

Starting a Community Foundation

Why Have a Community Foundation?

A community foundation or fund, as they are sometimes called, can receive monies targeted for specific, local projects and programs. It can also establish a permanent, unrestricted endowment from which only the interest earnings may be used in the community.

Local foundations can expose community needs and make recommendations on how to meet those needs. In doing so, they may work alone or with other organizations. A community foundation can fund such things as:

- revolving loan funds for business start-ups

- police or emergency medical equipment

- scholarship programs

- cultural and historical society projects

- daycare centers

- senior citizen transportation

- disaster assistance for residents

Local foundations can seek outside financial support from federal, state, and private sources, serving as an advocacy body for the community. They can coordinate joint local government and private sector efforts. Foundation board members can become knowledgeable about private and public funding sources which can supplement local foundation support when necessary.

Larger Minnesota cities have benefited for many years by having non-profit foundations. It is only recently, however, that smaller communities have begun to do so.

Almost all segments of the community can benefit from an active foundation. During periods of economic uncertainty, a foundation can represent stability. It presents a positive image of the community to residents and visitors. It indicates pride, commitment, and a sense of community.

Getting Started

There are many tasks to accomplish in forming a community foundation. Your checklist should include the tasks which follow:

Community Foundation Checklist

- Apply for non-profit status
- Develop a mission statement
- Set long-term goals
- Establish structure and membership criteria
- Adopt by-laws
- Produce and distribute a brochure
- Get initial contributions
- Set fund-raising strategies
- Plan project campaigns, targeted solicitations, and mail campaigns

Community foundations function as non-profits requiring 501-(C)(3) status from the Federal Internal Revenue Service. Also needed, is a charitable organization registration through the charities division of the state attorney general's office. Securing 501-(C)(3) approval is an involved and time-consuming process. One alternative which has been used by small communities is affiliation with an established non-profit group with similar goals.

One of the first things an organizational committee needs to do is to develop a mission statement. This should be followed by goal-setting and planning the structure and membership criteria. By-laws need to be adopted and an investment plan established. It is also necessary to widely distribute brochures describing the foundation's purposes and listing methods of contribution. A short video or narrated slide presentation can also be valuable for use by board members with groups and organizations.

There are several ways in which you may structure your organization. Some community foundations have a large, policy-setting governing body with a smaller working executive committee. This approach allows more citizen involvement. Some communities include on the board one or more people from outside the community. They can often provide a more objective critique than board members from the community. It is essential, however, that the initial board include respected community leaders.

Because small community foundations may not be able to initially afford legal counsel, board members need to be somewhat familiar with law and be prepared to refer financial donors to a CPA or attorney who has volunteered to serve this role.

As with all foundation and charity efforts, having credibility with and respect from the community is key. Those experienced in foundation work suggest that initial foundation efforts respond to achievable, broadly-recognized concerns. Networking with other local civic groups and organizations is especially critical. They should not be viewed as competition but rather as an additional way to meet community needs. Most of these groups typically sponsor fund-raisers, whereas a foundation seeks donations.

Setting Long-term Goals

Those experienced with community foundations emphasize the need to not only deal with immediate projects and concerns, but to also maintain a long-range vision or goal. In Orange City, Iowa a committee of over 40 people representing organizations, churches, and elected officials organized the Orange City "21" foundation in conjunction with a twenty-year goal-setting process. Thorough, widely-supported goals allow potential donors to see how their contributions will provide long-term benefits to the community.

Ellendale, as a pilot community of the Minnesota Extension Service's Project Future, organized their community foundation to help achieve their vision for the year 2010. Their foundation adopted the following mission statement. "The Ellendale Fund exists to serve our community, which includes not only the city itself but the neighboring townships and farms within its trade area. Through grassroots funding, careful planning and citizen consensus, the Fund will be a catalyst in stimulating projects that improve the quality of life and help achieve Ellendale's vision for its future."

Getting Contributions

Obtaining initial large contributions is critical in the establishment of a foundation. Not only are they necessary to support start-up expenses, but they convey confidence in the foundation.

The types of contributions community foundations typically seek are outright donations, deferred gifts, and special purpose gifts. Outright donations may be cash gifts, real estate, securities, or personal property such as works of art. Deferred gifts may include bequests, life insurance, or trusts with charitable provisions. Special purpose gifts honor a living or deceased person or commemorate a special occasion. Some of the ways in which foundations may solicit contributions are:

- Individual (door-to-door, direct-mail, phone)

- Annual giving programs

- Grants and matching grants

- Planned giving

- Voluntary utility bill deductions

Eventually interest on investments will provide additional income. Funds from membership dues at several levels can both generate income and help people feel they are part of the foundation. This is particularly so for people who are only able to make small contributions.

U.S. statistics show that almost ninety percent of charitable contributions come from individuals. Potential contributors include small businesses; large corporations; professional and religious organizations; civic groups; other foundations; current and former residents; all levels of government; unions and utilities.

A successful foundation should remain visible to the community. Use local media for public announcements of donations and updates on projects. Plaques or certificates are another way to provide public recognition for contributors and visibility for the foundation.

Smaller communities should learn as much as they can from the experiences of larger communities with established foundations. However, smaller communities have some unique advantages over large communities. They may have an easier time getting contributions as they are often more visible to the residents. In a small community something as simple as a newsletter solicitation to donors and potential donors may be very successful. In addition, former residents are often very willing to make contributions.

Source: Project Future-Starting a Community Foundation in a Small Community; Roger A. Steinberg; University of Minnesota Extension