



FONDATIONS
COMMUNITY COMMUNAUTAIRES
FOUNDATIONS DU CANADA
OF CANADA **ensemble pour tous.**
all for community.

Community Foundation Start Up Manual

2014

A MESSAGE FROM COMMUNITY FOUNDATIONS OF CANADA

Welcome to the world of community foundations – one of the fastest growing, most dynamic networks in the voluntary sector in Canada. Those of us involved with Community Foundations of Canada (CFC) are delighted your community is considering forming a community foundation.

This manual is intended to serve as your guide as you explore the “how to” of putting a community foundation together. In its presentation of ideas and practical advice, it also serves to highlight the past history and current activity of individual community foundations across Canada. It does so in order to demonstrate that every organization, no matter how successful, had to start somewhere.

The growth and impact of the network of community foundations across Canada, particularly over these past few years, sends a strong signal that community foundations are making profound and lasting differences in their respective communities. The range of programs and services they support, through the community-based organizations they fund, and the high level of interest expressed by individuals, who are deciding to direct their charitable gifts to their community foundation, are lasting testaments to the dramatic contributions of community foundations.

On behalf of Community Foundations of Canada, please accept my congratulations on your decision to explore the possibility of starting a community foundation in your community. I am confident that by taking this significant step, life in your community will be enhanced in profound and meaningful ways.

Ian Bird, President

ACKNOWLEDGEMENTS

Since this document was first published in 1993, there have been many people over the years that have contributed to its ongoing evolution and various editions. Because of the importance of this publication in the growth of the community foundation movement in Canada, Community Foundations of Canada gratefully recognizes the contribution of all those over the years who have contributed to the production of this manual.

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The material in CFC's manuals is intended for its member community foundations. CFC members are encouraged to copy and adapt the material in this manual, as needed, for exclusive use within their foundations.

For all other organizations wishing to quote the material in this manual, references to or simple excerpts from this publication can be made with proper acknowledgement of CFC, the publication's full title and date of publication. Those wanting to adapt or use the material in this publication more substantially must contact CFC at +1.613.236.2664 or info@communityfoundations.ca

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INTRODUCTION

Fifty years ago in Vancouver, Miss Alice G. McKay sought the advice of W.J. VanDusen, a partner in MacMillan-Bloedel, on what to do with the \$1,000 she had saved from her secretarial job. She wanted to invest her savings in a way that was both creative and significant for the people of British Columbia. VanDusen added \$10,000 to Miss McKay's savings and challenged nine other donors to match his gift. Then, with that initial endowment of \$11,000, plus knowledge he had gained from community foundations based in Winnipeg and Cleveland, he created Vancouver Foundation.

At the close of 2013 that modest fund of capital had grown to more than \$900 million and Vancouver Foundation, among the largest community foundations in North America, serves donors, charitable organizations and the people of British Columbia in a dynamic and constructive way. Over time it has become an important feature of the social and cultural landscape of British Columbia.

Miss McKay's contribution and Mr. VanDusen's determination were a winning combination in Vancouver. They chose an appropriate vehicle for their philanthropy. Time has shown that, when properly organized and carefully run, a community foundation can make a significant contribution to the quality of life in its town, city or region.

What follows is a manual for others wanting to build from scratch or re-energize such an organization for their own community.

ABOUT THIS GUIDE

The “Start-up Guide” has been designed with new or emerging community foundations in mind. It provides a broad range of information on topics from assessing your readiness, appointing your first board, and deciding on your priorities to putting your systems in place. Building on our belief that within the network of community foundations in Canada we can continually learn from one another, the manual also profiles the experiences of a number of community foundations across Canada.

Section 1 – “Background” looks at where the concept of a community foundation originated and its basic, universal features. The first section also investigates the role a community foundation usually plays and considers the various factors which distinguish it from other community-based organizations.

Section 2 – “Getting Started” lays out the steps to follow to put the fundamental organizational elements in place. It is designed for use by persons with various levels of experience in philanthropic activities, non-profit organizations and fundraising.

Section 3 – “Ongoing Work” looks at the core areas of focus for a community foundation. It explores in detail how community foundations connect people, families and companies with causes that inspire them. How we help donors realize their philanthropic goals by matching their interests with community needs and finding innovative ways to make every donation count. It then describes how the community foundation does its business in an accountable, responsive, and transparent way in three particular work areas: general management, investment, and marketing and communications.

Section 4 – “Building Your Organization” explores the internal structure of a typical community foundation. This section also looks at common problems that can threaten the success of a community foundation and potential hazards to watch out for. It then presents a series of do’s, don’ts and helpful tips. Finally, it looks at the track record of several successful community foundations of various sizes.

Section 5 – “Community Foundations of Canada” presents information on Community Foundations of Canada (CFC), including its resources, tools and opportunities. To find out more about the nature and focus of the materials available and whether a particular resource would suit your needs, contact the Director of Member Programs and Services at CFC.

FINAL INTRODUCTORY THOUGHTS

Community Foundations of Canada (CFC) has prepared the guide in support of its commitment to encourage the creation of new community foundations and to assist those that are being reinvigorated.

Canada continues to experience strong growth in the community foundation movement. An aging population means more and more individuals are in Miss Alice McKay’s position of looking for ways to permanently endow their community. And, as governments cut back and redefine their roles, new partnerships are forming between those who understand their community and its needs, those who can help address those needs and those who can provide the critically important financial support needed to make it all possible.

A community foundation provides an outstanding way to help build communities that are good places to live, work and play. This manual is meant to help you in fulfilling this vision in your own community. Good luck with your work ahead. It will be as fulfilling as it is challenging. Through it all, remember that ongoing help is available through CFC and community foundations across Canada. Everywhere there are individuals and organizations always willing to share their experience and expertise.

SECTION 1: BACKGROUND

THE FIRST COMMUNITY FOUNDATION: CLEVELAND, 1914

The first community foundation was conceived and established in Cleveland by Frederick Harris Goff. As a partner in a local law firm, he had become interested in philanthropy through his work with wills. His brainchild – the concept of a community foundation – was inspired in part by this passage from a popular speech about charitable endowments:

The grip of the dead hand [must] be shaken off absolutely and finally; in other words...there [must] always be a living and reasonable owner of property, to manage it according to the wants of mankind. This...must be a public tribunal charged with the duty of adjusting to new objects all foundations which have become pernicious and useless.

In 1908, while president of the Cleveland Trust Company, Goff launched The Cleveland Foundation, with his bank as sole trustee of the endowed fund. Income from the fund was disbursed to various charitable organizations by a five-person distribution committee named by the bank and three senior local figures: the senior presiding judge of the US District Court, the judge of the Probate Court and the city's chief executive officer.

Goff saw The Cleveland Foundation as the collector of perpetual endowments. He expected it to grow through wills that would leave the Foundation any remaining assets once life interests had been provided to spouses and heirs. The Foundation was to serve charitable needs in Ohio, primarily in the Cleveland area. Its quasi-public nature was recognized in the requirements that it publish an annual report in a local newspaper and regularly open its books for inspection by the state or the city.

The "grip of the dead hand" - the obsolete, undesirable or impossible wishes of deceased donors - was thrown off in an all-important variance clause that permitted change to the wishes of benefactors. Flexibility was the hallmark of Goff's foundation - flexible trust management, faithful to the intent of donors after death and yet holding the right to modify those intentions, as they became obsolete. The other extraordinary feature of Goff's creation was the way it enabled people of modest means to engage in large-scale philanthropy by pooling their contributions.

HOW THE IDEA SPREAD TO CANADA

From 1915 to 1930, the community foundation concept spread to many other centres in the United States of America and crossed the border into Canada.

Canada's first community foundation was incorporated during this period – in Winnipeg in 1921. The Winnipeg Foundation was started with a cheque for \$100,000 from the innovative W.F. (Bill) Alloway, founder of the private bank Alloway and Champion. His contribution came with this statement:

Since I first set foot in Winnipeg fifty-one years ago, Winnipeg has been my home and has done more for me than it may ever be in my power to repay. I owe everything to this community and I feel it should receive some benefit from what I have been able to accumulate.

The foundation's second official gift has come to be known as the "Widow's mite:" three \$5 gold coins, minted in 1912, delivered anonymously in 1924 by messenger. Today, Winnipeg is Canada's second largest community foundation with assets, at the end of 2001, close to \$318 million.

The depression years saw the founding of Canada's second community foundation in Victoria during 1936. This foundation never really got going, however, until it was reactivated in 1967 and then again in 1995. At the close of 2013, The Victoria Foundation's assets were over \$190 million.

Things began to look up for community foundations after the Second World War. Then began an era of accelerated growth and broadened sponsorship for all kinds of community organizations, including community foundations, which started up between 1943 and 1955 in Vancouver, Calgary, Hamilton and London.

TODAY IN CANADA

Over the past twenty five years, rapid expansion has taken place in communities both large and small. Today, there are more than 191 community foundations in Canada. At the close of 2012, their collective assets were more than \$ 3.4 billion and in 2012 they disbursed grants of \$153 million. Over time new trends have emerged. The approach to service areas being determined strictly on the basis of the geographic boundaries of an individual community has expanded to include regions and provinces. This change in thinking has resulted from recognizing the advantage in working with a larger, more viable population base. For the same reason some smaller communities have joined efforts with bigger neighbours. Seed money for community foundations now comes from additional sources such as private foundations, various levels of government, corporations and a variety of community groups like service clubs and the United Way. Partnerships with multiple stakeholders have grown. Professional staffing has increased. More and more donors have started contributing unrestricted funds (funds whose income is not earmarked for a particular use or cause) to their community foundations.

Edmonton Community Foundation provides an example of astonishing growth. Established in 1971 but languishing until 1989, it was reborn and galvanized into action. After three years of a re-organizing effort which included going back to square one and re-incorporating, the foundation brought together several of Edmonton's leading business figures. The meeting concluded with gifts and pledges from these community leaders of over \$15 million, a sum that restarted their foundation with a resounding bang. Today, Edmonton Community Foundation has assets totalling over \$306 million.

The concept of a national network in Canada began evolving in 1988 and was four years in the making. The first national conference in October 1990 brought together representatives of ten Canadian cities. This enthusiastic gathering produced eight national objectives and the appointment of a steering committee.

The second national conference held in Winnipeg in May 1992 officially incorporated the national network as Community Foundations of Canada and further stimulated nationwide interest.

Today, the creation of new community foundations and the development of existing ones is one of the fastest growing, most dynamic networks in the voluntary sector in Canada. We believe this is because it represents a concept with fresh appeal to communities seeking to become more self-reliant and less dependent on tax-related support. It is a concept that works and Canada is a country with vast stretches yet to be served.

WHAT EXACTLY IS A COMMUNITY FOUNDATION?

Community foundations are all about nurturing community vitality through philanthropy. We bring resources and people together to build better places to live, work and play. We do that in three ways:

- Vitality depends on long-term resources for long-term solutions – so we **work with donors to build endowment funds** that ensure vital futures for communities.
- Vitality comes from all corners of a community, so we **grant funds to the widest possible range** of organizations and initiatives.
- Vitality needs leadership, so we **bring people together** from all parts of our communities to stimulate new ideas, build participation and strengthen community philanthropy.

The following descriptions outline these three roles.

1. Endowment building

Community foundations build and prudently invest permanent endowments and other types of funds to benefit registered charities in their communities and beyond. They offer a wide range of flexible giving opportunities and have special expertise to help many different donors achieve their particular charitable goals. They facilitate giving at all levels and promote philanthropy.

2. Broad and effective grantmaking

Community foundations bring local knowledge, experience and a network of community relationships to their grantmaking. Using their broad view of community needs and opportunities, community foundations make grants to a wide range of registered charities, primarily in their defined geographic area, to address short-term and long-term priorities across many fields. They are able to see “the big picture” and build on community strengths.

3. Inclusive community leadership

As knowledgeable partners in community life, community foundations offer leadership to their communities on issues of importance to the community. They use their broad perspective and their networking opportunities to help build strong, caring, engaged communities. They work to empower others, connect diverse parts of the community, foster dialogue, develop partnerships and mobilize the community to improve quality of life. They strive for visionary thinking and creative, inclusive collaboration that builds social capital.

Community Foundations: An Overview of Some Special Strengths

While many organizations are working for better communities, a few important factors make the community foundation approach different from others:

A long-term view: Because community foundations focus on building permanent endowments, they are able to tackle long-term community challenges as well as immediate needs;

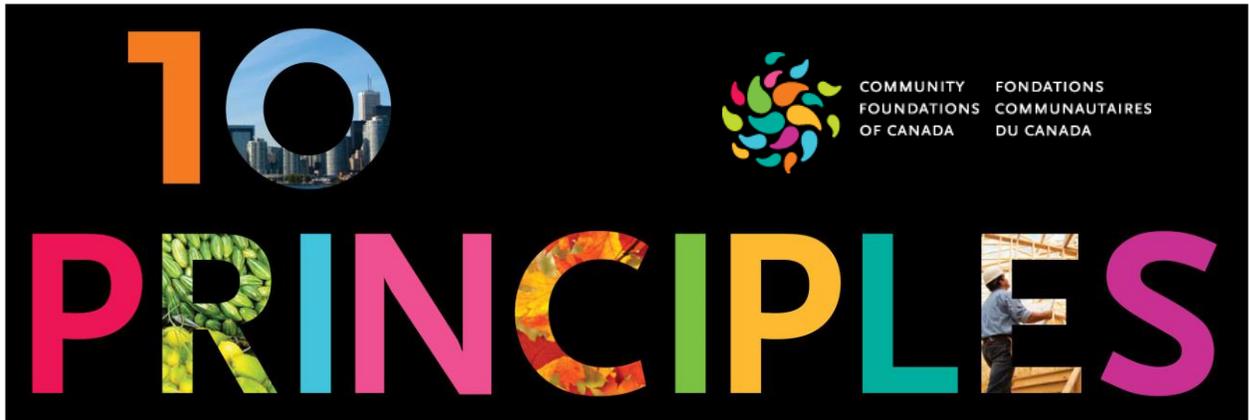
Permanence: Gifts to a community foundation endowment meet community needs in perpetuity;

Community-based, personalized donor service: Community foundations are uniquely equipped to help individual donors meet their particular philanthropic goals by providing in-depth knowledge of their community along with expertise in a wide range of flexible charitable giving options;

A broad perspective: Community foundations make effective grants and develop networks in a wide range of sectors. With this in-depth community knowledge, they can identify opportunities in many fields and build on existing community strengths. They are also well placed to make simple, but often powerful, connections between people and organizations in the community;

Commitment to community service: Community foundations are broad-based, volunteer-driven local organizations. Because their view of community issues and priorities is independent and crosses many sectors, community foundations have an opportunity for collaborative leadership that transcends “special interests” and reflects the interests of the community at large;

Accountability: Community foundations believe that their values and way of working, not just their work, can be a powerful tool for building social capital. As responsible members of the voluntary sector, community foundations strive for flexible, transparent governance and leadership practices that welcome volunteer involvement, encourage dialogue among diverse voices in the community, and inspire commitment to philanthropy.



THESE PRINCIPLES DESCRIBE THE IDEALS WE STRIVE FOR IN ALL WE DO AND ALL WE SAY, ALL FOR COMMUNITY

WE BUILD COMMUNITY VITALITY

Strong, vital communities are those in which everyone can participate. They are resourceful and resilient. Community foundations nurture and build our community's strengths and assets. We respond to challenges and opportunities and support organizations and individuals to do likewise. We develop local leadership, invest in sustainability, champion justice, and mobilize civic participation and resources.

WE UNDERSTAND OUR COMMUNITIES

Sweeping changes to the economy, the environment and demographics are just some of the trends affecting our country and our communities. We actively participate in the life of the community, continually engage in consultation and discussion, track and report on local and national trends and respond to change.

WE CREATE OPPORTUNITIES FOR DIALOGUE AND INCLUSION

Nurturing a vital community means reaching out and ensuring that people with different experiences and points of view are included, especially those who are often excluded. We bring people together to create opportunities for respectful dialogue and joint problem solving. We enthusiastically participate when invited to dialogues convened by others.

WE EMBRACE PARTNERSHIPS

More can be accomplished when we act together. We believe in the power of collaboration and joint action to maximize our community's opportunities and respond to our challenges. We initiate, participate in, and support partnerships that build community vitality and are based on shared vision and mutual responsibility.

WE TACKLE PRESSING ISSUES

We believe philanthropy has a role to play in addressing some of the most pressing issues of our time. We tackle tough problems on many fronts through our grantmaking, investments, research, convening, communication and participation in the public policy process. We work with other

foundations, organizations, business and governments in our region and across the country on problems that require shared action.

WE EMBRACE DIVERSITY AND FOSTER RENEWAL

We believe there is strength in diversity. As our community's foundation, we have a responsibility to reflect its diversity. We continually renew our boards and staff, reach out to understand different points of view, and engage the broader community in our deliberations and decision making.

WE GRANT FOR BREADTH AND IMPACT

Grant dollars are community capital for seizing opportunities, finding solutions, sustaining what works, providing needed services, expressing ourselves and taking calculated risks. We grant broadly across the spectrum of community life, supporting organizations and programs that are making a difference.

WE BUILD COMMUNITY ASSETS AND CHAMPION PHILANTHROPY

Permanent endowments and other philanthropic funds are vital community resources now and for the future. We are passionate champions of philanthropy and engage donors young and old and from all walks of life and traditions. Our donors work with us to find the best ways possible to participate, learn and serve their communities while meeting their charitable goals.

WE LEARN AND SHARE WHAT WE KNOW

We have extraordinary opportunities to learn from the groups we fund, our donors, our partners and our colleagues around the country and the world. We learn, gather data, question, reflect, and evaluate so that we can have impact on the important issues in our community. We share what we are learning with others.

WE ARE RESPONSIVE AND ACCOUNTABLE

We are credible and reputable stewards of community resources and are committed to being accountable, responsive and transparent. We continually look for the best ways to invest our assets to meet our mission. We are open and accessible, fair and objective, flexible and timely as we work with grant seekers, donors, volunteers and others in the community.

THE MISSION OF A COMMUNITY FOUNDATION

In general terms those involved with the community foundation movement would agree that the mission of a community foundation is to provide for the enrichment of the quality of life in the community by:

- building a permanent endowment
- assessing and responding to emerging and changing community needs
- providing a vehicle and service for donors with varied interests and levels of giving
- serving as a resource catalyst for charitable activities in the community

Here are some actual mission statements developed by Canadian community foundations:

The Winnipeg Foundation

Vision: A Winnipeg where community life flourishes

Mission: To be a catalyst for strengthening community wellbeing, now and for future generations, by promoting philanthropy, creating partnerships and supporting diverse charitable organizations.

Community Foundation of Southeastern Alberta

Mission: Creating a better community: Today, Tomorrow, FOREVER

Vision: Improving the quality of life for the people of southeastern Alberta through developing permanent endowments, making responsible grants, and inspiring community leadership.

Niagara Community Foundation

Mission: The Niagara Community Foundation is a charitable public foundation dedicated to improving the quality of life in Niagara through building endowment funds, providing grants and enabling philanthropic partnerships.

Vision: Realizing community dreams through philanthropy.

Community Foundation of Northwestern Alberta

Mission: We inspire philanthropy by providing a way for *anyone* to leave a lasting legacy to our community through permanent endowment building, responsible grants and leadership to meet our community's needs for today, tomorrow and forever

Community Foundation of Greater Peterborough

Mission: The Community Foundation of Greater Peterborough is the vital link between caring community members and local causes that matter. We foster philanthropy by pooling endowed and special funds, while our grants to registered charities enhance the quality of life for our citizens.

Vision: We will be a philanthropic leader, catalyst and creative force in enhancing and strengthening our community.

Mandate: Building on the spirit and history of generosity in Peterborough County and City we:

- Foster the growth of community philanthropy;
- Offer an opportunity for people to give back to the community that has nurtured them;
- Provide exceptional donor services;
- Build and carefully manage community endowments;
- Address community needs and opportunities through strategic grant making and organizational support; and
- Provide leadership on key community issues.

THE COMMUNITY FOUNDATION AND THE UNITED WAY-CENTRAIDE

Communities are further enhanced when they have both a United Way-Centraide and community foundation in that each organization has different but complementary roles to play. The United Way-Centraide raises and disburses funds on an annual basis to support social service, health and education needs in a given community. On the other hand, the community foundation utilizes the income earned from their endowment fund to support a wider focus that may include health, education, social services, arts and culture and the environment.

A United Way-Centraide and a community foundation work together in a community to achieve their individual and mutual goals. Clarity of role and purpose, distinctive competencies, open communication, mutual respect and a desire to build strong communities aid this collaborative effort.

Communities are the direct beneficiaries when community foundations and United Ways-Centraides work on building strong relationships. This works best when these two organizations get to know one another at the local community level and create opportunities to work together on community issues and projects.

Section 1 has presented a wide range of background information. It is largely intended to stimulate thought and motivate discussion. The information and ideas it puts forth will help you and your organizing committee as you begin to define the role your community foundation will play in your community.

Visit www.communityfoundations.ca to explore the map of community foundations across the country. If you need more information about assets, grants, gifts and location of community foundations contact clindsay@communityfoundations.ca.

SECTION 2: GETTING STARTED

Starting a community foundation is a challenging task that takes time, commitment and the involvement of many community members. This section is intended to serve as a guide to the usual steps involved in setting up a community foundation. Once you are familiar with the material here and have reflected on the potential of forming or re-activating your local community foundation, further assistance is available from Community Foundations of Canada. This outreach may be important at successive stages of your development through advice specific to your situation; information on relationships with other community-based organizations or private foundations and personal visits by experienced resource people for general consultation or to attend key meetings

ASSESSING YOUR READINESS

Let's begin with a checklist of "ideal conditions" for starting a community foundation. They include:

- ✓ an appropriate population base, embracing the widest possible coherent service area
- ✓ a map of your community philanthropy environment
- ✓ a number of affluent individuals and families who have long been identified with and committed to the community
- ✓ a variety of local business, professional and community leaders willing to commit themselves to community foundation growth
- ✓ commitment to an achievable five-year "take-off" goal for the endowed fund, as follows:
 - \$1 million for centres with populations of fewer than 100,000
 - \$5 million for centres between 100,000 and one million
 - \$10 million for centres over one million
- ✓ willingness to build relationships and gain knowledge of the community's strengths and weaknesses
- ✓ service clubs, other community organizations and/or civic offices willing to act as sponsors for the start-up years
- ✓ some donors willing to contribute start-up administrative funds
- ✓ a community "angel" to provide the first endowed funds to make initial grantmaking possible
- ✓ committed volunteers to run the organization until it is feasible to engage staff

This is an ideal list of conditions. Many community foundations have started and are flourishing with fewer ideal conditions. There is a great deal of work to getting a community foundation off the ground and running and all volunteers need to be aware of the commitment this will take.

TIMELINE

While each community foundation faces a distinct set of circumstances and grows in its own time and way, there are some typical stages, steps and timeframes that can be suggested. The ideas presented in **Table 1: Stages, Steps and Timeframes for Forming a Community Foundation**, and found at the end of this section, are not set in stone and should be adapted to your individual situation.

The spark for forming a community foundation usually comes from a few key individuals who are excited by the idea and its potential. Over time, the nucleus of these initial enthusiasts grows, evolving into a formal steering or planning committee.

INVOLVING THE COMMUNITY AT LARGE

The initial strategy starts with strategic discussions about what a community foundation is and the impact it might have on the community. At this stage it may also be helpful to review and complete **Table 2: Community Self-Assessment**, found at the end of this section. Those involved at this early stage should introduce the concept and get feedback from key leaders in the community, including:

- influential leaders from business, the professions and labour
- affluent citizens
- representatives from key organizations in the community, such as private foundations, the United Way-Centraide and other major non-profit organizations, business groups, chambers of commerce or boards of trade and professional associations
- potential grant recipients
- mayors and other political leaders
- community visionaries

It is important to include representatives from all of the geographic areas that might be affected by the community foundation. At this stage it is crucially important to remember the diversity that exists within any given community. People of different backgrounds, practices, and customs contribute to the overall composition of any community and a broad participation in general community life leads to stronger, healthier communities.

A public meeting or a series of meetings should be called to discuss the need for a community foundation and the potential for positive impact on your community and to stimulate interest and identify and recruit leadership.

There is no rush at this stage. Taking adequate time to discuss the idea and catch the interest of the whole community is one of the best assurances of success. Out of these meetings should emerge the Steering or Planning Committee to guide the initiative through its formative and successive stages.

Inevitably, some concerns over the creation of a community foundation will be raised and must be addressed through open discussion. Common issues raised at this time often include:

- the size of the local charitable purse
- the number of existing charities and how loyal the local population is to them
- confusion between the role of community foundations and other charitable organizations such as the United Way-Centraide
- current commitments of potential volunteers and supporters

These reservations can usually be dealt with through open discussion, a sharing of information, the strong personal commitment of the initial supporters and input from outside the community from persons actively involved in successful community foundations.

FORMING A STEERING COMMITTEE

At the stage where the information sessions are generating a broad positive response, follow-up meetings should be held with those persons who have emerged as truly interested in the concept of a local community foundation. Ideally these key people would reflect the diversity of the community and include:

- some with wealth or access to wealth
- some willing to work on raising funds
- some with marketing and communications experience
- lawyers
- a banker and/or trust officer
- business and professional leaders
- civic leaders
- a member of the media

The first question is whether to proceed immediately with incorporation, wait until the conditions for start-up improve (assuming you have identified your external and internal weaknesses, strengths, opportunities and threats) or defer until a later date.

Putting action into motion

If the answer is, "let's go for it!" you should confirm the geographic area to be served, formalize your Steering/Planning Committee and assign the following responsibilities to:

1. Define the objectives for purposes of incorporation (page 20)
2. Define the number of directors and the process of their appointment
3. Apply for incorporation (page 20)
4. Prepare the accompanying by-laws (page 22)
5. Obtain charitable status (page 24)
6. Set up an interim Board of Directors for purposes of incorporation
7. Prepare a suggested slate of directors for consideration of the appointing committee
8. Set a tentative goal for the endowed fund - the "take-off" goal (page 19)
9. Identify initial gifts to start the endowed fund
10. Identify sources of operating support
11. Prepare a "visionary" document (page 23)
12. Mapping your community philanthropy (page 29)
12. Prepare core policy and governance documents

As these activities are completed, the steering committee will probably decide to continue briefings with key community organizations in order to keep people involved and interested, identify other potential sources of assets, and determine which community groups might provide administrative support. Inviting speakers from other community foundations or Community Foundations of Canada to share their experience with committee members and any potential local sponsors is worth considering at this stage.

INITIAL FINANCIAL TARGETS

Typically, there is a point at which the grants that community foundations make from their earnings attract enough public attention that the endowed funds start growing on their own. Contributions of capital seem to be somewhat spontaneous once the foundation starts to develop a track record and strengthen relationships within the community. With this in mind, experience suggests that success will be aided if the steering committee undertakes, and the subsequent Board of Directors accepts and follows through on, two big commitments:

- to build in the immediate future (generally three to five years) a permanent endowment roughly in the area of \$5 million - the "take-off" point. For smaller centres that "take-off" goal could be \$1 million
- to raise operating funds of \$35,000 for one or two years

These figures reflect the fact that new community foundations can and do fade away or become ineffectual if they start off too small or their fund development momentum falters during the early years. When there is financial support on hand for operations right from the start, the community foundation begins life on solid ground. This initial stability seems to pay off in the years to come, as the community foundation permanently establishes itself as an integral part of the community.

CREATING A VISIONARY DOCUMENT

All work during the preparatory phase benefits from a visionary statement, written by the initial supporters or the steering committee. It should include an assessment of community priorities and identify community issues and concerns that require long term solutions. A community scan is often useful to help the steering committee understand the pressing issues and trends in the community. The visionary document should sketch out the role a community foundation can play and how it can help address the issues that have been identified. It should conclude with a concise plan for a clear financial program, administrative objectives and include reference to a grantmaking program that will respond to priorities and be seen as a new resource in helping build a strong and healthy community.

The visionary document is an important recruitment and planning tool. It can be used to attract the top-level leadership needed for success and to capture the interest of volunteers and donors. In addition, it is an important step on the way to developing your mission statement and organizational objectives.

DECIDING ON THE GEOGRAPHIC AREA TO BE SERVED

A US survey showed that 50% of all US community foundations serve areas with fewer than 250,000 people. Of these, 80% are serving areas with fewer than 100,000. Early US studies that showed that centres of 50,000 or fewer have little chance of success are not in line with recent experience. In Canada, success stories such as Minnedosa, Manitoba show that given the right leadership, a population of even 2,600 can sustain a community foundation. Intangible factors such as community cohesion, spirit and philanthropic tradition are all relevant.

With this in mind, the organizers of a new community foundation should seek to embrace the largest possible cohesive population. The community foundations in Newfoundland and Labrador, Nova Scotia and PEI, for example, include the entire province.

REGIONAL AND AFFILIATE MODELS

There is a wide variety of regional and affiliate models for community foundations. They present a distinct advantage to community foundations or funds in smaller communities by offering economies of scale, geographical coverage and/or access to expertise from a centralized or established community foundation. There is a growing variety of experience in regional and affiliate options for community foundations, and such approaches may help to address the challenge faced by many communities of acquiring and sustaining the necessary human and financial resources required for a successful community foundation.

If your community foundation is looking at developing a regional or affiliate model, CFC's resource will give you some inspiring ideas. Check out our templates, best practices and case studies on the CFC website or contact clindsay@communityfoundations.ca /519-725-3353.

BECOMING INCORPORATED

The first step to becoming a community foundation is to incorporate the organization. Be sure to get in touch Community Foundations of Canada before you develop your application for incorporation. CFC can provide guidance to emerging community foundations through this process and through the application for charitable registration with the Canada Revenue Agency.

At this stage the services of a legal counsel – possibly volunteered – are required to draw up the application for incorporation and the first by-law. There are three options for incorporation:

1. Incorporate as a not-for-profit corporation under the Canada Not-for-Profit Corporations Act (CNCA). A registration fee is required. CNCA offers online services through their Filing Centre: <https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs04970.html>. All the required forms and a template bylaw builder are available on the website.
2. Incorporate as a not-for-profit corporation under the provincial/ territorial Corporations or Societies Act. The registration fee varies by province or territory.
3. Apply for incorporation by a special act of the provincial legislature through a private member's bill.

The first two methods listed above are the most common practice and are relatively straightforward. However, some Canadian community foundations, including those in Winnipeg, Victoria and Edmonton, have followed Option 3. Although it takes more time, some argue that the public image of a community foundation as a special, permanent institution is best served by going to the people by way of the elected government for the recognition provided by an act of the legislature.

The application for incorporation must include the names of the first directors. As they may not yet have been appointed, it is common, with their agreement, to list members from the steering committee as the tentative board of directors - using the number of directors required in the by-law.

DEFINING YOUR OBJECTIVES

Whatever route is chosen for incorporation the application must state the objectives of the applying foundation. Subsequently, these same objectives must be stated when applying to the Canada Revenue Agency for a Charitable Business Number.

The statement of purpose (sometimes referred to as “objects”) of an organization are the objectives that it is created to achieve. Each of an organization’s purposes must be clearly stated in its governing document, such as letters patent, articles of incorporation, trust, or constitution.

Below are two examples of a Statement of Purpose created by community foundations. Please use these as a guideline only and confer with a lawyer or with CFC before submission.

Example A:

1. The Foundation will receive and maintain a fund or funds to apply any part of the principal and income therefrom in furtherance of the following objectives:
 - a) To give grants to “qualified donees”;
 - b) To improve the efficiency and effectiveness of other registered charities through the holding of conferences and the provision of administrative services;
 - c) To convene meetings that provide a forum to consider community priorities and action around emerging and existing community needs and how best to meet them. The fields of consideration are the relief of poverty; educational needs; social welfare and health issues; programs for the aged, the disabled; preservation and protection of the environment; advancement of the arts; prevention of delinquency and substance abuse. The meetings are not intended to influence public opinion.

Optional objective:

- d) To provide scholarships to deserving students;
2. A formal grants program will be established whereby the Foundation will accept applications with supporting documentation from qualified donees. The Foundation will review such applications and successful applicants will be those proposals best satisfy the above purpose and activities.
 3. The Foundation will favour applications that address themselves to:
 - a) emerging needs;

- b) new and more effective ways of dealing with problems;
 - c) realizing unusual opportunities or meeting urgent needs in the community;
 - d) enabling charitable organizations that in the opinion of the Foundation are performing essential services to reduce costs, increase efficiencies and otherwise become more self-sufficient.
4. [If the Foundation intends to manage endowment funds for other charitable organizations when the charity will remain the owner of those funds - please note that some community foundations choose not to accept Managed Funds. Please contact CFC for more information on the advantages and disadvantages of administering Managed Funds:] The Foundation will invest and administer the endowment funds of other registered charities.
5. The Foundation may, in determining which applicants receive funding, give particular consideration to the following criteria:
- a) seriousness of the need;
 - b) degree of potential benefit to the community served;
 - c) level of cooperation and coordination with other programs in the same field;
 - d) reasonable assurance that the amount the Foundation can grant is sufficient to encourage the results sought; and
 - e) the degree of volunteer participation and citizen involvement in the program.

Grant priorities will be reviewed annually by the Foundation so as to best achieve the above charitable purpose and activities in light of the funds available for distribution.

6. [If the Foundation intends to actively raise funds, include the following:]
The Foundation will actively raise funds through [describe activities that will be used to raise funds].

Example of wording you could use here: "The foundation will actively raise funds through the solicitation of donations and various other fundraising initiatives and activities in compliance with the foundation's goals, objectives, and governance."

Example B:

1. To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, by way of a formal grants program to qualified donees (as that term is defined in the *Income Tax Act (Canada)*), in furtherance of the following charitable purposes:
- a. To support educational programs including programs that build individual citizens' capacity for leadership and effective participation in community life;
 - b. To promote and advance social and health programs and activities that contribute to the development of healthy communities;

- c. To support and advance awareness of community heritage and local cultural traditions including theatre, dance, literature, film and video, music, crafts, painting and sculpture;
 - d. To encourage and support innovative approaches to community-based management and stewardship of land, natural resources and the environment, and
 - e. To support and advance such other complementary purposes of a charitable nature not inconsistent with these object
2. To increase the efficiency and effectiveness of qualified donees by providing financial support, advice and capacity building to foster the environmental, social, cultural and economic sustainability of the community through charitable means.

Statement of activities relating to purpose #1 above could include:

- a. Convening the community to learn about, discuss and potentially develop a community-based action plan around a particular community issue that relates to our charitable purposes
- b. Undertaking research related to one of the charitable purposes above, in order to improve the effectiveness and impact of the foundation's grant programs
- c. Providing professional development opportunities for and advice to community partners to increase their capacity to deliver their programs and services that align with the foundation's charitable purposes

DEVELOPING YOUR FIRST BY-LAW

The first by-law must accompany the application for incorporation. Among other things the by-law must state the number of directors, their terms and how they are appointed/elected. Remember, the make-up of the Appointing or Nominating Committee is normally identified by position rather than by name. The CNCA provides an excellent bylaw builder to assist in this process: https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs04734.html

The turnaround for incorporation as a not-for-profit is usually within 10 business days providing that there are no errors or missing information in the documentation.

CHARITABLE BUSINESS NUMBER

Once incorporated, the new community foundation must then apply to be accepted by the Canada Revenue Agency as a registered charity and obtain a charitable business number (CBN). The CBN is the tool that allows a foundation to issue a charitable tax receipt for donations. The application, on Canada Revenue Agency's form T2050, must be completed and accompanied by the incorporating document, the letters patent and the first by-law. See Canada Revenue Agency documents pertaining to charitable registration, <http://www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/htply-eng.html>

Guide to applying for CBN: <http://www.cra-arc.gc.ca/E/pub/tg/t4063/t4063-13e.pdf>.

While the turnaround time for incorporating the foundation can be just a matter of days, the process to receive a charitable business number can range from 6 to 18 months. It is important to follow all the steps and ensure all documentation is in place in order for the processing to go smoothly.

Upon approval, the foundation will receive a letter from the Canada Revenue Agency stating the following:

- recognizes the applicant as a "registered charity" under paragraph 149.1(1)(g) of the Income Tax Act
- identifies the applicant as a "public foundation"
- assigns a charitable business number to be used in receipting gifts for tax purposes
- notes the requirement to file an annual information return and a financial statement

Upon incorporation, the community foundation can start doing business under its own name, open bank accounts and accept contributions to support operation costs. However, no tax credit receipts may be issued until the Canada Revenue Agency registration has been approved. The CBN must appear on all receipts used for tax purposes.

APPOINTING YOUR FIRST BOARD

The board of directors of a community foundation is its most important asset. Nothing is as critical to the growth and stability of the organization as the commitment of its board members. As soon as possible after incorporation, the Nominating/Appointing authority, as prescribed in the by-law, should meet to appoint the first board of directors. These often include some Steering Committee members and the original organizers.

At this stage it is important for the new board to settle in quickly and not lose momentum during this critical period. Focus must be directed toward the following priorities:

- policies and procedures must be developed and implemented
- cultivation and marketing must be continued and heightened
- fund development must be put into high gear
- support for operations must be found
- grantmaking strategy must be developed

As endowed funds grow, investment management is put in place and "custodial" services are arranged.

While the board of directors must maintain ultimate responsibility - particularly the immediate responsibility for fund development - committees should be formed to handle the major tasks. This is critical in the early stages before it is possible to hire a staff person.

The creation of a new community foundation is a major event. It should be launched with a bang! But don't be over anxious. When ready, perhaps when the first grants are being given out, a communications strategy should be developed. This may involve a formal announcement to the community through the media and a kick-off event that involves broad community representation and all stakeholder groups. These kinds of public relations initiatives will help generate interest throughout the community about the new foundation.

With the structure, people and overall plans in place, the community foundation is ready to get down to business and address the tasks required to build a strong organization. These tasks are outlined in the following section, "Section 3: Ongoing Tasks."

TABLE 1: STAGES, STEPS AND TIMEFRAME FOR FORMING A COMMUNITY FOUNDATION

Stage	Steps	Target
1	<p>Stirring Up Interest:</p> <ul style="list-style-type: none"> ▪ prime mover(s) study the community foundation concept; ▪ share interest with associates and form a core group; ▪ core group consults key civic leaders, community organizations; ▪ initial meeting of 10 to 30 leaders whose acceptance and commitment are important; ▪ core group expands, giving consideration to diversity, to become Steering Committee; ▪ Steering Committee sets in motion a feasibility study and divides work assignments for Stage 2. 	2 months
2	<p>Ensuring Feasibility</p> <ul style="list-style-type: none"> ▪ study geographic area of service; ▪ complete community self-assessment ▪ brief key community organizations and leaders; ▪ identify potential major sources of funds; ▪ identify potential sources of operating support; ▪ identify possible sponsors from among community groups; ▪ hold further public meeting(s) to expand the idea; ▪ steering committee continues to meet and learn about community foundations; ▪ call in outside professionals for consultation; ▪ visit an established community foundation. 	3 months
3	<p>Steering Committee Goes Ahead:</p> <ul style="list-style-type: none"> ▪ decide on method of incorporating; ▪ decide on: <ul style="list-style-type: none"> ○ objectives ○ area of service ○ method of appointing or selecting a board of directors ○ establishing and managing an office or a lead individual to manage the process ○ administrative funding and other support ○ committee and other structures ○ tentative take-off target for the endowed fund; ▪ prepare and circulate a visionary document; 	3 months

	<ul style="list-style-type: none"> ▪ draft a three-year, time-phased asset development plan; ▪ secure support from founding donors, sponsors, volunteers and others; ▪ maintain dialogue/meetings with leading lawyers, bankers, trust officers, business leaders and local organizations 	
4	<p>Formally Organizing:</p> <ul style="list-style-type: none"> ▪ steering committee: applies for incorporation, applies for charitable registration (this can take several months), assembles the Nominating/Appointing Committee; ▪ Nominating/Appointing committee meets; ▪ Board of Directors is appointed/selected; ▪ initial board meeting: assigns tasks, appoints committees; ▪ incorporation and charitable registration is completed. 	3 months
5	<p>The Launching:</p> <ul style="list-style-type: none"> ▪ produce marketing materials; ▪ open office and get staff in place (paid or volunteer); ▪ public launching event; ▪ Board of Directors and/or committees: <ul style="list-style-type: none"> ○ develops and implements a marketing plan ○ approves the three-year phased asset development plan ○ affirms "take-off" target for the endowed fund ○ seeks lead-off founding gifts and other contributions ○ finds funding and other support for administration; ▪ in collaboration with community organizations and leaders, , the Board of Directors undertakes a comprehensive appraisal of community needs and opportunities: to understand the diverse makeup of the community, to determine fields of priority, to see where grants from the community foundation might be most effective, to formulate a grants policy and program. 	4 months

TABLE 2: COMMUNITY SELF-ASSESSMENT

This is a list of questions and comments to help you consider the meaning, implications and potential for forming a community foundation. Once your group completes this assessment you will be ready to start generating interest with a broader audience. Be sure to set aside adequate time to review and discuss each of the following issues.

I. Your Community

1. What is your population base and who lives in your catchment area?
2. What is the nature of wealth in your area?
3. Have there been any previous efforts to set up a community foundation? If so, why did they fail?
4. What opportunities and obstacles for successful fund development exist in your community? What other organizations, if any, are tapping the same potential funding sources (see Mapping Your Community Philanthropy Environment)?
5. What major fundraising campaigns are now conducted in your community? Might they compete with the community foundation?
6. Will the community foundation tend to increase the size of the charitable pie?
7. Does your city or town have a future vision? What is it?

II. Your Organizing Group

1. During the start-up phase, who would be the best possible source for the following expertise?
 - fund development
 - administration
 - wills, trust funds, endowment funds
 - investment
 - knowledge of community organizations
 - knowledge of diverse communities
 - legal counsel (incorporation, by-laws, etc.)
2. Is everyone committed to the general mission and purpose of a community foundation?
3. Are there others who should be involved at this stage? Who are they?

III. Your Community Foundation

1. Identify, as specifically as possible, the role a community foundation would have in your area. Are there unmet needs (or opportunities) which it could address in:
 - arts and culture
 - health
 - environment
 - social services
 - education
 - heritage preservation

2. How would the community foundation have a unique role when compared to other organizations and agencies serving your community?
3. What are the sources of start-up funds and other forms of support for operating costs in the early years?
4. Which individuals, charitable organizations or companies might provide initial endowments?

IV. Critical First Tasks

1. Draft a mission statement and define objectives.
2. Identify volunteers to help with start-up fundrinh, planning and administration.
3. Prepare initial fund development targets and tasks.

Mapping Your Community Philanthropy Environment

This exercise helps you identify all of the philanthropy organizations operating in your community, in order to understand the resources and relationships that you all bring to the table. Try this individually and then as a group with the foundation's steering committee, board members or other volunteers to help develop an even more complete picture. Consider trying the exercise with the leadership of other community philanthropy organizations to help you obtain a broader set of perspectives and begin a larger conversation about the relationships between your organizations and the roles each of you can play. It is important to recognize that other organizations should be included in the exercise as peers and partners, not simply as group that will achieve your foundation's mission. See the next page for the exercise.

1. What types of philanthropic organizations are operating in your community?
In the boxes below, list the organizations of various types that work in your area.

<p>United Ways</p>	<p>Identity-based funds e.g., latino funds, gay & lesbian funds, women's funds</p>	<p>Community foundations</p>
<p>Giving federations</p>	<p>Private foundations focused on local issues</p>	<p>Giving circles</p>
<p>Significant individual donors focused on local issues</p>	<p>National & regional funders that give in your area</p>	<p>Potential state & local government partners</p>
<p>Community-based public charities that give in your area</p>	<p>Local businesses that contribute to local issues</p>	<p>Other significant local giving groups e.g., churches, volunteer centers, healthcare conversion foundations</p>

2. Were there any surprises in these lists? Do you need to do more learning and outreach to fill in gaps in your knowledge of other community philanthropy organizations?

3. Think about your relationships with each of the players you identified. For each one, consider:
 - Have you ever worked with them before?
 - How would you describe your relationship with them?
 - Are there issues where your interests overlap?
 - What resources (financial, human, knowledge, networks) could they add to a partnership? What resources could you add to a partnership with them?

4. Think about the other philanthropic organizations in terms of the current and emerging needs of your community. What are your best opportunities for partnership and coordinated impact?

5. What are the next steps you should take to either build or improve your relationships with other community and philanthropic organizations?

CONSIDERATIONS FOR DEVELOPMENT OF A COMMUNITY FOUNDATION

The previous pages focus on the concept and early stages of development of a community foundation. The points made below are important for you to address at the very early stages of thinking about a community foundation for your area.

1. Community foundations are born out of the vision and energetic leadership of key individuals and groups in a community. The leadership generally includes highly respected individuals from professional groups such as law and finance; senior volunteers or staff of organizations and institutions serving the community's interests in the arts, culture, education, social services; other fundraisers and grantmakers such as United Way-Centraide; senior personnel from your community's leading businesses and possibly local government, and those individuals who are known to be generous philanthropists with a commitment to the wellbeing of their local community.

Ask yourselves: How is the commitment of individual key leaders in our community evident? Have they come together to discuss this initiative and if so, with what results?

2. Community foundations, in order to be successful, require a base of wealth in the community, a potential for economic growth and a forecast of growth in population.

Ask Yourself: How do these factors apply to our community?

3. Community foundations are partners in philanthropy with other local foundations, fundraisers and grantmakers, government, corporations and businesses. They do not compete, but work collaboratively to determine how they can complement and enhance what is already in existence or address needs and interests that may require new and creative thinking.

Ask Yourself: What is the current picture of philanthropy and charitable giving in our community? What are the needs and how are they addressed? What are the opportunities for collaboration?

4. While recognizing that each community has its unique interests, needs and resources, there is a general move toward developing regional models of community foundations as ways to gain efficiencies and benefit from a larger pool of wealth and support.

Ask Yourself: How has our community explored this possibility? Has there been contact with the nearest existing community foundation and if so, with what outcome?

5. Building an infrastructure, no matter how slight, is an important early step in getting a community foundation off to a healthy start. An office and staff are needed, paperwork must be followed through, budgets prepared and monitored, and accounts must be paid. One of the greatest challenges facing the new board of directors is how to cover the cost of operations.

Ask Yourself: Has your community addressed the need for operating funds for the community foundation? How will you ensure that this need is met right from your inception?

SECTION 3: ON-GOING WORK

All community foundations share a basic concept. They solicit charitable gifts and endowments, retain them in a common pool, invest them and then use the earnings to support charitable activities to benefit the community. This section looks at how these activities are generally accomplished. Many of the points raised are elaborated on further in other CFC manuals, which will become available to you as your foundation's plans become more developed.

At the early stage of their development community foundations formulate their mission statement. While the wording will vary from one community foundation to the next, the approach necessary to realizing the inherent goals expressed by these visionary statements is the same everywhere. The three core roles of a community foundation, as it works to fulfil its mission statement, are discussed in detail in Part I of this section.

We do this in three ways:

- Vitality depends on long – term resources for long-term solutions – so **we work with donors to build endowment funds** that ensure vital futures for communities.
- Vitality comes from all corners of a community, so we **grant funds to the widest possible range** of organizations and initiatives.
- Vitality needs leadership, so **we bring people together** from all parts of our communities to stimulate new ideas, build participation and strengthen community philanthropy.

Part II will describe how a community foundation can do its business in an accountable, responsive, and transparent way in three particular work areas:

- General Management
- Investment Management
- Marketing and Communications

PART I: CORE ROLES OF THE COMMUNITY FOUNDATION

1. Working with donors to build endowment funds

The foremost and immediate task of a community foundation is to raise funds, but fund development for community foundations is conceptually different from the fundraising of other charities. Whereas other charitable organizations seek annual and ongoing gifts, the community foundation, generally, seeks one-time endowments. While other charitable gifts are spent immediately on the purpose for which they were raised, gifts to a community foundation are retained forever and provide ongoing support year after year. In the long term, a community foundation grows principally through bequests in wills. However, waiting for financial assets through this means does not get a new community foundation up and running.

At its best, fund development is a program of developing relationships, marketing and communications, cultivation and solicitation activities intended to attract gifts to build a permanent endowment fund and to cover costs of operation. It is the means for achieving a mission of providing philanthropic leadership and is the core activity in building an endowment fund for the long term benefit of a community.

How to Achieve Financial Targets

Because a significant endowment fund is fundamental to the foundation's mission, a carefully developed, comprehensive fund development building plan is essential from the very beginning.

It involves identifying the various sources of contributions, ascribing a dollar goal to each and then devising a plan for soliciting the gifts to help reach the initial financial targets of the foundation. Since there are many sources from which to attract funds, the problem is to decide where to put the attention at first in order to realistically appraise the level of potential giving, decide on priority areas and assign responsibilities.

Ideally, the plan involves raising funds in ways that will not compete with other community-based organizations but will expand the philanthropic pie. It will stress the community foundation's unique features which will, hopefully, attract support.

While drawing on a variety of funding sources, the fund development plan must contain the key ingredients of all effective fundraising efforts: stated goals, roles of board and committees, a prospect list and time projections. It must define accountability for tasks and have total board commitment.

In the early stages, community foundations need a few key donors with faith and vision. The board can play an important leadership role by personal example and by making the right contacts.

Who Gives to a Community Foundation?

For fund development purposes you need to identify those people or groups who are most likely to make gifts to your foundation – or encourage their clients to make gifts. Typically, they are:

- individuals
- professional advisors (lawyers, accountants, financial advisors)
- corporations
- charitable organizations
- private foundations

Individuals are, by far, the most significant source of funds for community foundations. Nearly 90% of all gifts to community foundations come from individuals. But who are these individuals? Although there is no typical profile of a donor to a community foundation, there are a number of characteristics that can be helpful in identifying and prioritizing prospects.

- Traditionally, donors to community foundations have been:
- older people
- board members and volunteers (past and current)
- people with wealth
- professionals (doctors, lawyers, accountants, bankers and corporate executives)
- business owners
- community-minded individuals
- single, widowed or couples without children

In addition, many community foundations have begun to reach out more aggressively to younger people and diverse communities to broaden their base of current and future support.

What Motivates a Donor?

Generally, a person makes a gift to a charity because they care about the charity. More specifically, a person gives for one or more of the following reasons:

- empathy with the organization
- gratitude
- loyalty
- desire for recognition and acceptance
- self-preservation – (gift to a health charity as a kind of insurance)
- commitment to an organization's goals
- direct involvement with the organization
- desire for tax benefits
- respect for / relationship with solicitor or financial advisor
- respect for management of organization
- keen sense of community responsibility and a desire to “give back” to a community where they have been successful
- they were asked
- at an older age, some people enter a “shedding” mode
- desire for perpetuity
- merger or acquisition may have created a large surplus of funds
- people who want to be first, as in the case of founding donors

Gift Options

The ways to give to an endowment fund are as diverse as a donor's individual circumstances. At the end of the manual is CFC's Gift Matrix that outlines some of the popular ways in which donations are made to community foundations.

Types of Funds

One of the most appealing aspects of a community foundation, from a marketing point of view, is the variety of ways it has of carrying out a donor's charitable intentions. Starting with the most flexible and leading to the most restrictive funds for a community foundation, the fund options are:

Unrestricted/Discretionary/Community

Funds are held for general charitable purposes, enabling the foundation to respond to a broad range of community needs and opportunities.

Operating/Administrative

Donations and investment revenue are used to offset operating and program costs for the foundation.

Field-of-interest

Funds intended to provide support for a general area (such as education or the environment) without limitation to a specific organization or beneficiary.

Flow-through/Temporary

Non-permanent funds received for distribution over a period of time or for a specific project.

Designated/Restricted

Funds which support particular agencies or organizations, as named by the donor.

Agency

Funds established by charitable organizations as permanent funds to ensure an ongoing source of support for their programs and operations. The community foundation owns the fund and the income is designated to the agency.

Named

Funds are held in the name of the donor, a family or an individual that can be directed by the donor for use in the unrestricted fund or for special purposes identified by the donor. Typically, a community foundation will require a minimum gift or pledge of \$5,000 to \$10,000 to establish a named fund.

Donor Advised

Funds enabling donor participation in the distribution of income (and sometimes principal) from their fund.

The Ask!

If a community foundation is committed to building an endowment fund, it has to do more than sit and wait for a gift to come through the door. In short, “Someone has got to ask for it!”

Once the best prospects have been identified a strategy for contacting these individuals must be developed. The strategy can range from a very soft, passive approach to a more aggressive, proactive approach. Whatever approach is taken, sooner or later, someone from the community foundation must come face-to-face with a prospect and ask for a gift.

2. Broad and Effective Grantmaking

The value of a foundation to its community is measured by its success at grantmaking. This is because it is primarily through its granting activity that a foundation achieves its central purpose of improving the quality of life in the community.

The first grants are usually small and go toward several highly-visible and important community projects. The advantages of this practice are:

- it demonstrates the community foundation serves a wide range of community priorities
- it enables future grant recipients to learn about the new foundation
- it raises board and committee awareness of a wide range of community organizations
- it creates a number of opportunities to publicly profile the community foundation

On the other hand, the opposite approach of making a few large grants has other advantages. They are:

- it increases the possibility of having a major impact in a priority area
- it means less paperwork
- it may be easier to attract media attention

Whether the impact is spread out or focused and the grants large in number or small, the community foundation must establish a formal grants program.

ESTABLISHING YOUR GRANTMAKING PROGRAM

Vitality comes from all corners of a community, so we grant funds to the widest possible range of organizations and initiatives. We take the broadest view of what a community is and what it needs to succeed. This is why our grants support everything from shelter, sustenance and care for those most in need, to recreation, education, the arts, and the environment.

A comprehensive grantmaking program has clear guidelines and formal application and review procedures. It also has a grants selection, distribution or awards and recording systems and an evaluation process.

Since community foundations are in the business of helping it is important that they be approachable and that it be easy for other organizations to find out whether or not they are eligible to apply for a grant and what application process they should follow. It is important to keep application procedures simple and straightforward.

As the available income for grantmaking increases the grants program should be managed by a grantmaking committee of the board of directors. When staff are eventually hired, administrative details should be passed onto these professionals. However, no matter what system or approach is used, the board is required to have the final approval on the distribution of any grants.

A typical grantmaking program has the following components:

Grantmaking Guidelines

The Canada Revenue Agency requires that grants from community foundations go to approved recipients only (Qualified Donees) and foundations are usually limited to charities operating in their geographic area. Some community foundations regularly review emerging community needs, setting strategic priorities to ensure that these issues are being addressed through their grantmaking. Seed grants can enable the community to undertake new initiatives and adjust to change. In some cases, multi-year funding may be considered and provisions for community emergencies built-in. Grants rarely support general operating expenses, except those for the start-up phase of new operations. Frequently, these grants are made as challenge or matching grants. Sometimes, a grant enables important initiatives to get started.

Application Procedure

Usually there is a grant application form. Grant application periods are pre-determined, usually standardized and publicized. Standard practises are established for acknowledging receipt of grant requests and for informing the applicant when a decision can be expected.

Application Review Process

In the early stages, grant applications are often evaluated by the entire board of directors. As the amount available for grants increases, this task is then assigned to a grants review committee and the process becomes more formalized.

Awards Procedure and Recording System

It is important that you inform the community about grantmaking decisions. Community foundations announce their grants at a press conference, a community event or through media. To maximize impact and awareness, a regular procedure should be used. Scrupulous records must be kept, including the recording of grants and information on grant recipients.

Grant Evaluation System

Good grantmaking is not just about making grants. It is important to follow through on grants and check up on the success of the funded projects and how well they have met their objectives. Evaluation not only builds the foundation's knowledge and experience but it helps earn the confidence of donors and the respect of those receiving grants. A simple, straightforward evaluation procedure, one that involves the grant recipient from the outset, leads to ongoing and widespread learning. If done well, everyone learns and benefits from evaluation. To this end, grant recipients should be encouraged to look at evaluation as a learning opportunity not a report card.

Granting Policies and Priorities

To establish a grantmaking program community foundations should examine what issues are considered important and what is needed by the community. This kind of analysis leads to policies and priorities that reflect the interests and values of the foundation and respond to the changing needs of the community.

But there are other values. Clear policies and priorities are important because they help a community foundation:

- create a sense of identity
- target limited resources
- provide an overall sense of direction to board and volunteers
- define funding interests so grantmaking is more strategic
- ensure grantmaking is fair
- ensure review is conducted efficiently and effectively

Reactive, Proactive and Interactive Grants

A foundation's grantmaking can be characterized by its style. Generally, a grant can be viewed as a:

Reactive Grants (sometimes called Responsive Grants)

A reactive grant is the most commonly used approach. For a new foundation it is a good way to initiate grantmaking. Based on a pre-determined set of criteria, it puts out a call for proposals to the community. Once received, these requests for funds are judged on their own merit and in competition with one another.

Proactive Grant

A proactive grant is created when a foundation identifies a specific area of interest or concern and takes a leadership role in identifying projects to be funded. This approach is usually easier for large organizations but foundations of any size can practise this approach.

Interactive Grant

An interactive grant occurs when a foundation works with a grant applicant to help strengthen their proposal. For example, the foundation might bring in other community resources; provide budget advice; identify gifts-in-kind or invite other community organizations to explore a collaborative approach to a project.

3. Community Leadership

Community vitality needs leadership, so we bring people together from all parts of our communities to stimulate new ideas, build participation and strengthen community philanthropy. As knowledgeable partners in community life, community foundations offer leadership to their communities on issues of importance to the community. They use their broad and independent perspective to help build strong, caring, engaged communities by empowering others, fostering dialogue, developing partnerships and mobilizing the community to improve the quality of life. They strive for visionary thinking and creative, inclusive collaboration that builds social capital.

At the outset, community leadership is demonstrated through the actual process of creating a community foundation, when people from diverse sectors of the community come together to discuss community issues, needs and opportunities. From this beginning, and as they grow and evolve, community leadership is an essential principle for community foundations, which strive to:

- promote and celebrate the value of philanthropy;
- inspire, educate and encourage citizens of all ages and backgrounds to actively participate in community life, as donors, volunteers, and in other roles;
- represent the values and importance of the charitable sector to governments and other decision-makers;
- welcome partnerships and collaborations in grantmaking, resource development, and other aspects of community life; act both as an initiator and in response to the invitation of others;

- nurture sensitive, broad relationships within the community; use the community's diverse human and financial resources to bring donors, community groups, and individuals together with ideas, needs and priorities;
- participate in and initiate community consultation about community issues, participate in community affairs, and be knowledgeable about local and national trends and their impact;
- facilitate respectful dialogue on important issues; bring together people with diverse perspectives and points of view to discuss community priorities and to engage in the foundation's deliberations and decision making;
- offer support and assistance to grantees and other organizations, through granting and convening activities, managing agency endowment funds, linking organizations with donors whose interests may be best served by a direct relationship, connecting organizations that share common goals, sharing knowledge and expertise, and by helping with management issues.

PART II – THE WAY WE DO BUSINESS: ACCOUNTABLE, RESPONSIVE, TRANSPARENT GOVERNANCE

General Management

Building an infrastructure, no matter how lean, is important at this stage. An office or central coordination point must be set up and staffed, paperwork must be followed through, budgets prepared and monitored, and accounts must be paid.

One of the greatest challenges facing the new board of directors is how to cover the cost of operations. The dilemma facing a new or small community foundation is that if investment earnings are used for administration and not returned to the community in the form of grants this will impair public awareness and credibility, essential for growth.

As a solution, several community foundations have established their own operating costs endowment fund and built it up over the years through ongoing gifts from supporters. The annual earnings become a growing source of funds for the administration budget. But, developing the endowment fund to expand grantmaking ability must always be the number one priority for a community foundation.

Even keeping administrative costs to a minimum, there are unavoidable start-up expenses that include incorporation, marketing collateral, IT, other supplies and, possibly, rent. One decision may be to defer hiring executive or administrative staff and keep costs to a minimum by using volunteers.

Donations of Goods and Services

Many community foundations have been successful in getting goods and services either donated or provided at wholesale prices. Usually office furniture, computers, printers, telephone systems and other indispensable equipment can be found that is second hand but in good condition. An official receipt for tax credit purposes is sometimes an encouragement for the donor. An independent appraised market value is required in these cases.

Sometimes an organization such as a Chamber of Commerce, United Way-Centraide, municipal government or Rotary Club will provide a loan of staff and/or facilities to start the community foundation. While this can bring welcome financial and organizational support and early credibility through association, it must be carefully arranged so as not to undercut the fledgling foundation's eventual independence, affect donor giving or skew the sense of mission.

Preparing the Operating Budget

Once it is clear what can be anticipated in donated services, facilities and equipment, the board is in a position to prepare an operating budget for the first three to five years. Experience has shown that community foundations which have hired well-qualified executive staff full time from the very beginning have progressed faster than those without such resources. This is an individual decision, however, the task is to find sources of funding to cover as many costs as possible.

The excitement of a new community foundation and its potential for enhancing the community can sometimes attract funds for start-up expenses. These are some examples of what other foundations have done.

- start-up funding from city and regional governments
- gifts from corporations
- start-up grants from locally based private foundations or other funding agencies

Finding Sponsorships for Specific Items

An often-successful approach is to segment the operating budget and match pieces of the action to prospective donor interests. A number of community foundations have received support from corporations in underwriting the cost of activities in return for public acknowledgement. These sponsorships are typically for marketing materials, annual reports, foundation birthday celebrations and other community events.

Finding Funds within the New Foundation

Administrative Fees

New community foundations are encouraged to introduce an administration fee on the earnings of the endowed funds right from the beginning. The administrative fee charged by established community foundations may be based on a percentage of the annual revenue of each fund – usually 2.5 - 5%. Others base their fee on a percentage of year-end capital in each fund – ranging from 0.75%-2%, depending on the activity required. Still others merely apportion their administrative costs on the basis of the fund's size to the total of all funds. Whatever calculating method is used, the rate tends to be substantially lower than that normally charged by financial institutions.

How the Tasks Get Tackled

Getting a new community foundation ready involves an organizational transition from enthusiastic community members with a vision, to a steering committee, to a board of directors. The foundation is on its way once it is incorporated and acquires charitable status. But a foundation really starts to take shape when there are energy and dollars enough to fuel its first few years of operation.

The next section, “Building Your Organization,” looks at how a community foundation organizes itself to support its ongoing activities.

Investment Management

Guided by the mission statement and the goals of the foundation and reflecting on the foundation’s position as a public trust, investments are managed according to criteria developed by the board of directors. It is the responsibility of the board to create and approve an investment policy that meets legal requirements and the trustee relationship and sound investment practises. Some community foundations tie their investment guidelines to provincial and federal government legislation such as those governing pension funds.

Most community foundations do not manage their assets themselves. The role of the board is to set investment policy and to devise a system for monitoring an investment manager’s performance.

In the very early stages of a foundation, boards generally monitor their investment plan. But very soon after, community foundations are encouraged to establish an Investment Committee to monitor investment management and report back to the board on a regular basis.

Donors, grant recipients, fund holders and professional advisors all take a keen interest in the performance of a community foundation’s investments. They seek assurance that policies are in place to protect and grow the assets and monies are managed in a professional manner. They hold the foundation accountable for these community resources. These issues are best addressed by conducting this task with transparent investment policies and practices.

Marketing and Communications

Your community foundation is bursting with potential. It’s a great thing for your community. You’re sure that once you tell others about it, they’ll be excited too.

If it were only that simple! Telling the community foundation story is one of the greatest challenges for a new or rejuvenated community foundation. Why? Because a community foundation is complicated. It is many different things to many different audiences. To a potential donor, it's one way to support many different charitable

concerns. To a professional advisor, it's a great tax planning vehicle for clients. To a local charity, it's a source of funds.

It is easy to get bogged down trying to explain all the wonderful things a community foundation is. Don't. Instead, it is important to focus on the foundation's most important audiences and what's most important to them. Then, figure out the simplest and most effective ways to tell the community about the foundation. CFC has a number of template resources and tools to help you get off the ground, including opportunities to build on its national marketing campaign and strategies to engage locally. For more information on CFC's support material, contact David Venn at 613-236-2665 or dvenn@communityfoundations.ca.

In creating a marketing and communications plan, the written document that guides and directs activity in this area, there are seven consecutive steps that should be followed. At this stage it's important to recruit the right people to help work in this area by thinking about what kinds of special skills and knowledge will be needed. Within the mix of team members look for a combination of individuals who are creative and strategic thinkers.

SEVEN STEPS FOR CREATING A MARKETING AND COMMUNICATIONS PLAN

Step 1. Identify internal strengths and weaknesses and external opportunities and risks

This step helps in understanding the environment in which the foundation is working and in anticipating changes in this environment. It leads to strategic decision making.

Step 2. Develop key messages

These are clear, general messages about what the foundation is and its role in the community.

Step 3. Identify key audiences

In the beginning stages there should be only a few key audiences. Sample key audiences:

- donors and potential donors
- professional advisors
- local businesses
- charitable organizations
- general public
- media

Step 4. Prioritize your target audiences and identify their needs and concerns

Review the full list of target audiences and decide which of these are most important. Then try to imagine the needs and concerns of each group. At this stage it is sometimes a

good idea to talk to someone who is representative of each group to help in understanding their differing needs and concerns.

Step 5. Reach target audiences

Consider each target audience individually and then identify the various strategies to be used to communicate with each audience. At this stage identify the specific marketing activities or tools needed to reach each target audience.

These communications tools may include:

- foundation logo / branding
- website / social media presence
- stationery
- information kit for professional advisors

Step 6. Develop an Action Plan

The Action Plan section of a “Marketing and Communications Plan” outlines what specific task is being done, by whom and by when. This summary of deliverable items should be referred to often to help monitor progress.

Step 7. Evaluate progress

Evaluation is a critical stage. Some organizations evaluate their outcomes on an ongoing basis while others set up regular times to more formally evaluate their results. Pick an approach that works for your organization. The important thing is to be sure to conduct some form of evaluation of marketing and communications initiatives.

Beyond the Basics

Once a foundation is up and running, these additional materials may be considered as options:

- periodic newsletters highlighting new gifts, grants awarded, donor profiles, foundation activities, etc.
- annual report to summarize the work of the previous year, recognize donors, highlight grants and report financial results to the community
- professional advisors kit - lawyers, accountants, estate planners, life insurance agents, trust officers - informing them about the community foundation and how it can serve the charitable and tax-planning interests of their clients
- In addition, special events, when appropriate and well managed, and other activities help tell the community foundation story. These might include:
 - presentations to small groups of key leaders in the community - hosted by board members or friends of the community foundation
 - individual or group presentations to professional advisors - lawyers, accountants, estate planners and others who help clients prepare their wills

- presentations to service clubs, groups of seniors, diverse cultural groups and other charitable organizations
- annual celebrations to bring together donors, grant recipients and potential donors
- building up contacts with the media and seeking opportunities for editorials, news stories and personal appearances in order to reach the general public.

Through the network of community foundation across Canada, Community Foundations of Canada has access to many and various samples of marketing and communications materials. Some are available for viewing on community foundations' Web sites. Please visit CFC's Web site at www.communityfoundations.ca for links to our members' sites. For more information on what other materials are available contact CFC.

SECTION 4: BUILDING YOUR ORGANIZATION

Like all corporations, each community foundation has a board of directors, committees and, ultimately, staff. Following this section, there is an outline of the typical structure of a community foundation in Canada.

THE ROLE OF THE BOARD

In the broadest sense, boards govern, set policy, direct and monitor management functions. In the early stages boards also must fill a management role, as well. This may include developing and approving strategic plans, ensuring effective and adequate financial controls are in place and setting up and maintaining the necessary administration systems. Specifically, the basic responsibilities of a new community foundation board are to:

- achieve the organization's objectives as set out in the incorporation documents
- define and achieve the initial financial targets
- ensure board composition is reflective of the diversity of the community
- establish policy
- ensure strategic planning has taken place
- when appropriate, decide on the hiring of administrative and executive staff
- ensure adequate operating resources are in place
- appoint working committees when and as required
- receive and respond to committee reports
- enhance the organization's public image
- periodically assess its own performance
- oversee the legal and fiduciary responsibilities

The main responsibility of planning and implementing a fund development process belongs to the board of directors. These duties include personal giving, personal soliciting, and supervising the comprehensive fund development plan.

FORMING A BOARD OF DIRECTORS

It is important to have a mix of expertise on the board and to reflect the demographic make-up of the community. Experience with fundraising, administration, volunteering, law, finance (investment) and community affairs is especially pertinent. By-laws may require that some positions be designated for appointment by other key groups such as the local United Way-Centraide or Chamber of Commerce.

Other qualifications describe the ideal candidate for a board – namely, someone who:

- has an active interest in the community
- is well known, respected and has some degree of "influence"
- would be willing to get involved in some aspect of the foundation's activities such as developing grant proposals, reviewing grant applications, investments, marketing and communications, fund development
- adds to the diversity of background and experience of the board
- can provide needed expertise

APPOINTING A BOARD OF DIRECTORS

Today, there are changes going on in this area but, currently, the majority of foundations in Canada appoint their boards through an external nominating committee. This nominating committee is provided for in the by-laws and is usually made up of the incumbents of some of the following positions:

- head of the bar association
- chair of the regional government
- mayor
- chair of the local board of trade or chamber of commerce
- president of the local United Way-Centraide
- president of a labour union
- university president or chancellor

In this situation the depth of involvement of the nominating committee varies and many foundations have expressed a wish to move away from, what to many appears as a “rubber stamp” approach toward board appointments.

Other models, perhaps indicative of changes in this area, involve an internal committee consisting of current board members and nominees from various community organizations. Some foundations use an internal nominating committee made-up entirely of current board members. This is proving to be a more popular approach for foundations, especially during the early years.

There appears to be no right number of directors for all foundations, but commonly there are 10-12 on a board. Large boards, with over 20 members, may have the advantage of better fund development potential and reflect a wider community but the disadvantage of requiring a greater communication effort and more difficult consensus-building.

COMMITTEES OF THE BOARD

As a community foundation increases its asset base and activity level, it is common to establish committees of the board, usually chaired by a board member, but involving other members of the local community who have talent, experience and leadership in the particular task. Committee members can also increase the input from diverse communities to the foundation.

1. Fund Development Committee

The task of the fund development committee is to take the lead in developing and implementing an effective fund development plan, as outlined in the previous section under the heading "Fund Development". Often its responsibilities also include the task of marketing and communications. Usually the Fund Development Committee takes responsibility for the task of raising operating funds. This is generally the first committee to be set up in a new community foundation.

2. Grants Committee

As outlined already in the discussion of what a grants program involves the task of the grants committee is to recommend where the earnings from the endowment fund should go. It is important everyone involved with the community foundation be aware of activities going on in this area. The grantmaking process is further enhanced by using the expertise of individuals, from within the broader community, as committee members.

In addition to supervising the community foundation's grants program and recommending how its annual earnings will be disbursed, the grants committee must report regularly to the board and conduct periodic assessments of local program priorities which will allow it to judge the relevance and timeliness of incoming grant applications.

Often grants committees include ex officio representatives from other granting agencies such as the United Way-Centraide, municipal granting offices, social service and provincial ministries. These representatives bring their special knowledge of the granting process, familiarity with local community based organizations and understanding of local needs and priorities. They also open the possibility of shared funding and occasional cooperative, challenge or matching funding. Larger community foundations sometimes divide their grants committee into smaller working groups in order to deal more effectively with grant requests from specific sectors such as arts and culture, health, education, services to youth and the environment.

3. Marketing and Communications Committee

Finding the right people to sit on this committee is crucial. In this early stage this committee is likely to be an all-volunteer team. For larger foundations, there will be one or more staff involved. Regardless of the volunteer/staff ratio, this committee should recruit a mix of people who are creative and strategic thinkers. Many foundations will look outside their organizations and bring in experts from the community. Among its members, this committee should have individuals with a good working knowledge of the foundation, awareness of community strengths, weaknesses, issues, demographics, organizations and initiatives, and marketing and communications expertise. The committee should be fairly small - probably four to six people - who will commit to attending each planning session.

4. Investment Committee

The investment committee invests the endowed fund within guidelines approved by the board. It must carefully discuss and decide the parameters of foundation investments.

Once the community foundation is up and running, consideration is usually given to using outside professional investment management services. Even with a move in this direction, however, the board will continue to hold the overall responsibility for management of these foundation funds. In some provinces there are standards for prudent investing. It is important that community foundations are familiar with these guidelines.

Occasionally, the responsibility of this committee extends beyond investments into general finances - overseeing the foundation's financial accounting and reporting systems.

THE ROLE OF VOLUNTEERS

Few community foundations can afford paid staff during the planning and start-up stages and some foundations operate under the leadership and day-to-day management of volunteers for a number of years before hiring an executive and/or support staff.

Especially critical to the early success of a community foundation are donations of time and talent from a lawyer (for incorporation procedures), investment counsel (for investment guidance) and a bank or trust officer (for custodial services.) A community foundation needs to find a way of continually involving local professional advisors, including estate planners, lawyers, bankers, trustees, accountants, brokers, insurance underwriters and financial planners.

THE ROLE OF STAFF

To ensure success, full-time or part-time executive staff should be employed as soon as finances allow. Their role is to supervise the daily functions of office management and provide the ongoing support needed by the board and committees.

Some general characteristics that might be considered for the executive staff position are:

- energetic - high-energy, self-starter
- visionary - the ability to envisage the desired future and translate that vision into words and work plans
- passionate - a commitment to the cause
- knowledgeable – experienced in running a not-for-profit organization
- superb communicator – excellent inter-personal skills and oral and written communication skills.

Additional support staff in the areas of clerical services, financial accounting and grantmaking will be needed as the foundation grows. These positions may be full-time or part-time, or shared with other organizations, when practical. In the beginning, an administrative assistant or office manager to support an actively-involved board may be both appropriate and economical.

PUTTING YOUR SYSTEMS IN PLACE

Administrative and financial functions should be formalized and performed in a systematic manner. Community foundations need the following management systems - even in a basic form and managed by volunteers - from the day the operation first begins.

Financial Management System

It is the board's responsibility to monitor the financial management of the community foundation through the development and approval of financial policies and ongoing monitoring processes.

A community foundation must have a financial management system that can track and provide answers to questions like:

- what are the current assets of the foundation?
- how many funds do we have?
- what earnings, both restricted and unrestricted, are available for grants?
- how are the assets invested?
- what are current administrative costs and how are they being funded?

To accomplish these tasks you will need a donor tracking system, a vehicle for investing and a grantmaking system.

Donor Tracking System

This is essential to provide a database that is current, accessible and easy to update, and that is used to generate notices for pledges, receipts for gifts, labels for mailings, profiles and acknowledgements. CFC can provide you with information on the most popular systems used by community foundations.

Investment System

For your endowment fund you should have independent investment counsel to assist you.

Grantmaking System

This will make it possible to track each grant from receipt of the application through review, evaluation, award decision and follow-up. It should result in a document specifying the purpose of each grant, the payment schedule and any contingencies and reporting requirements – i.e. a formal grant agreement – to be signed by both the foundation and the recipient.

Foundation Contacts

In the early stages it will be important for people to be able to get in touch with someone from the community foundation. Identify a contact person that can provide a system of message taking by telephone and email. If you have a generic email address (i.e. info@yourfoundation.ca), please make sure it is checked regularly. All these provisions will help build credibility with the community and will ensure the operation runs smoothly.

Filing System

This will support the tasks discussed above. Good record keeping is essential for meeting reporting requirements and staying on top of ongoing business.

In General

The community foundation's organizational systems can be basic or sophisticated, but they must always be engineered to support the essential tasks of fund development, grantmaking, marketing and communications, managing investments and general management. Establishing proper systems at the very beginning provide a strong base of support for the ongoing growth of new foundations.

SAGE ADVICE

Once a community foundation is up and running, care and attention is required to keep it operating smoothly. Here is a collection of comments, testimonials and advice from others who have started a community foundation or worked on a foundation committee. It starts with “Why Breakdowns Occur” and then moves to “A Checklist of Do’s”, next, “Additional Suggestions” are provided. This section closes with “Community Foundation Profiles.”

WHY BREAKDOWNS OCCUR

Some of the principal causes of failure for community foundations are:

A lack of commitment within the board of directors

This often occurs through failure to clarify expectations with potential members before they agree to serve. A community foundation must have every board member working on its behalf. There is often an expectation that each director will make a personal gift or pledge. The amount of the gift is less significant than the fact that it was made. It is always easier to get if you give.

Organizing volunteers who lose steam or do not direct their enthusiasm into a steering committee

It is important to spread the enthusiasm to others for the new foundation and avoid a loss of interest once the incorporation stage is reached.

The lack of a comprehensive fund development plan

Right from the start building an endowment is critically important. Be sure the right people are involved - those who have an interest in this area.

A loss of donor confidence through years of inactivity

The community foundation must be visibly active and prove it can handle major gifts in a professional, structured and timely fashion. It must also work to ensure it holds a place in the community that is all-inclusive and in touch with the community and its changing needs.

Political partisanship

In some cases, a community foundation has faltered because its board of directors or some principal members have become identified in the public mind with a particular political party.

A loss of reputation

The community foundation must observe the highest standards of operation. Government rules on reporting, disbursements and distribution of funds must be scrupulously followed. Conflicts of interest must be avoided at all costs. Using CFC's Regulatory Checklist is a good way to stay on top of the requirements.

A lack of sufficient operating funds

This can force the use of endowment earnings.

A loss of fund development momentum after achieving early successes

A community foundation can lose its vitality once the first set of objectives has been realized. Identify ways to stay vibrant.

Waiting for wills

Bequests don't just happen. There is promotion, planning and cultivation to be done before people start remembering their community foundation in their wills.

An awkward transition from one set of directors to the next, or from one committee to the next

Keep meetings regular and make sure that new recruits are properly briefed and supported. Stagger terms of office.

Poor rapport between the foundation and its donor advisors

Donor advised funds allow the community foundation the opportunity to work with the donor on grantmaking priorities. Make sure the lines of communication stay open.

Directors-for-life

Even great directors need to be replaced from time to time, to keep the organization fresh and alert. Most foundations have a three-year term for directors with possible re-appointment for three years after the initial term.

A sloppy grant application response and review process

Set deadlines and priorities and observe them.

Dull annual meetings rather than exciting birthday or special celebrations

Be creative and use these opportunities to bring out the "whole" community!

A CHECKLIST OF DO'S

Do...

- thank all those who help you, promptly and appropriately
- stay close to your donors
- keep asking yourselves, "What more can we be doing?" rather than "What are we doing?"
- strive for quality and excellence in all materials and presentations
- nurture the local charitable sector, as a whole
- promote organized philanthropy
- recognize and respond to change

ADDITIONAL SUGGESTIONS

Establish a Strategic Planning Committee which will bring together the key players to develop an initial strategic plan

The plan is later translated into an annual work plan with specific and measurable tasks, committee and personnel assignments and corresponding timelines. Outside professionals can be used effectively as facilitators for strategic planning sessions.

Set progressive financial targets

Examples include: how soon can we cross the \$1 million line, when might \$5 million be a reality and is there potential to reach \$10 million?

Seek the support of a nearby established community foundation

There is a great deal of learning that can take place through a sharing of information and ideas.

Ask that your grant recipients provide publicity for the grants they receive

Organizations receiving funding can profile this support in their own newsletters.

Encourage committee interaction

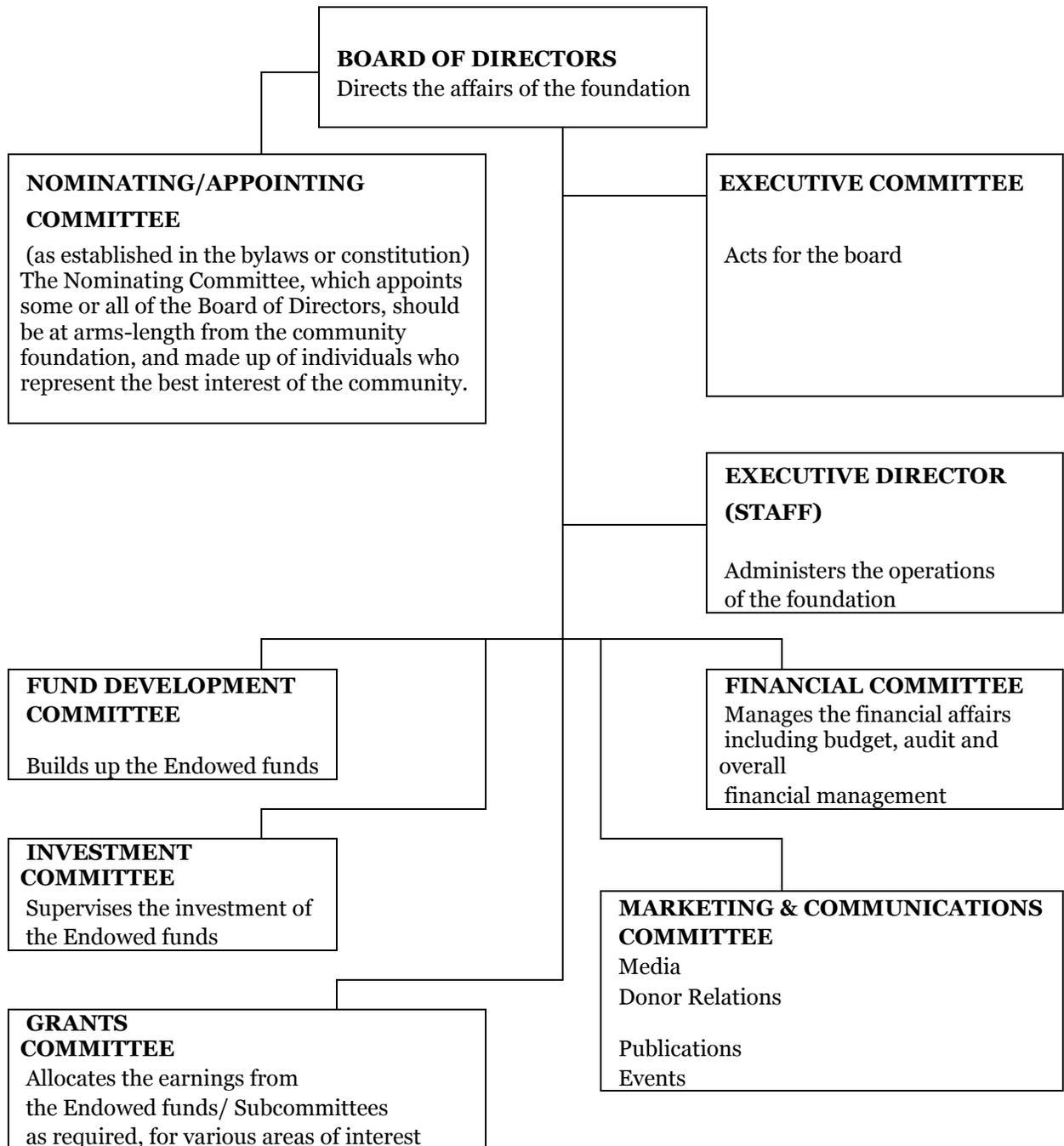
Committee work should be fun and substantive. This can be helped along by providing opportunities for socializing together.

Respond thoughtfully and promptly to unsuccessful grant applicants

As grants are reviewed, many will be screened out. The foundation should identify the reason(s) for this and provide this feedback to the applicant. Discussions should be frank and helpful.

TYPICAL COMMUNITY FOUNDATION STRUCTURE*

*(Committees, except nominating, are chaired by a board member or report through a member of the board.)

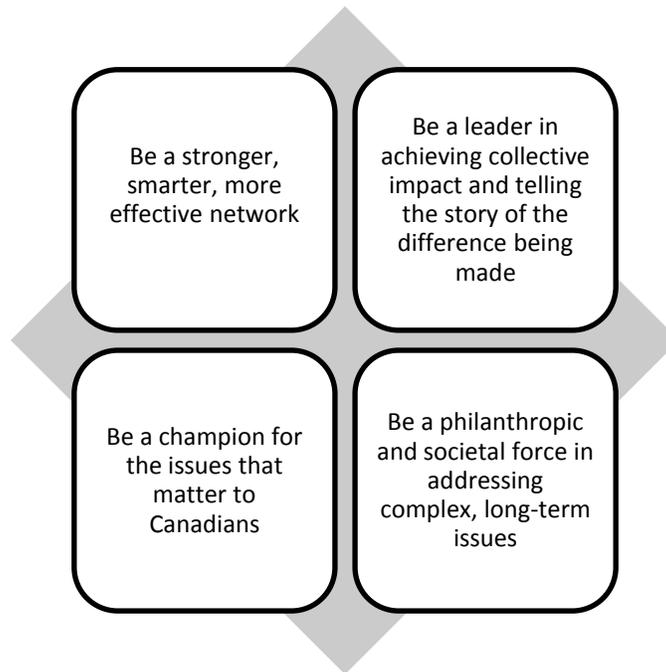


SECTION 5: COMMUNITY FOUNDATIONS OF CANADA

Since the concept of a national network was first conceived in 1988 and its formal organization in 1992, Community Foundations of Canada (CFC) has built an incredible network from coast to coast. We're home to some of the largest foundations in the country and we're in some of Canada's smallest communities.

In 2013, CFC framed its work around four directions, signalling a new approach to our collective efforts as a network and creating the right conditions for getting to impact. As we look up and out, our focus is on achieving a broader impact in Canadian communities – not just today and tomorrow, but long-term outcomes. We also want to create the conditions for meaningful impact in all of our work, both current and emerging.

Our Four Strategic Directions



We achieve this through 6 practice areas:

- **Community Knowledge:** making use of knowledge, data, research and storytelling – mobilizing and putting knowledge into action to realize outcomes in our communities
- **Knowledge & Foundation Development:** building a highly-engaged movement – strengthening the relationships and improving the capacity of our community foundation network

- **Public Engagement:** contributing towards a stronger, more unified national presence of our network, greater public awareness, engagement of Canadians and demonstration of impact
- **Shared Value:** collaboration with others to organize ourselves around common issues and realize the benefits of our shared value, not our independent action
- **Strategic Initiatives:** opportunity to look ahead 3-5 years out, see what's ahead for our movement, work toward greater innovation and engagement
- **Leadership & Governance:** enabling our leaders and our practice areas to flourish, seeking out new business models, building greater resilience and leadership of CFC

Criteria for Membership in Community Foundations of Canada (CFC)

In order to be considered a full member of CFC, a community foundation must:

- be officially registered as a charity and be designated as a tax exempt Public Foundation and, as such, be assigned a Business Number that reflects charitable status;
- be independent and autonomous (not controlled directly or indirectly by government, corporations, associations, individuals, related family members, or particular religious, cultural or ethnic groups) and be governed by a body of volunteers, usually independently appointed, which strives to represent, and be accountable to, the community it serves;
- maintain a broad grants program that provides funding to many different grantees in a range of fields of interest and segments of the population. Grantees must be "qualified donees" as defined in the *Income Tax Act*¹;

¹ Qualified donees are:

- registered charities;
- registered Canadian amateur athletic organizations;
- registered national arts service organizations;
- housing corporations resident in Canada constituted exclusively to provide low-cost housing for the aged;
- the United Nations and its agencies;
- universities outside Canada listed in Schedule VIII of the *Income Tax Regulations*;
- charitable organizations outside Canada to which Her Majesty in right of Canada (the federal government or its agents) has made a gift during the charity's fiscal period or in the 12 months immediately preceding the period;
- municipalities in Canada; and
- Her Majesty in right of Canada or in right of a province (that is, the federal government, a provincial government, or their agents).

- be structured primarily as a growing collection of permanent and non-permanent endowment funds, which includes a pool of unrestricted dollars, that support the diverse charitable purposes specified by the governing body and by its donors;
- describe itself as a “community foundation,” without necessarily having the words “community foundation” in its legal name;
- focus its grant-making and charitable services primarily in a defined geographic area;
- be a prudent and responsible steward and investor of charitable funds, maintaining complete and accurate financial records;
- regularly monitor its internal processes and activities with the goal of meeting the highest standards of practice in all its activities;
- strive to provide a broad range of giving opportunities for donors, and a variety of services to help them achieve their philanthropic goals;
- consult with the community to guide the foundation’s grantmaking and other activities;
- and act as a catalyst for community action on issues of broad community concern.

Benefits of Membership in CFC

Community Foundations of Canada (CFC) was founded in 1992 to provide a forum for community foundations to support one another, learn from each other, work together to promote the movement, and demonstrate philanthropic leadership. It has become a highly respected voice in the voluntary sector nationally and internationally.

CFC is a member-focused organization that stresses a collaborative approach. Its programs, activities, and services are shaped by its members. CFC continues to develop services that support the fund development, grantmaking and community leadership activities of its members.

CFC strengthens individual members by:

Enhancing member effectiveness

by providing communication links between community foundations across the country and a forum where members can pool their knowledge and share best practices, information and resources;

Increasing member capacity to serve their own communities

by providing professional development opportunities and technical assistance which augment the skills of their board and staff;

Protecting and enhancing quality and consistency in the movement

by working with emerging community foundations in their earliest stages, and working with established members to identify and disseminate best practices and develop governance guidelines;

Linking members with each other

in a vibrant, experienced movement with a culture of sharing expertise, inspiration and support;

Growing member assets

by facilitating partnerships and initiatives with national and regional funders;

Inspiring new philanthropy

by facilitating national media coverage of charitable gifts and promoting philanthropy;

Reflecting member views and concerns on philanthropic issues

to government, media and the public, by participating in key voluntary sector networks at both national and international levels;

Promoting sound public policy

by participating in consultations and dialogue on issues affecting community foundations and philanthropy.

Specific benefits for full members of CFC include:

Advice and Information

access to the knowledge and expertise of CFC staff, consultants, and the national member network; printed and electronic resources; full access to CFC's Web site, including the Members' Area

Professional Development

National CFC conference, workshops, webinars and peer gatherings

Promotional Tools

CFC's Annual Report; marketing toolkit, Smart & Caring Communities resources etc.

Special Projects

Nationally coordinated programs such as *Vital Signs*, Mission Related Investing and Sport and Philanthropy.

Representation and Advocacy

Representation by CFC with governments, national advisory bodies, and national and international partners in philanthropy; access to information about relevant government, business, and voluntary sector issues; input into public policy

Special Partnerships

occasional collaborative efforts in fund development, including facilitating relationships with national and regional donors and corporate leaders.

For more information on membership, contact Cindy Lindsay, Director Member Services: 519.725.3353 ext. 7 or clindsay@communityfoundations.ca

Congratulations! You are on your way to building a community foundation and making a difference in your community. We hope that this manual will help you get an understanding of the make-up and purpose of a community foundation – its many roles, what sources of support are needed and the commitment of the board and committees. As you begin to get the foundation off the ground, CFC can continue to provide support through site visits, answering queries, access to a number of our manuals and resources on governance, policy development, marketing tools and templates and our workshops and webinars.