. At the same time, philanthropists will begin to capitalize on the power of the Internet, and this will drive all intermediary organizations to prove again and again the value they add that justifies their additional cost.

Another major factor to highlight is that what we are experiencing today is both deep, structural change *within* each of the sectors—nonprofit and philanthropic, commercial, and public—and rapid re-alignment in the relationships *between* these sectors. In a time of such disruptive change, individual organizations must define their value within their own sector *and* the sectors must calibrate their roles in relationship to one another. Only then will communities realize their promise.

Here we can see the real opportunity that has been created by the great distance community philanthropy has already traveled over the last century. Disparate local action was once the content and the sum of the whole. Now we have parallel, yet disconnected silos of foundations, federations, identity-funds, giving circles, and workplace giving efforts. Where we once had only a “bottom,” we now have a system with many “bottoms” and many “tops,” each operating only within its own structural realm and with few if any positive connections across the different forms.

As community philanthropy organizations of all kinds look to distinguish themselves from the crowd, one of the obvious answers will be to join together in new combinations—because of the need for efficiency and the need to create value in new ways

caused by the shifting sectoral dynamics. Therefore we believe the next era will be characterized not just by consolidation, but also by the creation of many new fluid and temporary networks that come together to meet common goals.

The coming cycle of change will be dynamic and have many dimensions we cannot now predict. Expanded regulations may create opportunities for new nonprofit structures or even more commercial innovation. The standards movement within community foundations and similar efforts at self-regulation in other arenas of community philanthropy can play out many ways. Alternatively, newly consolidated or allied organizations may unleash creative ways of applying resources across sectors, leading in turn to entirely new measures of impact.

As the universe of community philanthropy has expanded, the number and types of networks have also grown. Some of these are affiliation-based, decision-making bodies such as United Way or Community Foundations of America. Others, such as the Philanthropy Roundtable, are loose collections of organizations that share a political point of view or a common belief in how change happens. Still others, such as the Alliance for Charity Reform, are created by their funding organizations to promote specific regulatory or legislative agendas. The decisions made by and for these alliances, and the organizations that constitute them, will be factors in how the future unfolds.

The scenarios that follow are designed to help shed light on how choices made today within the field of community philanthropy could shape the field tomorrow. Scenarios are invented stories that help

## Standards and outsourcing

The standards movement is a key element in defining the success of the next decade for community foundations. It is absolutely essential that American community foundations meet national standards for ethical behavior, accountability, transparency, and transaction processing. But that is a first step, not an end game.

The national standards will not themselves bring about standardization, but the forces of industry evolution will. Writing about the role that standards play in all industries in the *Harvard Business Review*, Thomas Davenport says, “A broad set of process standards will soon make it easy to determine whether a business capability can be improved by outsourcing it. Such standards will also make it easier to compare service providers and evaluate the costs versus the benefits of outsourcing.” Most community foundations already rely on commercial providers of payroll services, legal and accounting processes, investment advising, grants processing, online content management, and fund accounting. As the field has articulated its standards of practice for accounting, reporting, monitoring, grant processing, and so on, it should assume that those processes that can be standardized will be. They will then become automated and offered for sale back to the community foundations at prices lower than they can do those functions in-house (think of payroll processing or benefits management) and with greater accuracy.

The question to be asked is: Which processes matter to who we are and what we do? The opportunity for community foundations is to embrace those back-office tools and restructure their front offices to be innovative contributors to community improvement.

\* Thomas H. Davenport, “The Coming Commoditization of Process,” *Harvard Business Review*, June 2005, p102.

us imagine different, yet plausible, futures. They challenge us to test assumptions about what might happen and why, and to carefully consider our choices for adapting to change. The purpose of creating them is to help craft strategies based as much on tomorrow's emerging shape as on practices from the past.

There are literally endless combinations of the external forces we have described and innumerable possible responses to them. The following scenarios were selected to give a flavor of these possibilities, and they highlight some of the coming threats and opportunities that we believe have not yet received the attention they deserve. Many oth-

er stories could—and should—be told, because looking ahead in this way helps leaders build skill in seeing changes more quickly. This, in turn, helps organizations respond more rapidly, shaping their own future before someone else shapes it.

The seven sketches that appear here look back from 20 years ahead, in the year 2025. They are clustered around three overall themes that we believe warrant special consideration: the need to experiment with new ways to create benefit for communities, the pressure for accountability, and the response to innovation from the private sector.

## SCENARIO THEME 1: CONFIGURING FOR COMMUNITY BENEFIT

The complex environment that community philanthropy organizations now operate within will require them to consider new ways of aligning and arranging themselves to achieve greater impact on their communities. The first three scenarios highlight opportunities for community philanthropy organizations

to work with one another and their constituencies in new ways. In the first, we describe a future in which shared commitment to a community could allow several different types of organizations to consolidate their efforts. In the second, we explore what might happen if a set of community philanthropy organizations

began to coordinate their efforts to achieve shared goals. The third describes a trajectory where a community foundation rethinks its business model to serve its community better.

### IMAGINING THE FUTURE

All situations described in these scenarios are fictional. When possible, the names of organizations have been selected to convey a real sense of place and activity. This is not, however, intended to reflect the choices and behaviors of actual organizations.

## SCENARIO

### Consolidating for clout

By 2010, the permanent repeal of the federal estate tax and the discontinuation of tax deductions for gifts of land dried up much of the expected intergenerational transfer of wealth and significantly reduced prior levels of charitable giving. With charitable contributions down more than 25 percent from their peak in 2005, Miami/Dade County United Way CEO Bruce Dallimore, Miami Community Foundation president Tanya Anderson, and United Cuban American Fund executive director Juan Lopez Famosa convened 10 Miami-area community-based foundations (including the Dade County Black United Fund, the Miami Public Foundation for Justice, the Miami Gay and Lesbian Fund, the Dade County Social Venture Partners, and the community giving programs of BankUnited and the Carnival Corporation) to discuss ways they could collaborate to cut costs. In an unprecedented move, all 10 organizations agreed to merge under the umbrella of the consolidated Miami Funding Center (MFC) over the next five years, although they each maintained their separate identities and programs.

"The initial idea was that it just didn't make any financial sense for all of us to have our own separate organizations and back offices anymore," explained Dallimore, who shifted from the United Way to manage the MFC. "But what we ended up finding is that the benefits of consolidating have been far greater than any initial cost savings we were originally hoping for."

The closer relationship among the funds also helped them see where their interests and expertise overlapped and complemented one another. With help from the John S. and James L. Knight Foundation, the MFC began to map funding flows in the metropolitan area, which it used as the basis for coordinating local activity on four key local priorities: healthcare for the elderly, early childhood development, job training, and after-school care. This tool and process proved particularly valuable as public funds for these programs continued to shrivel. In particular, the funding maps allowed the philanthropic partners to bring new information to the table and facilitate community input into the budgeting process for the relevant public departments.

Since 2020, the Center has coordinated grants from its component organizations when possible, but has also managed to leverage more than \$20 million from other private and government sources to support local initiatives. According to Dallimore, "It wasn't always a perfect fit between all of us, but once we consolidated our back office, we quickly realized that it didn't make any sense to keep trying to operate our front offices completely separately either. We will always maintain the different approaches and strong separate presences within each of our core constituencies, but we are also helping all of the different parts of the area come together as part of a larger community. We can do a lot alone, but we have even more capacity when we can easily work together too."



## SCENARIO

### Working across boundaries

Inspired by the tremendous success of Community Foundations of Canada in building networks of community foundations cooperating on environmental issues that crossed geographic boundaries within Canada, a set of 10 U.S. Latino, Asian American, and African American identity-based community funds in California launched the multiracial California Diverse Communities Campaign (CDCC) in 2012. Starting that year, each focus fund led its own constituency through a year-long community assessment and agenda-setting process. The funders then came together in a regional summit to identify the challenges common to each of the different populations, develop cooperative programs to address these challenges, and create a plan for funding key priorities. The plan was used to engage mainstream community foundations, local government, and other private and corporate funders in achieving better outcomes for communities of color throughout California.

According to Marion Cho, the consultant who facilitated the campaign for the identity-based funds, “We knew that if community foundations in Canada could create solutions that cross geographic boundaries, there was no reason we couldn’t find solutions that bridge the traditional racial and ethnic boundaries here in California. What surprised us, though, was that the issue at the top of all of our agendas was actually an issue shared by *all* California communities, not just communities of color: the way that Proposition 13 [the 1978 ballot initiative that capped state property tax increases] has hamstrung local governments’ finances and their ability to meet community needs.”

The CDCC funds launched coordinated advocacy and organizing programs in each of their communities, and were soon joined by several of the state’s largest private and community foundations. The three-year collaborative effort culminated in 2018 with the repeal of Proposition 13. According to Cho, “We *minorities* are now the *majority* here in California, and pretty soon, that’ll be the case for America as a whole. Our success repealing Prop 13 shows how we communities of color can take the lead, capitalize on our collective power, and improve quality of life for everyone.”

## SCENARIO

### Standing on principle

Back in 2008, recognizing that they simply couldn’t match Fidelity and other charitable gift funds when it came to the efficiency and cost of the transactional component of donor service, the Burlington (Vermont) Community Foundation (BCF) decided that it would take a new tact to differentiate its services: injecting its community-based values into every aspect of its operations. Most visibly, this has meant that BCF will only accept donor advised funds (DAFs) that comply with its institutional principles about diversity and equity.

According to BCF president Gopal Krishnan, “We decided the best way we could add value was to get serious about really standing for something. We realized that it was silly to allow people to make grants that didn’t promote the types of social justice values that we feel are essential to a strong and healthy Burlington. And while it forced us to make some difficult choices, we were confident that it was the right direction for the foundation.”

The sorts of difficult choices that Krishnan refers to began to emerge almost immediately after the announcement of the foundation’s new policy. Local businessman Jim Walters publicly declared that he would remove his \$350,000 donor advised fund from BCF. “I don’t think it’s their place to tell me what to do with my money,” he explained, from the Walters & Co. building in downtown Burlington.

But the foundation’s commitment to its community principles was reaffirmed over the ensuing two years, as the number of DAFs skyrocketed by more than 300 percent. Donors were attracted to the institution’s clearly articulated point of view. In the 10 years since, BCF has added more than \$9 million in assets in more than 300 new donor advised funds.

“We’ve been blown away by people’s interest,” said Krishnan. “The alignment between our DAFs and grantmaking ensures that we’re all working toward common community goals. And because all our donors’ interests are in sync with ours, we’ve also seen an increase in the number of our people who transferred their assets to our general fund as they got older.”

The alignment of its operations with its principles has also meant that the foundation has changed the way the community foundation invests and uses its endowment assets. Beginning in 2010, the foundation began screening its investment portfolio for socially responsible corporate practices. “Our grantmaking was supporting our principles, but we weren’t being so careful with all of the rest of our assets,” admits Krishnan. After seeing positive asset growth from socially responsible investing for almost five years, BCF’s board then agreed to go a step further, and began to allow the use of its endowment more proactively to make PRIs, loans, and investments in Burlington-based businesses and social ventures.

As board chair Susan Herndon puts it, “Everything in the foundation—from our investments to our staff and board to our grantmaking—is now aligned with the community principles that we believe will make Burlington a better place to live and work. Looking back, it’s just hard to see why it took us so long to take a stand.”





## SCENARIO THEME 2: THE PRESSURE FOR ACCOUNTABILITY

Pressure for greater accountability over philanthropic resources is coming from many directions. A need for public revenue, concern about corporate scandal, and real stories of shocking corruption within the nonprofit sphere have heightened calls for better behavior within philanthropy and more oversight from outside. Community foundations are designed to exist for the long term, and this commitment influences how near-term scandals affect them as well as how they must highly value the enduring trust of their communities. The scenarios that follow look back from 2025 to imagine two less obvious ways that today's imperative for accountability might play out.

### SCENARIO

#### Suing for support

In an unprecedented legal move, the Tennessee Hispanic Federation, a collection of Latino nonprofits that fundraise jointly in the central Tennessee region, filed suit in 2008 against the Radford (TN) Community Foundation for failing to act in the interests of the area's growing Hispanic population.

As THF president Stephen Reyes explained, "They receive tax benefits because they're supposed to be there serving the *whole* community. That's written directly into their mission. But there is not a single Latino on their board and not one on their staff. They've been so busy setting up donor advised funds for rich white guys that they've completely abandoned efforts to improve conditions for Latinos around Radford. They aren't acting in accordance to their community mission, and we hope that our lawsuit will make them realize that they can't ignore us anymore."

Reyes has spent the last year documenting the grantmaking record of the Community Foundation, and believes he can demonstrate a systemic pattern of exclusion of Latino populations and nonprofits. "The only reason our Hispanic Federation even exists in the first place is that the Community Foundation has been ignoring Latinos for years. We needed to figure out new ways to help our communities since they weren't doing it."



The national Latinos in Philanthropy (LIP) affinity group filed an amicus brief on THF's behalf, and LIP president Luis Medina explained that this case may be just the first of many similar suits around the country. "If community foundations aren't going to hold themselves accountable to their communities, then we may see more and more communities looking for ways to force them to do it."

## SCENARIO

### Standardizing to a standstill

"We owe a good part of our success to the backfiring of the standards movement," explained Julie Treshman, CEO of the Ohio Giving Circle Collective (OGCC). "When the community foundations started down the standards path, I'm sure they didn't intend for the compliance process to stifle creativity the way it did."

The surprise was that changes in reporting regulations created by the federal Philanthropy Accountability Act of 2010 forced community foundations to strictly adhere to the common set of practices and approaches they had laid out in their standards. Suddenly a huge amount of the field's effort was devoted to figuring out who qualified to be called a community foundation, causing the field as a whole to look inward instead of outward.

According to Treshman, one effect, at least in her area, was that community foundations had to dedicate their staff to more traditional operational functions to maintain compliance, rather than getting out into the community, experimenting, and trying new approaches.

"Among other things, it made it so the foundations just couldn't keep the best and brightest program staff," she explained. "Those folks were tired of filling out forms and wanted to get back to making a difference in their communities. The community foundations basically cannibalized themselves—promising great understanding and community knowledge but then making the work of program staff so miserable the real innovators left to work elsewhere—like with us."

Since technology and outsourcing had made it possible to just "rent" back-office functions, the Ohio giving circle was able to focus on creating flexible programs for helping donors and community activists to connect, both with one another and with local nonprofits. And it wasn't long before donors looking for greater engagement began to head to the OGCC. Its membership rose more than 350 percent between 2015 and 2017.

Similar growth was also happening at other types of community giving vehicles, like the Akron African American Federation, which gained citywide recognition (and a huge boost in donor interest) after its community health fairs and outreach programs began to demonstrate statistically significant impact on prenatal healthcare outcomes in the city.

According to Federation president Shawn Johnson, "Sometimes I'm glad we don't count as a community foundation. If we'd had to stick only with the traditional grantmaking activities that fit under the community foundation standards, we never would've hit on this approach, or gotten the sort of results in the community that we have."

### SCENARIO THEME 3: COMMERCIAL INNOVATION SETS THE STAGE

As Fidelity did more than a decade ago, new philanthropic vehicles and technology firms are poised to fundamentally change the way philanthropy is transacted. Technology companies like BlackBaud, Bromelkamp, Collaborative Standards, Foundation Source, Kintera, MicroEdge, and Telosa are competing madly among themselves for market share and breakthrough products. Some of these companies will thrive; others are on the brink of going out of business. This dynamic marketplace represents either new challenges or new opportunities for community philanthropy organizations depending on how the field responds to their entry into the marketplace.

As with the previous scenarios, the following sketches look back from 2025 to explore two different trajectories that could have resulted from the choices that community foundations and other community philanthropy organizations made in responding to the entrance of Kintera, a publicly-traded philanthropic data management giant. The scenarios could just as easily be painted with a different organization such as Foundation Source, which is beginning to be able to make the creation and management of private foundations much more accessible and cost effective for individual donors.

#### SCENARIO

#### Kintera, the competitor

It was no surprise that Kintera—bolstered by its extensive acquisitions of grants management and nonprofit fundraising software companies in the early 2000s—became the newest giant in the philanthropic data management field. But what did surprise many in the field was the way the company leveraged its dominance in online giving to patent data collection practices and consolidate information across nonprofits and donors to develop a massive, proprietary database of donor and fundraising information.

By early 2010, Kintera began to offer a new service as the “data aggregator” for the field, mining its collective databases to provide unparalleled information about trends and patterns in giving that began to draw both nonprofits and funders away from community foundations. Kintera software was able to make tailored online grant recommendations to donors based on their giving history and the giving patterns of other donors with similar interests, while at the same time providing nonprofits with a way of reaching out to donors directly without help from intermediaries.

The company's dominance over community change information snowballed throughout the 2010s, as its leadership position allowed it to increase revenues and decrease costs as it scaled. At the same time, it continued to siphon donors and community-based organizations away from community foundations, and raised costs for community foundations that chose to use its proprietary services. By 2020, according to an analysis by *The Wall Street Journal*, almost 40 percent of all organized philanthropic transactions were managed through Kintera systems, and estimates of the company's market share today actually put the figure at closer to 50 percent.

## SCENARIO

### Kintera, the partner

After adding Collaborative Standards and MicroEdge—two of the field’s largest grants management software providers—to its already extensive holdings of technology companies in 2005 and 2007, Kintera was positioned to manage the back-office and transactional functions of a vast majority of the nation’s community foundations. Looking ahead and recognizing the power of this massive grants dataset, Community Foundations of America and the Council on Foundations negotiated an unprecedented national partnership with Kintera in 2008 to link and unify the back offices of participating community foundations across the country using Kintera software.

As a result, each community foundation was able to essentially outsource its back-office operations and enjoy the economies of scale that came from consolidating multiple organizations’ operations and finances. This allowed each foundation to offer transactional costs and standardized reporting competitive with those of national charitable gift funds like Fidelity.

Within communities, the partnership revolutionized the way community foundations were able to work across localities. With the merged back-office data, community foundations using Kintera were able to identify trends in grantmaking across communities, coordinate activity as never before, and provide donors with the opportunity to tap the community knowledge of a national network of local funders. One impressive example of this was the rapid growth in financial support for school voucher programs that was enabled soon after the Olin, Bradley, and Walton family foundations underwrote Kintera-based systems for a network of scholarship programs and community foundations across the south and southwest.

According to Kintera president and CEO Aaron Brighton, “By taking over the administrative side of the community foundations, we’ve allowed them to focus more on being out there with their constituencies. Each foundation is able to focus its staffing and activity on the dual local services of donor salesmanship and community knowledge. And we are able to link together all of that on-the-ground local knowledge and expertise so that no matter what community foundation door a donor walks into, they can be connected to a deep community understanding anywhere else in the country. You could walk in a door in Raleigh, North Carolina, and learn about nonprofits in Taos, New Mexico, just as easily as you could about the nonprofits there in your own neighborhood.”

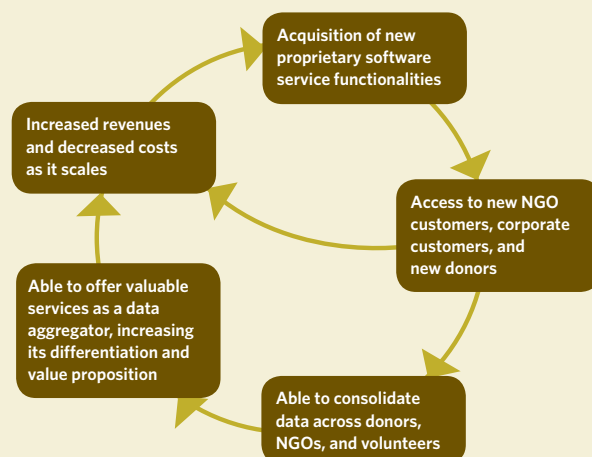
### About Kintera

#### WHERE IT IS TODAY

A leading provider of online solutions that enable nonprofit organizations to use the Internet to increase donations, reduce fundraising costs, and build awareness and affinity for an organization’s cause by bringing its employees, volunteers, and donors together in online, interactive communities.

#### WHERE IT COULD BE IN THE NEAR FUTURE

In reality it is only a small leap to get from today—where Kintera is a key player in online giving—to tomorrow, when the firm could capitalize on its proprietary database of information on nonprofits and donors and its marketing muscle and real-time presence on websites around the world to both build and serve the market for community change information.



Source: Monitor Institute hypothesis of possible Kintera strategy



*Individual community foundations and the field as a whole will need creative and courageous leadership to thrive in the era ahead. Much of the mindset that has guided the field to this point needs to be replaced with a new set of assumptions about priorities, operations, and the definition of success.*

## Lessons from the future: Strategic implications for community foundations

The best efforts of previous generations of leaders have left our generation an incredible legacy—a diverse and growing institutional infrastructure—to build upon. But as the scenarios we imagine suggest, incremental change may not be sufficient to ensure the field’s relevance and impact in the pivotal new era that has already begun.

Today’s compelling need is to summon the courageous leadership that will be required to meet the challenges and opportunities we have been describing. How community foundations organize and act *now* will reverberate for years to come. And we do mean now. The window for action in this era is likely to be much shorter than in previous ones, because of the pace and scale of change in American communities and among the innovators from inside and outside the field who are busily creating the future.

As a result, much of the mindset that has guided the field to this point needs to be replaced with new assumptions about what constitutes success. The leadership task we see lies in creating three subtle but significant shifts in assumptions and priorities:

- A shift in focus from the institution to the community
- A shift from managing financial assets to long-term leadership
- A shift from competitive independence to coordinated impact



We think of these shifts as new principles for performance. Each of them plays out both at the level of individual community foundations and at the field level, where investments must be made to enable progress that individual institutions cannot accomplish alone. What follows is a basic explanation of how community foundations can change in order to thrive in the next era, with illustrative examples of actions that can be taken at the field level. A separate discussion guide, downloadable at [www.communityphilanthropy.org](http://www.communityphilanthropy.org), has been designed to help community foundations apply these principles in their particular context.

## A SHIFT IN FOCUS FROM THE INSTITUTION TO THE COMMUNITY

Over the last decade, the new competitive environment—and the realities on the ground—have understandably led American community foundations to an emphasis on operational efficiency and to a primarily defensive response of institutional preservation. That was the critical first-order response. It has been visible in the move to national standards; the cost-basis studies conducted for the

**Every service and product community foundations offer—from donor education to program capacity-building, from estate planning to initiative management, from donor advised funds to scholarships, giving circles, online fund monitoring, and more—is now available from other sources, or will be soon.**

field; the widespread implementation of national marketing efforts; and the creation, evolution, and current alignment of the field's two national bodies—the Community Foundations Leadership Team and Community Foundations of America.

Many community foundations have considerable work to do in bringing their operational and technological capacity up to par. These responses and strategies are essential.

Community foundations *do* have a business model problem—how to value and price their community expertise and leadership as they get squeezed between large-scale, low-cost, do-it-yourself product providers on one side and specialized, high-end, custom service firms on the other. They also face a real challenge in appealing to a new generation of living donors (many of whom are going to live a very long time). But the race is not just to make the current model more efficient and to raise everyone's performance to a “best practice” from the past. It is not just to pull in and “protect” the community foundation from all its competition. And it is certainly not to protect the old franchise of doing transactions, because that is a race that they will almost certainly lose.

There is a very real danger that by remaining primarily focused on these institution-building and operational issues today, community foundations may be working hard to perfect an industry that will not be matched to emerging realities. It is now time to move on to a second order of change—a shift outward, to re-examining the function and impact of their work in the context of rapidly changing communities.

The field has long known and acknowledged that its strategic advantage is in its community knowledge, relationships, and leadership. But with notable exceptions, this is still basically rhetoric. To capitalize on their unique advantage, community foundations

will need to refocus on why they exist and whom they ultimately serve.

Why? Because *every* service and product that community foundations offer—from donor education to program capacity-building, from estate planning to initiative management, from donor advised funds to scholarships, giving circles, online fund monitoring, and more—is now available from other sources, or will be soon. Furthermore, since very few of a community foundation’s constituents use all of the foundation’s services, the value is not inherent in the mix itself. Quite the contrary. Today’s community foundations need to figure out how they can be indispensable additions to communities’ improvement strategies and to donors’ portfolios of giving options.

With many other types of organizations able to handle the services that community foundations have traditionally managed—often with lower costs and greater efficiency—community foundations more than ever before will need to demonstrate their value by emphasizing their impact on and accountability to their communities. This is a point that others before us have also emphasized. Community foundation president and leading thinker Emmett Carson articulated it well in a speech to the 2004 Global Symposium of Community Foundations: “We may be required to leave behind those who are wedded to the path of being charitable bankers rather than social change agents.”<sup>30</sup>

The upshot is that the primary definition of institutional success cannot be the size of the endowment. Success will come from the organization’s role as a focused, long-term advocate on behalf of the



community. Building an endowment is one important part of helping communities, but it is not the final measure of success nor the primary reason for the organization to exist. Community philanthropy organizations, especially community foundations outside of the United States and identity funds and alternative funds in the States, have developed a wide range of other ways to help donors and communities work together and prepare for the long term. It is *permanence*—the assurance of a strong, enduring commitment that will allow donors to feel secure that gifts given today will continue to serve the community for the long term—that matters. Community foundations will need to articulate the link between their demonstrated, principled leadership in communities and the promise that permanent resources can be used nimbly and effectively to address the pressing problems of the future. The endowment is the means to service, not the end in itself.

This is, of course, the rhetoric of most community foundations already. But in the coming years, every institution needs to ask how to make it more a reality. And the various leadership bodies for the field as a whole need to find ways to help community boards and staff refine the skills necessary to “walk

the talk” of community benefit and to focus attention on the purposes of community foundations, not just their operations or marketing.

For instance, when will U.S. community foundations follow the lead of Canada, and seek to stimulate co-operation on a national issue where together they could make a difference, benefiting all their communities? Problems no longer fit neatly into geographic boundaries, if they ever did. Solutions often need to reach across the boundaries of place—whether within regions, states, or the nation. Community foundations will be able to best serve their communities if they work in ways that recognize the larger context in which their communities now exist.

### **A SHIFT FROM MANAGING FINANCIAL ASSETS TO LONG-TERM LEADERSHIP**

For most of their history, community foundations have helped their towns, cities, and regions by giving money for a variety of purposes, often those designated by donors. The obvious question is whether this will be a successful strategy in an era characterized by competition for donor dollars and growing community needs.

Each community foundation must ask itself: What is the problem to which this institution is the solution? The answer will vary from place to place, but we believe that in the future, the answer will increasingly be this: mobilizing a community and its resources to recognize the community’s collective aspirations, engage its own toughest challenges, and embrace its most inspiring opportunities.<sup>31</sup>

Strategic positions on challenging issues, cross-sector solutions, and a relentless commitment to the betterment of communities must be as much a part of community foundation parlance and action in the future as donor services and grants management have been in the past.

Many community foundations have already been breaking ground in just these ways and more, demonstrating leadership on difficult local issues, from youth violence to economic development, social justice to environmental awareness. An important study from Chapin Hall Center for Children produced a very helpful way of categorizing the strategic leadership roles of community foundations beyond simple grantmaking.<sup>32</sup> The roles outlined in the study include:

- **Building useful knowledge.** Community foundations have both firsthand contact with community problems and access to information, ideas, and approaches outside their localities. They can spot trends, surface issues, provide analysis, and serve as hubs for community information.
- **Shaping community discourse.** Community foundations are well positioned to shape public opinion about key community issues and to bring together community stakeholders to forge long-term connections and plan local agendas that involve all constituents in the design and implementation.
- **Growing and linking local leadership.** Community foundations can help to link diverse stakeholders to build broader constituencies and create new partnerships.

- **Brokering regional solutions.** Community foundations can help to facilitate action across cities, school districts, and service areas to address regional problems that extend beyond the boundaries of any one city.
- **Maximizing access to government resources.** Community foundations can help communities to connect with the public sector to access government resources and develop collaborative solutions.
- **Nurturing high-impact philanthropists.** Community foundations can engage and mobilize donors as participants and leaders in community problem solving, helping donors to share not just their money, but also their knowledge, expertise, and networks.
- **Collaborating for local systems reform.** Community foundations can help disconnected local agencies take a comprehensive view of issues and solutions.
- **Advocating and partnering for policy solutions.** With the devolution of federal authority to state and local control, community foundations are increasingly becoming active policy advocates on a range of community issues. More community foundations will pursue policy roles, either directly or indirectly, as the issues their constituents face cannot be addressed solely through grant funding.
- **Enhancing community capacity.** Community foundations can build the knowledge and capacity of community-based organizations to achieve their goals through training, technical assistance, coaching, referrals, and other learning opportunities.

- **Strengthening accountability.**

Community foundations can help local leadership to develop metrics and think through issues of accountability, measurement, and evaluation to inform local decision making.

In addition, we see a future in which community foundations begin to use their intellectual, reputational, and financial resources to get all three sectors to the design table with citizens to craft long-term community solutions that use these resources. Similarly, we can imagine a day that recognizes rather than resists the fact that more and more donors use more and more giving vehicles; in response, community foundations will build ways to help them realize their dreams across those vehicles and use each one more strategically to benefit communities.

While there has probably never been one model for a community foundation, there certainly will not be in the future. These kinds of roles will make up the “building blocks” of community philanthropy strategy in the future. No single role or set of roles will

**A community foundation can now mix and match from a range of strategic roles to meet the specific needs of its community and complement the existing competencies of other community organizations.**

make sense in all communities. And community foundations will not be the only ones using them, of course. A community foundation can now mix and match from among these building blocks to meet the specific needs of its community and complement the existing competencies of other community organizations.

As individual community foundations seek to innovate, they will increasingly want to know what



has—and has not—worked elsewhere. Some innovations will require more than one institution. That’s where leadership at the field level must be provided.

The field currently lacks ways to capture the range of existing practices, catalyze innovation, experiment broadly, communicate success, and reward creativity. National bodies such as the CFLT and CFA and regional associations of grantmakers could play an important role in fostering and sharing innovative efforts.

Certain types of innovations probably must be led from the national level. Several community foundations, for example, might be invested in as pilot partners for a national shared back office by creating regional relationships with United Ways, or to syndicate community information for resale through GuideStar, Kintera, Charity Navigator, or other commercial partners. The key would be to seed this work, learn from it, and spread what is learned to enable the field as a whole to adapt more quickly.

### A SHIFT FROM COMPETITIVE INDEPENDENCE TO COORDINATED IMPACT

Community foundations cannot rethink their own strategic roles without developing a deeper understanding of how they fit into the larger network of community philanthropy organizations and vendors. Otherwise, they risk wasting time and effort by competing unnecessarily or duplicating effort.

**Free from electoral cycles and bottom-line pressures, community foundations must capitalize on their independence by demonstrating their interdependence.**



Or they risk missing the ways to render service more efficiently and effectively by taking advantage of new tools and products coming into the field from the outside.

We believe that the future success on the ground in communities and successful competition for donors will require a fundamental shift from a mindset of “independent value” to one of coordinated impact. Today’s community foundations need to figure out how they can be indispensable additions to communities’ improvement strategies and to donors’ portfolios of giving options. They need to structure themselves to work in real partnership with other community philanthropy organizations and commercial innovators while enhancing and deepening the connections people make to one another and to communities.

The new challenge is not just to figure out how to compete individually, but also how to add value by facilitating the aggregation of resources, capacities, and connections to produce and demonstrate better outcomes for communities. Free from electoral cycles and bottom-line pressures, community

foundations must capitalize on their independence by demonstrating their interdependence.

There are three major ways this can happen: forging new collaborative arrangements with other community philanthropy organizations; anticipating and capitalizing on commercial innovation; and facing the inevitability of consolidation. We discuss each in turn below.

### **New collaborative arrangements within community philanthropy**

Community foundations now operate in an environment populated by a wide range of players, including United Ways, race and ethnic funds, alternative workplace giving funds, consolidated federal campaigns, giving circles, remittance networks, faith institutions, and local nonprofits. While each community may not have all of these resources, most have several. For communities to thrive, there needs to be a clear sense that the whole is more than the sum of its parts. This means that networks of community philanthropy organizations, including community foundations, need to be able to demonstrate that they give back more to the community than they take from it.

Such an equation is only possible if the chorus of organizations in any given community works together and if each individual organization adds value to the whole. Not every community needs every type of community philanthropy organization—some simply cannot afford the duplicative infrastructure required to support so many organizations.

As a result, community philanthropy organizations must reconsider their own contributions and re-imagine the connections between their institutions to achieve better outcomes for their communities. A recent collaboration between the Annie E. Casey Foundation and the East Bay Community Foundation, for example, mapped the disparate flows of resources in the eastern San Francisco Bay region to better understand patterns of funding and how support might be organized more strategically to achieve common goals. In another way, the Women's Funding Network organizes community-focused individuals and foundations with a commitment to gender equity so that the creativity of each community is captured, added to, and reapplied across the network. Investments in joint evaluation frameworks, benchmarks, financial tools, and joint

**Community foundations now operate in an environment populated by a wide range of players. For communities to thrive, there needs to be a clear sense that the whole is more than the sum of its parts.**

programming are made at the central level and shared across the network. In Canada, the power of individual community foundations is magnified by a common commitment to social justice that frames local initiatives and elevates their results to a national scale. Along the U.S.-Mexico border, a collaborative of cross-border community foundations is learning how to nurture and facilitate community philanthropy across cultural and political boundaries.



### Anticipating and capitalizing on commercial innovation

Community philanthropy organizations are only one type of partner that will shape the future success of community foundations. The rise of commercial vendors over the last decade may be at least as important a development for the way that community foundations operate. The response from community philanthropy to these new entrants has evolved since Fidelity entered the field in 1991 from an initial posture of defiance and denial to acceptance and onto partnerships of various sizes and successes. Community Foundations of America and the Community Foundations Leadership Team have provided leadership here, in terms of the

**Community foundations have spent 14 years responding to the introduction of the first commercial charitable gift fund. In the next 14 years, community philanthropy will need to respond to several waves of innovation, each of this same magnitude.**

Technology Syndicate, the Technology Steering Committee, the Merrill Lynch Initiative, and emerging relationships with Kintera. Similarly, individual foundations around the country have nurtured strong relationships with local law firms and investment managers, boutique financial advisory firms, and other commercial enterprises. But the pace of the field's response to commercial activity is still too slow and too hesitant.

Community foundations have spent 14 years responding to the introduction of the first commercial charitable gift fund. The window of opportunity for the next major change will be significantly smaller. In the next 14 years, community

philanthropy will need to respond to several waves of innovation, each of this same magnitude.

The area to watch, as our scenarios highlight, is commercial vendors of all philanthropic transaction services, including all gift processing, reporting, monitoring, information gathering, and matchmaking services for donors and non-profits. The tools that organizations like Kintera and Foundation Source are now creating are built from the Web out, are designed to go quickly to scale, and can quickly and universally be updated to respond to new regulatory requirements or to fold in new information sources. The business model behind these approaches revolves around the ability to constantly lower the costs of individual transactions, thereby allowing the fees charged for these services to be as low as possible and to profit by processing as many transactions. In short, what Fidelity did to the community foundation's business model for gift processing, these companies are set to do to community foundations' services for data gathering, donor services, and nonprofit information.

If community foundations respond to these competitors the way they responded to Fidelity in 1991, the next decade will see a repeat of many (if not all) of the challenges of the last: outdated business models, diminished visibility, and increased competition. If, instead, they respond by accepting the fundamental changes in both the communities they aim to serve and in the options those communities can access, community foundations can build on nearly a century's worth of experience and remain vital components in the philanthropic network of the next era.

To understand how new relationships with commercial vendors might look, consider the real example of community foundations in Italy. The Cariplo Foundation, a supporter of community foundations, partnered with a commercial software firm to build a Web-based system for grantmaking, fund accounting, and regulatory reporting. The system is supported by the Foundation's program manager with responsibility for community philanthropy. As a Web-based system, it can be updated automatically, technical assistance can be provided remotely, and the infrastructure investments for individual community foundations are minimal. This is especially important in Italy, where most of the foundations are quite small and currently run by volunteers. The software ensures that legal standards are met by all users, reporting meets all compliance requirements, and the information across funders and grantees is always up-to-date. While the system ensures standards are met for accounting and reporting, it invites diversity because data can be accessed in the language of the user's choice. In addition, each foundation works on its own database of donor and grantee information. Even as this protects the privacy of all involved, the fact that these databases are all consistently structured means the foundations are in effect building their own, always updated, national database of nonprofit organizations and funding trends.

While by no means a perfect example, the Cariplo story reveals what we believe will be an important characteristic of innovation in the future. Next-generation community philanthropy, in terms of everything from software up-

grades and knowledge products to relationships that foster community improvement, are being built with input from both the commercial and nonprofit sectors, with each contributing their complementary expertise. Software firms make and sell software and the community foundation boards focus on community improvement. Each side benefits by doing what it does best.

These are lessons of great importance in the U.S. Our nonprofit community philanthropy organizations need access to affordable, scalable tools for running themselves. Commercial vendors are determined to offer these. They will always be able to move more quickly as individual enterprises than can a field of community

**The nonprofit sector of community philanthropy needs to move beyond reluctant partnership and on to a next phase where commercial enterprise is embraced for its innovations.**

philanthropy organizations. They are built on the motivation of cost cutting, profit maximization, and market share—and are thus compelled to scan markets, consider the future, and experiment with new products.

The nonprofit sector of community philanthropy needs to move beyond reluctant partnership and on to a next phase where commercial enterprise is embraced for its innovations. Community foundations need to move more rapidly than ever before to establish themselves as sources of real community knowledge that add to the commercial products coming online. The timeframe in which to make this happen is very short, and



the window may close if mutually beneficial relationships are not created soon. This is because of the pace at which the commercial is moving to “productize” information, package it specifically for donors, syndicate content, and make it available at the lowest possible cost (or for free). If this happens without some meaningful partnership, community foundations will find it difficult to entice people to pay for their own knowledge products and services.

**Community foundations must find ways to regularly anticipate, understand, and experiment with the tools that are changing their core functions.**

Community foundations have a moment of opportunity to capitalize on the innovation and efficiencies of the commercial services, rather than trying to defeat them. The scenarios earlier in this paper dramatize some of the choices, and

the stakes. The current opportunity offers the field a rare second chance to get right the sorts of working relationships with Kintera, Foundation Source, and other commercial providers that were missed with Fidelity a decade and a half ago.

But this opportunity can only be seized with a better field-level scanning and monitoring system for understanding where commercial innovation is coming from—and how to adapt it for community foundation purposes. Community foundations need to have an eye on even newer technologies and the ways they change human interaction. Cellphones and social networking programs like MeetUp.com are changing the way people find one another. Social tagging programs like de.li.ci.ous and community knowledge sources such as wikis are changing how people find information. These are only two core elements of community organizing and information gathering that are changing rapidly and profoundly. Functions such as community identification, information gathering, and resource development, which lie at the heart of community philanthropy, are also changing. Community foundations must find ways to regularly anticipate, understand, and experiment with the tools that are changing their core functions, as well as the new organizations and community behaviors that result from widespread adoption of these tools. For while they may be new today, tomorrow they will be as common as teens with cellphones—or as common as charitable gift funds.

#### **The inevitability of consolidation**

New kinds of cooperation and collaboration—with other community philanthropy organizations and

with commercial vendors—will not be sufficient in some communities and regions. In the competitive marketplace for donors that now exists, the ongoing pressure to lower the costs of doing business will require some degree of consolidation among community foundations and with other community philanthropy organizations.

Throughout the country we have seen beginning efforts to consolidate the back-office functions of community foundations, thereby reducing overall costs, decreasing administrative demands, and still maintaining leadership boards, local capacity, and resident visions. As philanthropic transaction processing moves to the Web in the ways we have just described, we will only see more of this. In fact, the field should take it upon itself to encourage and reward consolidation. To really lead on this issue, the field needs to take a long-term approach to building resources for communities and imagine new ways that today's technologies can facilitate the application of local expertise.

Consolidation is not merely a call for mergers of organizations. It is an opportunity to redesign the building blocks of local expertise, long-term commitment to improvement, the diversity of our communities, and the development of philanthropic assets using technologies, configurations, and expectations that fit the current and coming generations. By doing so, communities can reap the benefits that come from more efficient infrastructure.

There are several factors visible now that point to an era of consolidation. Indeed, consolidation is not so much a prediction of the future as it is pattern recognition of what's already happening today.

Community foundations and philanthropy organizations are struggling to compete with online vendors on the sheer cost of doing business. Leaders around the nation are reaching retirement age,

**The opportunity for community foundations today is to get in front of the consolidation wave and shape it. The alternative is to wait for it to wash over them.**

and many communities are deeply concerned about next-generation leadership. Many regions of the country (though not all) are saturated with foundations, philanthropy organizations, and nonprofits all seeking support from the same donors.

As a result, board and staff members of these organizations and the communities they serve are beginning to see the potential in reducing operational expenses while maintaining community control. Successful administrative alliances from Northern California to Michigan's Upper Peninsula to New England have shown that local control and stand-alone institutions are not one and the same thing. New structural arrangements, from advisory boards to regional alliances to umbrella funds, make this possible. New technology means philanthropic organizations can deploy turnkey software suites that handle all the reporting requirements and transaction details with fewer or no dedicated staff people, office space, or utility costs.

Other community philanthropy organizations are also surrounded by consolidation pressures. Already, many focused, identity-based funds have taken shelter at community foundations as a way of mitigating the significant overhead and other operating costs of managing a small organization.

Technology vendors, consulting firms, and other service providers to community philanthropy—including the alignment of the Community Foundations Leadership Team and Community Foundations of America—point to the limits on infrastructure funding and the efficiencies being sought.

The situation with United Way deserves special mention, as national leadership is already driving the organization to assume the type of local leadership role we have been describing here for community foundations. In

**In many communities, United Ways and community foundations are on a collision course, as both seek ways to reduce costs and provide distinctive value in a new context.**

many communities, United Ways and community foundations are on a collision course, as both seek ways to reduce costs and provide distinctive value in a new context. While tensions and positive co-existence have both been hallmarks of the long history between these institutions, the new pressures make it

likely that the future will be less conducive to successful independent cohabitation. Skillful leadership is needed at both the national and community levels to ensure that communities are not the victims of unproductive competition between community foundations and United Ways.

The opportunity for community foundations today is to get in front of the consolidation wave and shape it. The alternative is to wait for it to wash over them. The wave, in our view, cannot be stopped.

One approach might be for the field's leadership organizations, such as CFLT and CFA, to take on the unpopular issue of duplicative infrastructure and to explore the practicality of consolidation and partnerships between community philanthropy organizations. This could begin with an economic study on what is spent maintaining and operating all independent community philanthropy organizations, including United Ways and community foundations.



# Conclusion: Betting on the future

We have highlighted the key choices facing individual organizations and the field as a whole as they attempt to make a difference in American communities in this new era. Given the mix of certainties and unknowns about how communities will choose to organize, how market forces will treat new technology vendors, how community philanthropy networks will be structured, and how politics and public outcry will shape regulatory oversight, today's decision makers are forced to make calculated bets.

None of the recommendations we've made will be easy to implement. Finding sustainable ways to focus on communities, provide long-term leadership, and create coordinated approaches that demonstrably improve communities is tough work. Community foundations are being squeezed from all sides in the community philanthropy universe. On one side, their donor and financial services are the objects of great interest, innovation, and competition from commercial financial and technology vendors. On the other side, their roles as community leaders and knowledge brokers is based on relationships with service-providing local organizations, many of whom are increasingly able to grow and manage complex philanthropic relationships on their own.

The choices are difficult, but choosing to do nothing is likely to result in declining relevance for community foundations. Big bets will need to be made and whole new ways of structuring the work of community philanthropy created. There are already leaders in many places—some predictable and some unexpected—who are creating the “new promise” this report heralds. These are leaders who cultivate philanthropic resources as diverse and dynamic as their communities and who continually engage new tools, ideas, and people in their endeavors. Such leadership has defined previous eras of community foundation success. Such leadership will determine whether our own era realizes its promise.

## Shifting fundamentals

The **old measure of success** was growth in assets under management.

The **new measure of success** is demonstrated leadership on behalf of a community.

The **old definition of a philanthropic product** was a structure for devoting financial assets to charity. Examples include donor advised funds, scholarships, and charitable annuities.

The **new definition of a philanthropic product** is a combined package of know-how and financial resources that results in community improvement. Examples include successful community development investments, rehabilitated housing, and effective artist-in-residency programs.\*

The **old question** was, “What did our grant accomplish?”

The **new question** is, “How do we work with others to contribute to community improvement?”

The **old business model** was based on fees on assets under management.

The **new business model** is being invented by this generation of community philanthropy leaders.

\*Articulated by Ronn Richard, president of The Cleveland Foundation, July 2005.

## ENDNOTES

- <sup>1</sup> It is important to note that from their inception, community foundations have had a close relationship with the financial services industry. For more information on Goff and The Cleveland Foundation, see Diana Tittle, *Rebuilding Cleveland: The Cleveland Foundation and its Evolving Urban Strategy*, Columbus, OH: The Ohio State University Press, 1992.
- <sup>2</sup> Among the private funders that provided significant support for community foundations were the Ford, Mott, Hewlett, Irvine, Kellogg, Knight, Kresge, and Packard foundations, as well as the Lilly and California endowments.
- <sup>3</sup> In the financial services industry, for example, the Internet allowed almost anyone to go online to research stocks and mutual funds and to make financial transactions that once required assistance from a financial broker. The transfer of information and functionality into the hands of consumers dramatically altered cost structures and models of service delivery in the industry and forced many financial services firms to rethink how they add value to their clients.
- <sup>4</sup> "The NonProfit Times/Kintera Online Giving Survey Show Donors May Have Contributed \$2 Billion," *The NonProfit Times*, February 17, 2004, [http://www.nptimes.com/enews/Feb04/news/news-0204\\_3.html](http://www.nptimes.com/enews/Feb04/news/news-0204_3.html).
- <sup>5</sup> *Online Giving to Tsunami Disaster Relief Efforts Surpasses U.S. Support of \$350 Million, Kintera Estimates*, Kintera press release, January 3, 2005.
- <sup>6</sup> *Website Back to Basics: Online Giving*, Association of Fundraising Professionals, May 27, 2005, [http://www.afpnet.org/tier3\\_print.cfm?folder\\_id=893&content\\_item\\_id=20731](http://www.afpnet.org/tier3_print.cfm?folder_id=893&content_item_id=20731).
- <sup>7</sup> Eleanor Sacks, *2005 Community Foundation Global Status Report*, Worldwide Initiatives for Grantmaker Support (WINGS), May 2005, [http://www.wingsweb.org/information/publications\\_community.cfm](http://www.wingsweb.org/information/publications_community.cfm).
- <sup>8</sup> Foundation Center statistics, April 2005, <http://fdncenter.org>
- <sup>9</sup> The Columbus Foundation, *2003 Community Foundations Survey*, [http://www.columbusfoundation.org/GD/\\_gd\\_templates/pages/gdPageSecondary.aspx?page=38](http://www.columbusfoundation.org/GD/_gd_templates/pages/gdPageSecondary.aspx?page=38).
- <sup>10</sup> United Way of America, <http://national.unitedway.org/aboutuw>.
- <sup>11</sup> United Jewish Communities, <http://www.ujc.org>. See also Gary Tobin's work on Jewish philanthropy in the U.S. at the Institute for Jewish and Community Research, [http://www.jewishresearch.org/projects\\_philanthropy.htm](http://www.jewishresearch.org/projects_philanthropy.htm).
- <sup>12</sup> Women's Funding Network, <http://www.wfnet.org/> and Michael Anft, "Tapping Ethnic Wealth," *Chronicle of Philanthropy*, January 10, 2002. See also Scott Nielsen, Gabriel Kasper, and Jessica Chao, "Democracy in Action," *Foundation News and Commentary*, Nov/Dec 2004, <http://www.foundationnews.org/CME/article.cfm?ID=3064>.
- <sup>13</sup> Rick Cohen, *Community-Based Public Foundations: Small Beacons for Big Ideas*, National Committee for Responsive Philanthropy, January 2004, [http://www.ncrp.org/PDF/CBPF\\_Report.pdf](http://www.ncrp.org/PDF/CBPF_Report.pdf).
- <sup>14</sup> Tracey A. Rutnik and Jessica Bearman, *Giving Together: a National Scan of Giving Circles and Shared Giving*, Forum of Regional Associations of Grantmakers, 2005, <http://209.219.39.150/givingcircles/downloads/Long%20report.pdf>.
- <sup>15</sup> Social Venture Partners International, <http://www.svpi.org>.
- <sup>16</sup> Xochitl Bada, *Mexican Hometown Associations*, P.O.V., Latino Public Broadcasting, August 2004, [http://www.pbs.org/pov/pov2003/thesixthsection/special\\_mexican.html](http://www.pbs.org/pov/pov2003/thesixthsection/special_mexican.html).
- <sup>17</sup> Grantmakers in Health, *A Profile of New Health Foundations*, May 2003, [http://www.gih.org/usr\\_doc/2003\\_Profile\\_Report.pdf](http://www.gih.org/usr_doc/2003_Profile_Report.pdf).
- <sup>18</sup> Fidelity Charitable Gift Fund, <http://www.charitablegift.org>.
- <sup>19</sup> Kieran Beer, "It's Better to Give," *Bloomberg Wealth Manager*, April 2005, pp 17- 21.

- <sup>20</sup> Thomas Friedman, *The World is Flat: A Brief History of the Twenty-first Century*, New York: Farrar, Straus and Giroux, 2005.
- <sup>21</sup> The ratio is expected to drop from 5:1 to 3.5:1 workers to retirees by 2020. The ratio captures the numbers of people paying into Social Security and pension funds to the number of people drawing from them. See analysis of U.S. Census data from the Population Reference Bureau, <http://www.prb.org>.
- <sup>22</sup> Paola Scommegna, *U.S. Growing Bigger, Older, and More Diverse*, Population Reference Bureau, April 2004, <http://www.prb.org/Template.cfm?Section=PRB&template=/ContentManagement/ContentDisplay.cfm&ContentID=10201>.
- <sup>23</sup> "More Diversity, Slower Growth," *U.S. Census Bureau News*, U.S. Census Bureau, March 18, 2004, <http://www.census.gov/Press-Release/www/releases/archives/population/001720.html>.
- <sup>24</sup> "More Diversity, Slower Growth," U.S. Census Bureau.
- <sup>25</sup> See William H. Frey, "Minority Myth Vs. Reality," *American Demographics*, September 2004.
- <sup>26</sup> For example, international giving, an increasing part of community foundation activity, is now subject to certain provisions in the U.S. Patriot Act. Foundations also have reported on the increased need to scrutinize any gifts for re-granting purposes, out of concern for liability regarding the actions of re-granting partners. Intellectual property law and copyright structures have changed dramatically with the advent of the internet. Foundations have felt these changes in many ways, from realizing that they may not own digital publishing rights for their older annual reports to limitations on strategic initiatives involving corporate or academic partners.
- <sup>27</sup> Kintera went public in 2003 and proceeded to purchase several other firms focused on nonprofit and philanthropy throughout 2004. Other notable mergers/alliances include the 2005 merger of iapps and Bridgeline software and the Strategic Alliance announced by The Minneapolis Foundation and Foundation Source in 2004. Other developments in this field include the entrance of a new vendor, Collaborative Standards (purchased by Kintera in 2005); the roll-out of preferred provider services from Community Foundations of America's Technology Initiative; and an initiative by Citibank to facilitate international disaster relief through its ATMs.
- <sup>28</sup> *Bloomberg Wealth Management*, Fall 2004.
- <sup>29</sup> Independent Sector, *The New Nonprofit Almanac and Desk Reference*, New York: Jossey-Bass, 2002.
- <sup>30</sup> Emmett Carson, "The Road Not Yet Traveled: A Community Foundation Movement for Social Justice," speech at *Community Foundations: Symposium on a Global Movement*, Berlin, Germany, December 2004. Carson, among others, has emphasized the important leadership role of community foundations as social change agents in many of his speeches and writings.
- <sup>31</sup> Our understanding of leadership is heavily influenced by Ronald Heifetz's *Leadership Without Easy Answers*, Belknap Press, September 1994.
- <sup>32</sup> Ralph Hamilton, Julia Parzen, and Prue Brown, *Community Change Makers: The Leadership Roles of Community Foundations*, Chapin Hall Center for Children, University of Chicago, 2004, [http://www.chapinhall.org/article\\_abstract.aspx?ar=1366&L2=63&L3=110](http://www.chapinhall.org/article_abstract.aspx?ar=1366&L2=63&L3=110).



*This report was created in close partnership with many others in the community philanthropy field, and its ideas were built upon a rich foundation of research and analysis from dedicated scholars and community practitioners.*

# Resources

There is a growing body of literature about community foundations and the larger field of community philanthropy. A number of organizations, including Worldwide Initiatives for Grantmaker Support, the Nonprofit Sector Research Fund at the Aspen Institute, and the Transatlantic Community Foundation Network, have developed extensive bibliographies on community foundations. Among the many resources available, we have selected a few here that we found especially valuable in deepening our understanding of the field, and that we believe would be helpful resources for community foundation leaders.

*A Profile of New Health Foundations*, Grantmakers in Health, May 2003, [http://www.gih.org/usr\\_doc/2003\\_Profile\\_Report.pdf](http://www.gih.org/usr_doc/2003_Profile_Report.pdf). An analysis of the structures, roles, and growth of healthcare conversion foundations in the United States.

*An Agile Servant: Community Leadership by Community Foundations*, Richard Magat, ed., The Foundation Center, 1989. This is the classic text on community foundations, including essays about their history, activities, and roles in communities, as well as case studies about community foundation practice.

*Community-Based Public Foundations: Small Beacons for Big Ideas*, Rick Cohen, National Committee for Responsive Philanthropy (NCRP), January 2004, [http://www.ncrp.org/PDF/CBPF\\_Report.pdf](http://www.ncrp.org/PDF/CBPF_Report.pdf). A report profiling the status and approaches of nearly 200 progressive “community-based public foundations” identified in a 2002–2003 survey by NCRP.

*Community Change Makers: The Leadership Roles of Community Foundations*, by Ralph Hamilton, Julia Parzen, and Prue Brown, Chapin Hall Center for Children, University of Chicago, 2004, [http://www.chapinhall.org/article\\_abstract.aspx?ar=1366&L2=63&L3=110](http://www.chapinhall.org/article_abstract.aspx?ar=1366&L2=63&L3=110). A thoughtful look at the many ways that community foundations throughout the U.S. are developing and expanding their leadership roles in their communities beyond grantmaking.



*2005 Community Foundation Global Status Report*, by Eleanor Sacks, Worldwide Initiatives for Grantmaker Support (WINGS), May 2005, [http://www.wingsweb.org/information/publications\\_community.cfm](http://www.wingsweb.org/information/publications_community.cfm). A comprehensive overview of the status and development of community foundations around the world and country by country.

*2003 Community Foundations Survey*, The Columbus Foundation, [http://www.columbusfoundation.org/GD/\\_gd\\_templates/pages/gdPageSecondary.aspx?page=38](http://www.columbusfoundation.org/GD/_gd_templates/pages/gdPageSecondary.aspx?page=38). The most recent results of a comprehensive survey of community foundations in the United States conducted by The Columbus Foundation since 1998.

*Covering Rural Territory: A Framework of Rural Service Structures for Community Foundations*, Aspen Institute Community Strategies Group, 2004, <http://www.aspenecsg.org/rdp/matrix>. A guide for community foundations about how to use their endowment building, grantmaking, and community-building tools to better serve rural populations and areas.

*“Democracy in Action,”* by Scott Nielsen, Gabriel Kasper, and Jessica Chao, *Foundation News and Commentary*, Nov/Dec 2004, <http://www.foundationnews.org/CME/article.cfm?ID=3064>. An article examining the growth, development, and prospects of identity-based focus funds in the United States.

*Giving Together: A National Scan of Giving Circles and Shared Giving*, Tracey A. Rutnik and Jessica Bearman, Forum of Regional Associations of Grantmakers (RAGs), 2005, <http://209.219.39.150/givingcircles/downloads/Long%20report.pdf>. A report documenting the results of a national scan of giving circles—groups of individuals who pool their money and decide, collectively, where to donate the resources—conducted by the New Ventures in Philanthropy initiative of the Forum of RAGs.

*Identifying the Patterns, Prospects, and Pitfalls in Community Foundation Growth and Development*, by Kathryn Agard, Council of Michigan Foundations, 1992, <http://www.cmif.org/Documents/IdentifyingThePatterns.pdf>. This CMF study examines how community foundations develop over time and identifies a set of typical growth stages that they will go through during their life cycles.

*Mexican Hometown Associations*, Xochitl Bada, P.O.V., Latino Public Broadcasting, August 2004, [http://www.pbs.org/pov/pov2003/thesixthsection/special\\_mexican.html](http://www.pbs.org/pov/pov2003/thesixthsection/special_mexican.html). In this report, Bada, a sociologist from the University of Notre Dame, examines remittance giving and the growing movement of Mexican Hometown Associations.

*Serving a Wider Community: Community Foundations' Use of Geographic Component Funds and other Strategies and Structures to Cover Territory*, by

Eleanor Sacks, WINGS-CF, May 2002,

[http://www.wingsweb.org/information/downloads/serving\\_a\\_wider\\_community.pdf](http://www.wingsweb.org/information/downloads/serving_a_wider_community.pdf). This piece assesses how community foundations can use affiliates and other structures to better serve their existing geographic territories and to expand into new areas.

*Smart Growth: A Lifestage Model for Social Justice Philanthropy*, Women's Funding Network, 2003, available at <http://www.wfnet.org/documents/publications/smart-growth.pdf>. A report and accompanying workbook designed to help funders understand the phases of organizational development that are typical of the lifecycle of growing women and girls' funds. The basic framework is also informative for other types of community philanthropy organizations.

*Sowing the Seeds of Local Philanthropy: Two Decades in the Field of Community Foundations*, Charles Stewart Mott Foundation, March 2001,

<http://www.mott.org/publications/websites/cfp>. In this highly regarded special report, the Mott Foundation shares lessons and experiences from more than 20 years of working with community foundations.

*Strengthening Community Foundations: Redefining the Opportunities*,

Foundation Strategy Group (FSG), October 2003,

[http://www.foundationstrategy.com/fsg\\_whitepaper.html](http://www.foundationstrategy.com/fsg_whitepaper.html). This landmark white paper documents FSG's analysis of costs and revenues for various services and activities at nine community foundations, and explores the implications of its findings for community foundation sustainability and competitiveness.

*The Big Are Big and the Small Are Many: A View from the Community Foundation Field*, by Leslie Lilly, unpublished paper, December 2004,

<http://www.cfsymposium.org/Docs/8c-Lilly.doc>. This short paper by Lilly, president and CEO of The Foundation for Appalachian Ohio, examines the divide between small and large community foundations in the United States and what the differences may mean for the field.

*"The Road Not Yet Traveled: A Community Foundation Movement for Social Justice,"* a speech by Emmett Carson, December 2004. In this provocative speech at the Symposium of Community Foundations in Berlin, Germany, Carson examines the state of community foundations and challenges them to think about whether they are part of a movement or a field. Transcripts of the speech, along with other articles and talks by Carson, are available online at <http://www.minneapolisfoundation.org/about/news.htm#articles>.

## Project history & credits

We created this report in the same spirit in which we are encouraging community foundations to operate: in deep partnership. It was a joint effort of two independent consulting firms, working in close collaboration with two of the nation's leading foundations, with extensive input and feedback from hundreds of community philanthropy practitioners.

From the start, the project was not designed as a typical research effort. We began at the Council on Foundations annual meeting in Toronto in the spring of 2004 by sitting down with about 20 leaders of the community foundation field. In the 18 months since then we have held more than 20 meetings and workshops and conducted dozens of interviews dedicated to the development of these ideas, including:

- Two working meetings in Emeryville, California (Summer/Fall 2004)
- Meeting with the Council on Foundations Community Foundations Leadership Team (CFLT) (September 2004)
- Annual conference of Arizona Grantmakers Forum (October 2004)
- Board meeting of Asian Americans Pacific Islanders in Philanthropy (October 2004)
- CEO Retreat, plenary session, and two small salon discussions at the Council on Foundations Community Foundations Conference in Minneapolis (October 2004)
- Two sessions at the annual conference of Grantmakers for Oregon and SW Washington (October 2004)
- Global Symposium on Community Foundations in Berlin (December 2004)
- Community Foundations CEO retreat of the Council of Michigan Foundations (February 2005)
- ADNET Conference, Scottsdale, AZ (February 2005)

- Three working group sessions hosted by the Mott and Ford foundations in Emeryville, CA; Flint, MI; and New York (March and April 2005)
- Community philanthropy conference of the European Foundation Centre Annual Conference, Budapest, Hungary (June 2005)
- Joint meeting with the CFLT and representatives of Community Foundations of America (June 2005)
- Community foundation CEO retreat of the Ohio Grantmakers Forum (July 2005)

Throughout these sessions, there have been literally scores of people both inside and outside our organizations who contributed generously to the creation and development of the ideas in this report.

We are particularly grateful to our program officers from the Mott and Ford foundations, Elan Garonzik and Linetta Gilbert, for their invaluable leadership, insight, and patience throughout the project, and to the executive leadership of the two foundations—Bill White, Susan Berresford, and Barry Gaberman—for their continuing support and engagement in this work. We also owe special thanks to Suzanne Feurt of the Council on Foundations; Jennifer Leonard of the Rochester Area Community Foundation; and Kathy Merchant of The Greater Cincinnati Foundation for generously sharing their knowledge and critical intelligence many times over the course of the project. And we would like to specifically thank Emmett Carson, Ralph Hamilton, Mark Kramer, Peter Pennekamp, Dorothy Reynolds, Margaret Sellers-Walker, and Diana Sieger for their thoughtful review of the final version of this report.

We cannot thank enough our colleagues at Blueprint Research & Design and the Monitor Institute for their dedicated work on this project. In particular, Tina Joh and Amita Govindaswamy were active and thoughtful partners in crafting the content and ideas in this report. Lori Jones, Ken Fisher, and Lori Shouldice provided steady administrative and logistical support throughout. And our editorial and design team members—Jenny Johnston of Global Business Network and Lily Robles and Julie Sherman of the Design Studio at Monitor—were responsible for beautifully shaping this document.

We do not have all of the names of the many others who contributed to each of our workshops and meetings, but the people noted below represent what we believe is a nearly complete list of those who helped to co-create the substance of this report by giving us direct feedback and input in working sessions and interviews during the project:

|                                                               |                                                                  |                                                                             |
|---------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Karla Aaland, Fargo-Moorhead Area Foundation                  | Sue Bolde, Leelanau Township Community Foundation                | Jacqueline Copeland-Carson, Edwards Memorial Trust                          |
| Katherine Acey, Astraea Lesbian Foundation for Justice        | Marsha Bonner, Marin Community Foundation                        | Nancy Cunningham, Funders for Lesbian and Gay Issues                        |
| Sheryl Aikman, Community Foundation of Western North Carolina | Ann Bova, Community Foundation of Greater New Britain            | Kimberly Cutlip, Scioto County Area Foundation                              |
| Lois Albrecht, Duluth-Superior Area Community Foundation      | Joyce Bove, The New York Community Trust                         | Sandy Daniels, Johnson County Community Foundation                          |
| Ivy Allen, MDC                                                | James Bower, Stark Community Foundation                          | Susan Brown Davis, Community Foundation Serving Richmond & Central Virginia |
| Steve Alley, Community Foundation for Southern Arizona        | Katie Braswell, The Community Foundation of West Chester/Liberty | William Dawson, Otsego County Community Foundation                          |
| Jocelyn Ancheta, The McKnight Foundation                      | Amy Braun, Huron County Community Foundation                     | Carla Dearing, Community Foundations of America                             |
| Sherry Anderson, Marshall Community Foundation                | Catherine Brooks, Adirondack Community Trust                     | Barbara Deerhake, Findlay-Hancock County Community Foundation               |
| Susan Andrus, Tuscola County Community Foundation             | Keith Burwell, Toledo Community Foundation                       | Hans Dekker, The Community Foundation of New Jersey                         |
| Carl Anthony, Ford Foundation                                 | Brian Byrnes, The Vermont Community Foundation                   | Curt Detjen, Community Foundation for the Fox Valley Region                 |
| Nancy Anthony, Oklahoma City Community Foundation             | Phyllis Campbell, The Seattle Foundation                         | Jennifer Dowley, Berkshire Taconic Community Foundation                     |
| Josephine Bacon, Akron Community Foundation                   | John Carreon, Hancock County Community Foundation                | Leslie Dunford, The Cleveland Foundation                                    |
| Bonnie Ballinger, Barry Community Foundation                  | Emmett Carson, The Minneapolis Foundation                        | Trinh Duong, Funding Exchange                                               |
| Rini Banerjee, The Overbrook Foundation                       | Elizabeth Cherin, Fremont Area Community Foundation              | Tamera Durrence, The Columbus Foundation                                    |
| Alison Barberi, Greenville Area Community Foundation          | Theresa Chimner, Allegan County Community Foundation             | Robert Eckardt, The Cleveland Foundation                                    |
| Rick Batyko, The Cleveland Foundation                         | Stephanie Clohesy, Independent consultant                        | Cheryl Elliott, Ann Arbor Area Community Foundation                         |
| Janet Bauer, Four County Community Foundation                 | Robert Collier, Council of Michigan Foundations                  | Maggie Evans-Rael, Taos Community Foundation                                |
| Susan Berresford, Ford Foundation                             | Mary Command, Williams Group                                     | Pablo Farias, Ford Foundation                                               |
| Sharon Bisher, Hillsdale County Community Foundation          | Eileen Connolly-Keesler, Oshkosh Area Community Foundation       | David Farley, Albion Community Foundation                                   |
| Andrew Blau, Global Business Network                          | Kit Conroy, The New York Community Trust                         | Lew Feldstein, New Hampshire Charitable Foundation                          |
| Jennifer Boswick, Mackinac Island Community Foundation        | Phyllis Cook, Jewish Community Endowment Fund                    | David Fischer, Community Foundation of Tampa Bay                            |
| William Boersma, Sturgis Area Community Foundation            |                                                                  |                                                                             |



|                                                                         |                                                                            |                                                                |                                                                    |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------|
| Suzanne Feurt, Council on Foundations                                   | Pilar Gonzales, Changemakers                                               | Kathy Im, The John D. & Catherine T. MacArthur Foundation      | Jennifer Leonard, Rochester Area Community Foundation              |
| Burt Feuss, Peninsula Community Foundation                              | Warren Goodell, Southfield Community Foundation                            | Mary Jalonick, The Dallas Foundation                           | Wendy Lewis Jackson, Grand Rapids Community Foundation             |
| Margaret Flanagan, Southern Illinois Community Foundation               | Helen Goodman, New Hampshire Charitable Foundation                         | Ben Johnson, The Greater New Orleans Foundation                | Pat Lile, Arkansas Community Foundation                            |
| Debra Flannery, Dickinson Area Community Foundation                     | Diane Gordon, The Greater Wayne County Foundation                          | Larry Johnson, Sangamon County Community Foundation            | Leslie Lilly, The Foundation for Appalachian Ohio                  |
| Carol Flatten, Foundation for Southeast Texas                           | Gita Gulati-Partee, Community Foundation of Greater Greensboro             | Renee Johnston, Saginaw Community Foundation                   | Rose Lincoln, The Greater Tacoma Community Foundation              |
| James Flavell, Marin Community Foundation                               | Robert Habicht, Michigan Gateway Community Foundation                      | Felecia Jones, Black Belt Community Foundation                 | David Lindberg, Council of Michigan Foundations                    |
| Dennis Fliehman, Capital Region Community Foundation                    | Suann Hammersmith, Lenawee Community Foundation                            | Rob Jordan, Fremont Area Community Foundation                  | Tracy Locke, Council on Foundations                                |
| Julie Lynn Ford, Council of Michigan Foundations                        | Ralph Hamilton, Chapin Hall Center for Children                            | Steven R. Joul, Central Minnesota Community Foundation         | Kelly Lucas, Community Foundation of South Wood County             |
| Lucille Ford, Ashland County Community Foundation                       | Ron Hanft, Funding Exchange                                                | Amber Khan, The Communications Network                         | Joe Lumarda, California Community Foundation                       |
| Ellen Foster, The Philadelphia Foundation                               | Kaying Hang, Bluecross Blueshield of Minnesota Foundation                  | Barbara Kibbe, Skoll Foundation                                | James Magowan, Community Foundation for Northern Ireland           |
| Brian Frederick, The Community Foundation of Greater Lorain County      | Sid Hartman, Marin Community Foundation                                    | Linda Kimbel, Cadillac Area Community Foundation               | Idelisse Malave, Tides Foundation                                  |
| E. Kristen Frederick, Community Foundation for the Capital Region       | Caroline Hartnell, Alliance magazine                                       | Cindy S. Kissin, The Greater Bridgeport Area Foundation        | Janet Manning, Lapeer County Community Fund                        |
| Terri Lee Freeman, Community Foundation for the National Capital Region | David Hatfield, Kalamazoo Community Foundation                             | Richard Kiy, International Community Foundation                | Jeanette Mansour, C.S. Mott Foundation                             |
| Rick Frost, The Winnipeg Foundation                                     | Tom Hay, The Pittsburgh Foundation                                         | Melissa Kleptz, The Troy Foundation                            | Robert Martin, Community Planning & Research                       |
| Mary Fry, Roscommon County Community Foundation                         | Crystal Hayling, Blue Shield of California Foundation                      | Jim Klusman, Greater Lafayette Community Foundation            | Steven Mayer, Effective Communities Project                        |
| Deborah Fugenschuh, Donors Forum of Wisconsin                           | James Head, The San Francisco Foundation                                   | Colleen Knight, Branch County Community Foundation             | Judy McCormick, The Dayton Foundation                              |
| Kirstin Fulkerson, Gulf Coast Community Foundation of Venice            | Peter Hero, Community Foundation Silicon Valley                            | Mark Kramer, Foundation Strategy Group                         | Chris Ann McGuigan, Community Foundation for Muskegon County       |
| Kathy Gaalswyk, Initiative Foundation                                   | Susan Herr, Community Foundations of America                               | Dori Kreiger, Council on Foundations                           | Winsome McIntosh, Rachel's Network                                 |
| Barry Gaberman, Ford Foundation                                         | Yarice Hidalgo, Puerto Rico Community Foundation                           | Douglas Kridler, The Columbus Foundation                       | Kathy Merchant, The Greater Cincinnati Foundation                  |
| Irena Gadaj, Bilgoraj Community Foundation                              | Bill Ong Hing, Rosenberg Foundation                                        | David Kronberg, Greater Lowell Community Foundation            | Roger Merrifield, Bay Area Community Foundation                    |
| Elan Garonzik, C.S. Mott Foundation                                     | Jack Hopkins, Kalamazoo Community Foundation                               | Colin Lacon, Northern California Grantmakers                   | Donnell Mersereau, Council of Michigan Foundations                 |
| James Gauerke, Coshocton Foundation                                     | Kathi Horton, Community Foundation of Greater Flint                        | Gary LaPlant, Community Foundation of the Upper Peninsula      | Juraj Mesik, World Bank Civil Society Group                        |
| Elizabeth Gawron, The Cape Cod Foundation                               | Michael Howe, East Bay Community Foundation                                | J. Augustin Landa, Lotería Nacional para la Asistencia Pública | Gretchen Minekime, The Community Foundation Serving Boulder County |
| Linetta Gilbert, Ford Foundation                                        | Shannon Sadler Hull, Community Foundation for Palm Beach & Martin Counties | Judy Larson, Southwest Minnesota Foundation                    | Char Mollison, Council on Foundations                              |
| William Ginsberg, The Community Foundation for Greater New Haven        | Mary Sue Hyslop, Keweenaw Community Foundation                             | Valerie Lee, The Minneapolis Foundation                        | Helen Monroe, Endowment Development Institute                      |
|                                                                         | Ani Hurwitz, The New York Community Trust                                  |                                                                |                                                                    |

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|--------------------------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------|
| Kathleen Moxon, Humboldt Area Foundation                                 | Donna Rader, The Winston-Salem Foundation                                       | Rick Schoff, Foundation Center                                 | Robert Tambellini, Charlevoix County Community Foundation                   |
| Kevin Murphy, Berks County Community Foundation                          | Hugh Ralston, Ventura County Community Foundation                               | Alison Schumacher, Indiana Grantmakers Alliance                | Kristin Theisen, Community Foundation of Monroe County                      |
| Joan Nagelkirk, Sanilac County Community Foundation                      | Henry Ramos, Mauer Kunst Consulting                                             | Heather Scott, Council on Foundations                          | Janet Topolsky, Aspen Institute Community Strategies Group                  |
| Steven Newcom, Headwaters Foundation for Justice                         | Stan Rathbun, Mt. Pleasant Area Community Foundation                            | Christine Searson, The Saint Paul Foundation                   | Tina Travis, Gratiot County Community Foundation                            |
| Maureen Nicholson, Petoskey-Harbor Springs Area Community Foundation     | Cristina Regalado, The California Wellness Foundation                           | Margaret Sellers-Walker, Grand Rapids Community Foundation     | R. Andrew Swinney, The Philadelphia Foundation                              |
| Mariam Noland, Community Foundation for Southeastern Michigan            | Dottie Reynolds, Independent consultant                                         | Michael Seltzer, New York Regional Association of Grantmakers  | Dave Uffelmann, Community Foundations of Canada                             |
| Cao K. O, Asian American Federation of New York                          | Carleen Rhodes, The Saint Paul Foundation                                       | Karen Yarza Sieber, Fundación Comunitaria de la Frontera Norte | Susan Urano, Athens Foundation                                              |
| Rick O'Farrell, M & M Area Community Foundation                          | Ronn Richard, The Cleveland Foundation                                          | Pamela H. Siegenthaler, Richland County Foundation             | William R. Vanderbilt, The Community Foundation of the Holland/Zeeland Area |
| Gary Officer, Associated Black Charities of MD                           | C. Dennis Riggs, The Community Foundation of Louisville                         | Cathy Silak, Idaho Community Foundation                        | Robert Vazquez-Pacheco, Funders for Lesbian and Gay Issues                  |
| Darcy Oman, The Community Foundation Serving Richmond & Central Virginia | Sharon Risk Stark, Heritage Fund—The Community Foundation of Bartholomew County | Diana Sieger, Grand Rapids Community Foundation                | Sue Atkins Wagner, Chippewa County Community Foundation                     |
| Ruben Orduña, Boston Foundation                                          | Sherry Ristau, Southwest Minnesota Foundation                                   | Fred Silverman, Marin Community Foundation                     | Richard Ward, Boston Foundation                                             |
| William David Osmer, Greater Everett Community Foundation                | Kimberly Roberson, C.S. Mott Foundation                                         | Carol Siyahi-Hicks, The Dayton Foundation                      | Deborah Whitehurst, Arizona Community Foundation                            |
| Alan Pardini, League of California Community Foundations                 | Carla Roberts, Arizona Community Foundation                                     | Nina Smart, Jacobs Family Foundation                           | Thomas Wilcox, Baltimore Community Foundation                               |
| Kari Pardoe, Council of Michigan Foundations                             | Holly Robinson, YES! (Youth for Environmental Sanity)                           | Erik Smith, Global Business Network                            | Reggie Williams, San Antonio Area Foundation                                |
| Mike Parks, The Dayton Foundation                                        | Julie Rogers, Meyer Foundation                                                  | Maureen Smyth, C.S. Mott Foundation                            | Mary Wiseman, Foundation for the Tri-State Community                        |
| Monica Patten, Community Foundations of Canada                           | C.J. Liu Rosenblatt, Social Venture Partners International                      | Suzy Sonenberg, Long Island Community Foundation               | Nancy Washington, The Pittsburgh Foundation                                 |
| Peter Pennekamp, Humboldt Area Foundation                                | Gloria Royal, Kalamazoo Community Foundation                                    | Denise Spencer, Midland Area Community Foundation              | Bill White, C.S. Mott Foundation                                            |
| Joy Persall, Native Americans in Philanthropy                            | Giles Ruck, Scottish Community Foundation                                       | Sterling Speirn, Peninsula Community Foundation                | Jane Winters, Parkersburg Area Community Foundation                         |
| Thomas Peters, Marin Community Foundation                                | Emily Jones Rushing, The Community Foundation of Greater Birmingham             | Kurrin Spray, Peninsula Community Foundation                   | Stephanie Wolf, Solano Community Foundation                                 |
| Robin Pfeil, Springfield Foundation                                      | Peggy Saika, Asian Americans/Pacific Islanders In Philanthropy                  | Susan Springgate, Kalamazoo Community Foundation               | Robert Woodbury, Maine Community Foundation                                 |
| Alicia Philipp, The Community Foundation for Greater Atlanta             | Holly Sampson, Duluth-Superior Area Community Foundation                        | Alta Starr, New World Foundation                               | Patricia Wright, Community Foundation of Dutchess County                    |
| Lisa Philp, JP Morgan Private Bank                                       | Roger Samuel, Community Foundation of Greater Flint                             | Jane Stevenson, Door County Community Foundation               | Timothy Wu, Small Change Foundation                                         |
| Janet Pry, Bucyrus Area Community Foundation                             | Lynn Sargi, The Cleveland Foundation                                            | Molly Stearns, The Seattle Foundation                          | Jeffrey G. Yost, Nebraska Community Foundation                              |
| Patricia Quick, Stark Community Foundation                               | Shelly Schadewald, The Jackson County Community Foundation                      | Nancy Straw, West Central Initiative                           | Richard Ylvisaker, Community Foundation of the Northeast Iowa Region        |
| Amy Rabbino, Jewish Community Endowment Fund                             | Hank Schmelzer, Maine Community Foundation                                      | Shannon St. John, Triangle Community Foundation                | Greg Zerlaut, Fremont Area Community Foundation                             |
|                                                                          |                                                                                 | Ann Irish Tabor, Grand Haven Area Community Foundation         |                                                                             |

# Authors

## LUCY BERNHOLZ

Lucy Bernholz is the founder and president of Blueprint Research & Design Inc., a strategy consulting firm specializing in program research and design for philanthropic foundations. She has worked as a program officer and consultant to foundations for 15 years. As a community foundation program officer she was responsible for developing and managing grant programs in the arts and humanities, community development, education, environment, health, historic preservation, and human services. She also supervised the implementation of special initiatives focused on neighborhood development, lesbian and gay community issues, management assistance, citizenship, and early adolescence. She is a noted analyst of the philanthropic industry and has published numerous articles in the trade and general press, edited collections, and scholarly journals. Her most recent book, *Creating Philanthropic Capital Markets: The Deliberate Evolution*, was published by John Wiley & Sons in 2004. In 2003-2004, she was a visiting scholar at Stanford University's Graduate School of Business, where she began work on a new book. Lucy earned an M.A. and Ph.D. from Stanford University and a B.A. from Yale, where she captained the lacrosse team and played field hockey. She can be reached via email at [Lucy@blueprintrd.com](mailto:Lucy@blueprintrd.com).

## KATHERINE FULTON

Katherine Fulton is president of the Monitor Institute and a partner of the Monitor Group. Her career path has been shaped by two passionate interests: the use of private resources for public purposes, and the connection between leadership and learning. She has explored these themes through leadership positions in organizational consulting and journalism, and through teaching and volunteer service. Prior to moving to the Monitor Institute, Katherine was the co-head of the consulting practice at another Monitor Group company, Global Business Network. During much of the past decade at GBN, she helped organizations in more than 12 industries manage more skillfully in the face of increasing uncertainty. In recent years, her consulting practice increasingly focused on the future of philanthropy and nonprofits, and she

has given more than three dozen major speeches on the subject. She is the co-author of two new publications, *Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists* and *What If? The Art of Scenario Thinking for Nonprofits*. Her efforts have won her both a Nieman Fellowship at Harvard University and a Lyndhurst Foundation prize for community service, and her innovative course design at Duke University was featured in Time magazine. She is a Phi Beta Kappa graduate of Harvard College, where she was also the captain of the women's basketball team. She can be reached via email at [Katherine\\_Fulton@monitor.com](mailto:Katherine_Fulton@monitor.com).

### **GABRIEL KASPER**

Gabriel Kasper joined the Monitor Institute in 2004. He is a strategist with extensive experience working with foundations and other social change organizations. Before coming to Monitor, he was the program officer for philanthropy at the David and Lucile Packard Foundation, where he was responsible for developing the foundation's strategy and managing its grantmaking to increase the effectiveness of philanthropy as a field. Gabriel also spent two years managing neighborhood programs at a small community foundation in Berkeley and has nearly 10 years of experience as a consultant, providing applied research, program design, and strategic advising services for foundations, nonprofits, and corporations. He has written numerous articles on topics including philanthropic innovation, diversity in philanthropy, foundation collaboration, community development, and the growth of philanthropy in Latino and other identity-based communities. He is a graduate of Wesleyan University and holds a master's in city planning from the University of California at Berkeley, where he was captain of the men's ultimate frisbee team. He can be reached via email at [Gabriel\\_Kasper@monitor.com](mailto:Gabriel_Kasper@monitor.com).

**BLUEPRINT RESEARCH & DESIGN INC.** is a strategy consulting firm that specializes in helping foundations and other philanthropic entities capture, use, and share information in ways that will amplify the impact of their philanthropic practices. For more information, see [www.blueprintrd.com](http://www.blueprintrd.com).

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**U.S. community foundations have entered a pivotal new era. The generation ahead, from 2005 to 2025, will be marked by dynamic change within and around community philanthropy. Every individual community foundation—and the field as a whole—will face new choices. The path ahead is full of promise. Unfortunately, that promise will not be easily realized.**

This report on the future of U.S. community foundations is a far-reaching synthesis of the changing environment for community philanthropy and its implications for community foundations. A companion discussion guide and other resources will be available at [www.communityphilanthropy.org](http://www.communityphilanthropy.org) to help individual community foundations apply the lessons of this document to the specific circumstances of their communities and organizations.



[www.communityphilanthropy.org](http://www.communityphilanthropy.org)