

The Community Foundation*

MARJORIE SHARPE

President and C.E.O., Metropolitan Toronto Community Foundation

In the past few years there has been an explosion in the growth of community foundations both in the United States and in Canada, at a rate perhaps unparalleled in any other segment of philanthropy. In this article I would like to discuss the nature of a community foundation in general and then to explore them in more detail through a description of the one with which I am most familiar—the Metropolitan Toronto Community Foundation.

A community foundation, sometimes called a “community trust”, particularly in the United States, is an independent community-based organization that receives and distributes charitable funds. The foundation collects money from all sources—individuals, corporations, charitable organizations and other foundations—to form a capital fund from which to benefit a specific geographic community, whether a city, region or entire state or province.

The idea originated in 1914 with Frederick Goff, a banker in Cleveland, Ohio. He was concerned about charitable endowments that had outlived their purposes, such as money left in trust for diseases that had been cured or causes that had become obsolete. Since predicting the needs of the community in 50 years, or even 10, was impossible, he felt the community would benefit most from a permanent trusted organization, run by knowledgeable local people, to make decisions which would meet the needs of successive generations.

Goff created The Cleveland Foundation, which has been the model for all successors. Today, with assets of half a billion dollars, The Cleveland Foundation plays a decisive role in nearly every aspect of greater Cleveland's life. It was the prime mover behind Playhouse Square, the United States' most ambitious theatre restoration. It convened an effort to plan community child care services. It was the catalyst and major funder for a massive project to revitalize Cleveland neighbourhoods. It also underwrote the premiere of an opera. Its range is immense.

*This article was adapted from a speech to The Canadian Centre for Philanthropy.

Seven years later, a banker named William F. Alloway persuaded a group of business leaders to join him to start the Winnipeg Foundation, now Canada's oldest community foundation. He donated \$100,000 to establish the Foundation and explained why people like him would do such a thing: "I owe everything to the community. I feel that it should receive some benefit from what I have been able to accumulate". (More detailed information about the Winnipeg Foundation can be found in (1977), 2 *Philanthrop.* No.1, at p. 3.) It now has assets of some \$65 million.

There are now about 350 community foundations around the world, most being in the United States. Some 50 are in Canada, with others under development. They have also begun to spring up in Great Britain, other parts of Europe, Australia, and India. The Vancouver Foundation, begun in 1942, is the giant in Canada with assets of \$250 million. It ranks about sixth among all community foundations in North America, after New York, Marin County, Cleveland, Chicago and Boston. Through these foundations, their communities have received millions of dollars to make them better places to live and work.

Organization

Canadian community foundations are usually corporations rather than the trusts frequently found in the United States. Older foundations in this country were created by special private legislation, e.g., the Winnipeg, Vancouver, London, Kitchener-Waterloo and Hamilton foundations. The Ottawa-Carleton Community Foundation is incorporated under the *Canada Corporations Act*, and the Metro Toronto Community Foundation under the *Corporations Act* of Ontario.

The foundations generally do not have broad bases of membership in the communities they serve. Broad representation from the community is ensured rather by an independent committee formed to nominate the directors. In Vancouver, the directors are nominated by the United Way, the Vancouver Bar Association, the Canadian Bankers' Association and the Vancouver Life Insurance Managers Association. The Chief Justice of British Columbia is a director under the governing statute. As well, the directors themselves appoint an additional four or five directors. The Winnipeg Foundation has an Appointing Board chaired by the Lieutenant Governor of Manitoba. In Ottawa the Chair of the Nominating Committee is the Governor of the Bank of Canada, and the members are the Chair of the Regional Municipality of Ottawa-Carleton, the Senior Judge of the Judicial District of Ottawa-Carleton, the President of the Canadian Labour Congress, the Mayor of Ottawa, and the Chairs of the Ottawa Board of Trade, the Ottawa-Carleton District Health

Council, and the Public Service Commission of Canada. In Toronto the nominating committee includes the Chairman of Metropolitan Toronto, the Chair of the United Way, the President of the Board of Trade, former Governor General Roland Michener and former Lieutenant Governor Pauline McGibbon.

While each foundation devises its own investment policy, their aims are the same: to maximize capital over the very long term in order to be able to continue to serve their communities from one generation to the next with grants from their income. Some, like the Metro Toronto Community Foundation, are limited by their charters to investments permitted to life insurance companies under the *Canadian and British Insurance Companies Act*. None, so far as I know, engages in “social investing”, i.e., allocating investments of its capital with an eye to their social effects.

Serving the Community

The community foundation makes grants, but it is more than a grant maker. It raises money, but it is more than a fund raiser. It does not compete with other charitable organizations but rather furnishes money and people to enhance the ability of charitable organizations to serve their communities. It provides services to three constituencies in the community: charitable organizations, donors, and the community at large.

Charitable organizations: The obvious beneficiaries of the community foundation are the groups that receive the funds. All are “qualified donees” under the *Income Tax Act*, i.e., registered charities and a limited number of other organizations, such as national amateur sports associations. The needs addressed can be as broad as the communities themselves. Both routine and emergency needs can be met, though most community foundations will lean to capital projects rather than to operating purposes. In addition to money, many community foundations are able to serve charities by sharing knowledge. Since the community foundations operate across a broad range of causes, they develop expertise that they can make available to others. Training and technical assistance are logical functions and are provided on a regular or ad hoc basis. Management guidance is one of the principal areas in which they can offer assistance.

They can also provide opportunities for networking and an exchange of information. Through the community foundation the arts can talk to

health, social services to education, and environment to economic development.

Donors: The less obvious beneficiary of the community foundations is the donor. It can be said that to some extent the motive for their creation in the first place is to help donors, either by providing expertise in deciding who needs help or in ensuring that the objects chosen to receive the donor's generosity continue to be valid. The means available for providing these services are numerous. A donor can give to or through a community foundation. Many foundations will administer donors' funds in separate named accounts and often allow the donor to participate in selecting the recipients of the money. Both recognition and anonymity are available, at the donor's choice. The donor's technical advisors—the lawyers, accountants and investment counsellors—can also find expert guidance at the community foundation.

Community foundations can take over existing private foundations if a donor tires of administering it personally or through trustees. The community foundations can investigate potential donors, report back on the effect of donations, and vary the recipients as conditions warrant. Further, the community foundations usually offer economies of scale in the performance of all these functions. Through them the donor has access to a wealth of knowledge about the community, its needs, and the capacity of various charities to meet those needs.

In short the contribution of the donor to the community can be enhanced because of the size and expertise of the foundation whose help is enlisted.

The Community at large: Perhaps the most important service that the community foundation offers the community at large is the preservation of charitable capital so that some of the net worth of every generation is set aside for future needs. In addition, the community foundation both draws attention to local needs for charitable capital and provides a focus for its investment and flexible use.

As mentioned earlier, the community foundations provide services which nurture the non-profit sector as a whole. They promote organized philanthropy on the part of individuals and corporations. Their overview of the community permits them to recognize change, and they can convene leadership to respond to it.

Community foundations are accountable to the community at large. They publish annual reports listing grants, donors, policies and financial information. Their operations are open. In addition, the nominating

process is intended to ensure that the foundations represent a broad section of the communities in which they operate.

Community Foundations and the United Way

A community foundation does not compete with the United Way. The United Way raises operating money primarily for social service agencies. The community foundation responds to any need in the community, whether in arts, education, the environment, social services or health. The United Way raises funds in an annual campaign. The community foundation seeks capital for a permanent endowment, from which the income is directed back into the community to meet changing community needs. I think of the United Way as the chequing account for the community and the foundation as the permanent savings account. Communities need both accounts to meet their present and future needs.

The Metropolitan Toronto Community Foundation

To show how some of these principles work in practice, I will give some examples derived from my own community foundation, that of Metropolitan Toronto (the MTCF). It is a new organization, founded in 1981. It has 18 trustees and committees for grants, investments, audit, and capital development. Forty-eight volunteers fill these committees, supported by a full-time staff of three people. Twenty-three "founders" have contributed or pledged \$100,000 each, and numerous other donors have built our assets to a total of just under \$5 million. We have a target of \$20 million by 1994/95, and a fund-raising team is now being assembled.

Our main prospects are individuals, and we plan approaches for current gifts and for bequests, the latter involving contacts with estate-planning professionals. We offer a range of incentives to donors, including memorial and tribute funds, a youth endowment fund in the name of children who then participate in the designation of the recipient of income (and who develop the habit of philanthropy at the same time), as well as the traditional solicitations of cash, securities, life insurance policies and the like. The donor's participation in the distribution of funds from the gift can be large or small, according to his or her wishes. We tell potential donors that giving to the MTCF can be as satisfying as having their own private foundations, without the administrative bother or the cost of legal and audit fees.

MTCF establishes priority areas for support each year through a continuing assessment of the community's needs. In deciding to whom to give money, MTCF favours applications that address themselves to

emerging needs, new and more effective ways to deal with problems, realizing unusual opportunities, or meeting urgent needs. In addition, MTCF is open to requests for help from charities that are performing essential services and want to reduce costs, increase efficiency or become more self-sufficient. It will give to established organizations and will encourage the development of new ones to meet needs that are not being met.

In determining the merits and priority of an application, MTCF looks at the seriousness of the need, the potential benefit to the community served, the capability of the organization to achieve the intended results, the level of co-operation and co-ordination with other programs in the same field, the likelihood that the program will become independent of MTCF's support, some evidence that the amount that MTCF can grant is sufficient to promote the results sought, and the degree of volunteer participation and citizen involvement in the program. Normally grants are not given for endowments, to supplement annual campaigns for operating support, for operating deficits, for research, or for the publication of the findings of research.

The Foundation sees itself as a centre for community action. It wants to break down barriers between various segments of the community. It looks for organizations that address issues relating to the increasingly diverse racial and cultural mix of Toronto. For example, projects that seek to improve access to services or increased participation by ethno-cultural groups would be very clearly within the Foundation's mandate. MTCF is making a special effort to reach out to minority groups both through the recipient agencies and through contacts with associations formed among minority communities themselves.

Conclusions

Flexibility is the great advantage and strength of community foundations, both in working with donors and in meeting changing community needs. Community foundations can accept assets from any kind of donor, individual, corporate or institutional, in any amount, and by combining them with others achieve greater impact. Community foundations act as a catalyst for charitable giving. Experience has shown that many local donors will add to a community endowment if one exists. Community foundations can make grants to any charitable purpose that benefits the community. No other philanthropic enterprise has their range of capabilities.

Author's Note:

Canadian community foundations met together for the first time in Ottawa in April 1990. A planning committee from several of the foundations met again in October and began to organize the National Network of Canadian Community Foundations. Anyone interested in starting a community foundation may contact Alastair Gamble, Community Foundation of Ottawa-Carleton, Suite 810, 150 Kent Street, Ottawa, Ontario K1P 5PA.