



COMMUNITY FOUNDATIONS:
**How can we fund our
Operations?**



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Community Foundations of Canada is the national network for Canada's 191 community foundations. Together we are a philanthropic movement working across sectors to help Canadians invest in building strong and resilient communities.

HOW CAN WE FUND OUR OPERATIONS?

Community foundations all have multiple sources of revenue to fund their operations. The mix is usually determined by the size of the foundation. The goal is to increase assets over time so that fees and other internal sources cover an increasing portion of operating expenses, and dependency on external sources diminishes.

GENERATING OPERATING INCOME

It is important to know that even the largest community foundations may still need to secure external funds in order to balance their operating budgets. There is no magic mix, every foundation needs to be creative in determining what works in their situation.

One consistent ingredient for success across all foundations is developing an overall plan that will help focus efforts on the most efficient ways to grow both your assets and operating revenue.

Helpful references for building a business plan can be found in the [Community Foundations Startup Manual](#) (2014).

Some of the sources of generating operating income include:

1. In-kind donations for which tax receipts of the fair market value can be issued (e.g. for office space, technology needs, marketing materials)
2. Grants from public or private foundations
3. Grants from donor advised funds at your community foundation

PHILANTHROPIC SERVICES FEES

Charging appropriate fees to support operations is a necessary part of building sustainability for a community foundation and covering the organization's costs. People expect that there are costs associated with their Fund and would pay these fees wherever they set it up.

Typically these fees can range up to 1.5% of the value of the assets under administration. These philanthropic services fees are often separate from investment management fees.

Philanthropic services fees cover foundation expenses for services provided to individual fundholders, and also cover the general operating budget of a community foundation. The fees typically come out of investment income. In an ideal world, the philanthropic services fees and investment management fees are covered in full by the investment returns.

OTHER CONSIDERATIONS

The question is often asked if a community foundation can grant to itself? Here are some options for a foundation to consider:

- Any Donor Advised Fundholder can grant from their Fund to support your operations.
- If the Foundation has a discretionary Fund or a Fund designated to operations, the Board of Directors can authorize grants to be made to support the operations of the Foundation.
- Having an operating endowment is generally preferable to directing grants to operations that would otherwise be used for the community.
- Operating Endowment established at your foundation
- Philanthropic Services Fees charged to Funds
- Fees for Service – e.g. providing consulting services to external parties
- Direct contributions from supporters such as Board members, corporate partners and individual donors
- Support from municipal governments
- Fundraising events (also helps increase general awareness) Beneficiary of a third party fundraising event (see [Community Foundation Regulatory Checklist](#) for donation rules)
- Investment income

CASE STUDY:

Community Foundation of Greater Peterborough (CFGP)

LCFGP was established in 2009. The charts below give a snapshot of how the foundation's operating funding model has changed over the past eight years.

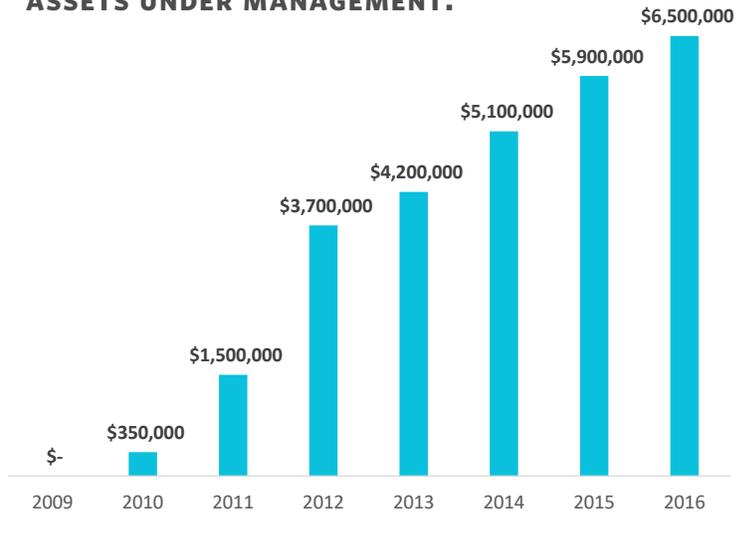
Here are some of the key takeaways during that period:

- The early availability of grants from sources such as the Ontario Trillium Foundation was short-lived;
- The commitment of a key donor (whose donor advised fund benefits the foundation) really helped stabilize and sustain the organization as the Ontario Trillium Foundation grants were ending;
- An annual gala with the current mayor as host and patron is contributing an ever-growing portion of the budget, but comes with some risk and uncertainty due to its dependence on the mayor's support.

The three pie charts show the importance of developing all possible channels, all while growing assets under management so that the philanthropic advisory fee (PASF) will eventually become the principal source of operating revenue (still a long way off).

The following charts, showing the corresponding growth assets and operating expenses, round out the picture for CFGP.

ASSETS UNDER MANAGEMENT:



OPERATING EXPENSES:



CONTRIBUTIONS TO REVENUE:

Figure 1: Contributions to Revenue (Year 1)

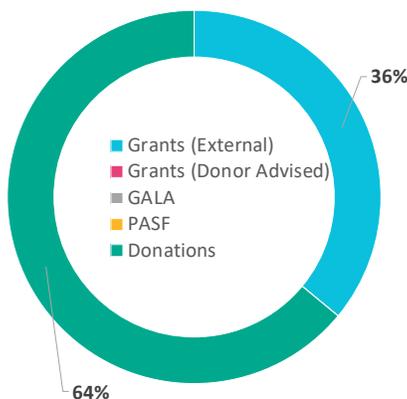


Figure 2: Contributions to Revenue (Year 4)

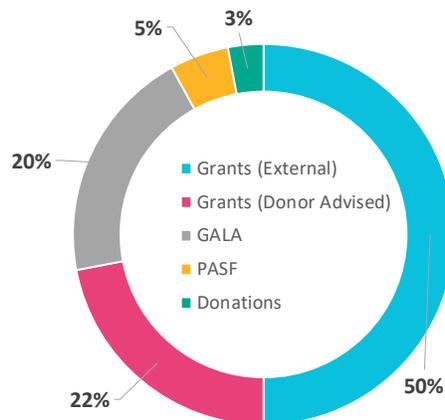
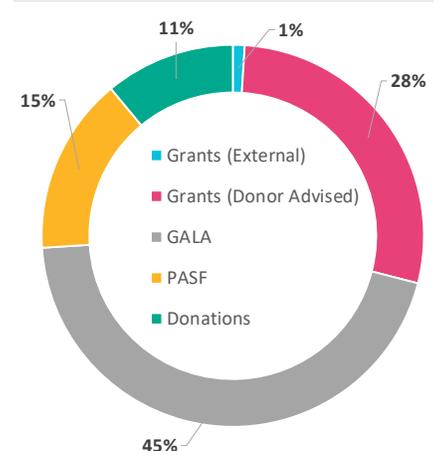


Figure 3: Contributions to Revenue (Year 8)



CASE STUDY:

Community Foundation of Northwestern Alberta

The Community Foundation of Greater Grand Prairie was established in 1996. It was renamed in 2013 as the Community Foundation of Northwestern Alberta to reflect the larger region that it serves today. A historical review of the community foundation shows that the key sources of operating revenue have changed over the years. Highlights include:

1996-2000

Fee for service projects such as a partnership with the federal government's homelessness initiative.

1996-2017

Flow-through fund administration fees range from 2% to 10% depending on services provided for corporations, private donors and others who view the foundation as knowledgeable about the community.

2005-2015

Annual gala where 75% of earnings went to operations and 25% to its community fund. A silent auction generated additional revenue.

2014

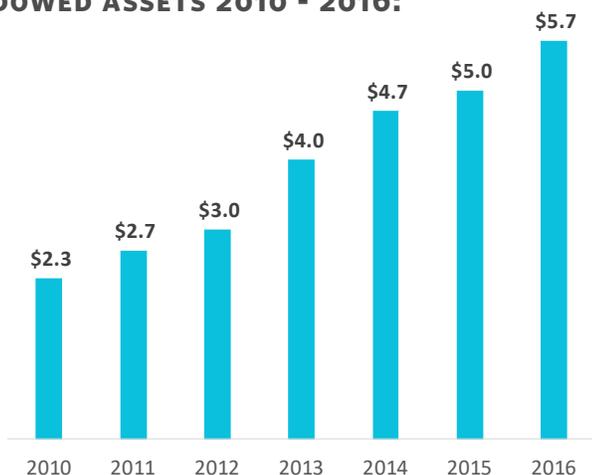
The gala was assessed on the basis of time spent vs. net return and the foundation chose to redirect their efforts. In its place is a philanthropy symposium that generates less revenue but reaches a wider audience of potential fundholders.

In addition, the community foundation has been successful in negotiating advantageous terms for their rent and technology requirements.

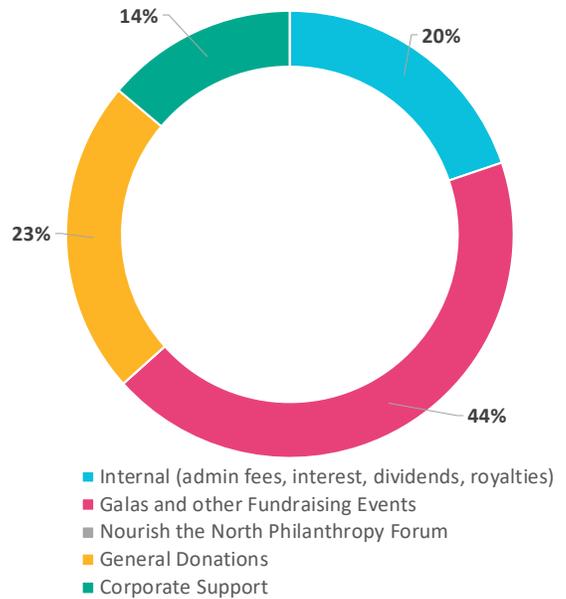
2016

More focus beginning on generating revenues from corporate sources such as sponsorships.

ENDOWED ASSETS 2010 - 2016:

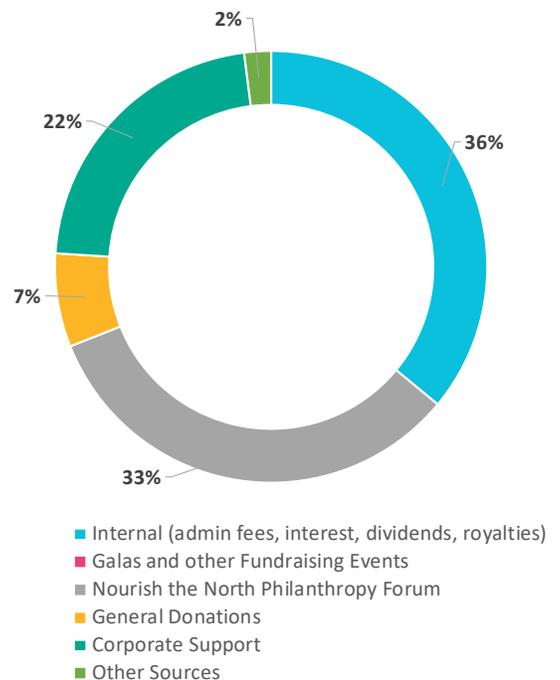


% OF OPERATING BUDGET IN 2010:



A comparison of sources of revenue from major items in 2010 vs. 2016 shows the transition.

% OF OPERATING BUDGET IN 2016:



CASE STUDY:

The County Foundation

The County Foundation was established in 2008, serving residents of Prince Edward County on the north shores of Lake Ontario. In 2013 the community foundation published its first Vital Signs report and identified food security, learning and transportation as three key issues that guide their strategic plan. To date, there have been various sources for raising operating funding.

PHASE ONE

Initial funding came from the Ontario Trillium Foundation, several visionary patrons, and also the local municipality. The Ontario Trillium Foundation grant was used to fund an executive director at the outset. In hindsight the foundation viewed that as having been premature since they had not raised enough ongoing annual revenue to sustain the role beyond the initial term. Once the initial funding ran out, the board of director's role became very operational as there was no paid staff. The board of directors also made initial three-year commitments of a specified amount to fund operations.

PHASE TWO

Collectively about \$200,000 was raised from various sources to cover a three-year period:

1. Importantly, all board members renewed their commitment to making annual contributions, this time at self-determined levels. This reinforces support for the foundation when others are being asked to contribute.
2. Three visionary patrons renewed their three-year commitments, this time with 50% directed to the operating budget, and 50% to the community fund for granting activities. Another patron committed 50% to operations and 50% to food security – one of the foundation's key Vital Signs issue areas.
3. The Ontario Trillium Foundation, Laidlaw Foundation and others made three year commitments to fund program activities in the priority Vital Signs issue areas, which helps raise the Foundation's profile and demonstrated impact in the community.
4. The municipality has committed funding for three part-time contract positions over three years:
 - A fund development role to provide stewardship of 17 fundholders
 - A Vital Signs coordinator
 - A grant writer to make grant applications for further funding

Some operating revenue is generated by charging fees for service in the delivery of some of the program related activities. Some operating revenue is generated by administrative fees charged to the funds.

PHASE THREE: THE FUTURE

Several of the patrons have offered to host small group events to broaden the awareness of the foundation particularly with local influencers. Typically these are casual events hosted by a board member or other community foundation supporter in their home. A group of 8 to 10 people will gather over cocktails to hear someone from the foundation talk about the community, using Vital Signs or other reference points to start the conversation.

This dialogue provides the opportunity to talk about the community foundation and position its work. The gatherings are generally intended to introduce new people to the foundation, so there is no fundraising ask.

The strategy for building long-term funds will also include outreach into the professional advisor community and targeting bequests.

WHAT THEY HAVEN'T DONE

The County Foundation has chosen not to run a gala fundraising event. After weighing the effort required vs. net return, the resources required didn't justify the projected net contribution. Also, the foundation didn't want to be seen as competing with community organizations for fundraising dollars.

”*Their Vital Signs report identified food security, learning and transportation as three key issues that guide their strategic plan .”*

CASE STUDY:

The Guelph Community Foundation

In 2005, The Guelph Community Foundation introduced the ENGAGE Reinvestment program to support sustained philanthropic leadership in their community.

The initiative was a response to the interest of a few local individuals and businesses who wished to pledge an annual gift in support of the Guelph Community Foundation. It was initially targeted primarily to financial services and legal professionals. The program was also launched to fill a gap created when grants from the Ontario Trillium Foundation ran out.

The foundation had received a large unrestricted bequest that was used to provide an incentive for multi-year commitments from donors.

Here's how the program worked:

1. An organization commits a minimum of \$10,000 over three years toward the foundation's operations.
2. Through the generosity of an individual donor, the foundation matches this commitment by establishing a permanent Fund in the organization's name. An organization can also grow its Fund through staff giving, additional gifts, and special events.
3. The named fund joins other contributions in the foundation's unrestricted community fund which responds to current community needs and priorities that are determined by the foundation's board of directors and grants committee.
4. Participation in the program and contributions toward community impact are acknowledged on the foundation's website and communications.
5. The foundation delivers several educational events each year for donors and those involved in working with clients in financial and estate planning. Donors are invited to share their experiences, stories and expertise at these events. Donors are also invited to all foundation recognition and educational events.

Here are some other observations from The Guelph Community Foundation about operating funding:

- Taking growth to the next level requires investment - usually human resources. Building an operating reserve fund is crucial so that it can be drawn upon at critical points.
- Fees should be set at a rate to recover costs and provide important sustainable income. Don't apologize for charging appropriate fees to run the business!

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“The program was launched to fill a gap created when grants from the Ontario Trillium Foundation ran out.”

CASE STUDY REFLECTIONS

Some observations emerge from these case study examples:

FEES

Fees charged to manage funds are an important source of funding that grows over time as assets grow. Charging appropriate fees is a key part of building sustainability for the organization. Further, your donors expect to be charged for the services provided.

OPERATIONAL FUNDING

Operational funding must come from a variety of sources, as the revenue generated from fees can vary due to investment market conditions. Short-term funding (i.e. grants) can only be one part of the picture and strategy for growth.

OPERATIONAL RESERVES

Building an operating reserve fund is an important source to draw upon in weaker financial years and also at key growth points.

GALAS AND EVENTS

Galas and other events seem like a great way to raise funds. Before undertaking these activities, be realistic about the time, resources and costs required vs. the net revenue. Unless you have a dedicated team of volunteers who can handle the galas or other events, then staff resources can be stretched very thin for a modest return. Is the time better spent cultivating individual donors or other partnerships to provide multi-year funding?

PARTNERSHIPS

Look to build partnerships that can leverage funds - think about private donor matching gifts, corporate and government partnerships.

LEADERSHIP

The executive director can't do it all! It is important that the board of directors show leadership and commitment to growing the organization through personal financial commitments, and opening doors to opportunities that will support the foundation's operations.

STAFF

Be strategic about hiring the right staff at the right time. For example, hire an experienced fundraiser if that is the biggest priority need, or an expert in grantmaking.

DIVERSE REVENUE STREAM

Each community foundation will have a model that is unique to the local situation and opportunity. Priorities may also change over time as the foundation grows. In an ideal world, the endowment model generates enough in fees to cover all operating costs, but this scenario is not typical, even for the larger foundations. Having a diverse revenue stream ensures that the foundation is on solid ground especially during market downturns.

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