

The Community Foundation Difference

DESCRIBING WHAT MAKES US SPECIAL

Endorsed by CFC Members
May 4, 2002



*Community
Foundations
of Canada*

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du Canada*

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A Message from Community Foundations of Canada

Over the last decade, the community foundation movement has grown dramatically, both in Canada and around the world. As that growth continues and community foundations increase in number and influence, it becomes ever more important to articulate the goals we all aspire to, the roles that define our work, and some of the strengths we share. And as the national membership organization for a burgeoning movement, Community Foundations of Canada (CFC) has also found it increasingly important to clarify the criteria for, and benefits of, membership in our organization.

The Community Foundation Difference: Describing What Makes Us Special sets down the roles and characteristics that distinguish us from other important players in the philanthropic world, along with CFC's membership criteria and benefits. It is the result of an intense two-year consultation with CFC members representing community foundations in all regions of Canada, rural and urban, new and old, large and small.

It is a document that truly reflects our movement's consensus on what constitutes a community foundation.

But just as no two Canadian communities are identical, neither are their community foundations. While *The CF Difference* presents our shared definition of a community foundation, every individual community foundation – as a product of its local community, history and leadership – will put a different emphasis on the common roles defined in this document. It is this limitless variety that so enriches our movement.

I hope every board member, volunteer, and staff member in your community foundation will invest some time in studying *The CF Difference*. By understanding our common characteristics and our special strengths, we develop a shared vision of the vast potential of this unique movement.



Monica Patten
PRESIDENT AND CEO

Introduction

This document reflects a consensus by community foundations in Canada about what constitutes a community foundation. It describes our characteristic strengths, roles, and way of working – while recognizing that because every community foundation is rooted in its particular environment, no two are identical. It also clarifies the criteria for membership in Community Foundations of Canada (CFC) and the benefits community foundations derive from membership.

How this document was created

CFC began a process with its members in 2000 to articulate a shared definition of "community foundation," the difference community foundations make in their communities, and the characteristics that make community foundations special. This work started as the community foundation movement in Canada was experiencing tremendous growth. That momentum has continued: membership in CFC is growing by leaps and

bounds, the movement continues to receive record-breaking donations, and community foundations have become significant grantmakers. (Community foundations contributed \$78 million in grants to Canadian communities in 2001 alone.)

The Community Foundation Difference was produced by CFC's Task Force on Definition, a group of more than 20 community foundation staff and volunteers from community foundations of all sizes, experience, and regions. Task Force members met through 2000, reviewing several draft documents. In November 2000, the group was expanded to include the CFC Board of Directors and additional representatives from across Canada.

The results of the Task Force's work were drafted into a workbook and circulated to all CFC members in 2001. Discussions on the content took place at regional meetings and at CFC Board meetings. All CFC members were invited to comment on the workbook and many helpful comments were incorporated into a further draft which was circulated to all members and presented to the Board of Directors in January 2002. The final version was officially endorsed by the membership at CFC's Annual General Meeting in May 2002.

How to Use this Document

This is a "core" document. It describes what community foundations do and what makes them special. It should be required reading for new board members, other volunteers, and staff, as a basic orientation to the community foundation world. It should be regularly reviewed by everyone involved in your community foundation.

Additional tools to deepen your understanding of *The Community Foundation Difference: Describing What Makes Us Special*, and to help your community foundation fulfill the potential of the roles described here, are available through CFC's member programs.

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Using and adapting materials from CFC

Community Foundations of Canada (CFC) is committed to sharing its resource material and learnings. Many of CFC's publications are available free-of-charge from its Web site. Other publications and materials can be purchased from CFC.

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 request permission from CFC. A set of guidelines is available by contacting CFC at +1.613.236.2664 or info@community-fdn.ca, or by visiting our Web site: www.community-fdn.ca <<http://www.community-fdn.ca>>.

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What is a Community Foundation?

Community foundations bring together people who care about their communities. They are independent, volunteer-driven, charitable organizations that aim to strengthen their communities by facilitating philanthropy, by partnering with donors to build permanent endowments and other funds from which they support community projects, and by providing leadership on issues of broad community concern.

Founded on trust, community foundations help donors achieve their charitable goals and invest financial capital in their communities. But they also stimulate

and nurture the relationships that link us to others and that create our sense of belonging to a community. Social scientists call these vital connections "social capital" and have found that they are linked to many measures of community and individual well-being. Community foundations, experienced in building financial capital for their communities, also have a leadership role in building social capital – the glue that holds communities together.

Community Foundations: An Overview of Some Special Strengths

- *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 community opportunities 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.

The Three Roles of Community Foundations

All community foundations combine three main roles:

1. *Endowment building and flexible, comprehensive donor services*
2. *Broad and effective grantmaking*
3. *Inclusive community leadership*

but every community foundation is unique in the way it fulfills these roles and in the priority it places on each area. The emphasis on each role can also vary at different times in a community foundation's development. As they work toward fully implementing all three roles, individual community foundations will reflect each role to a different degree.

The following descriptions sketch the three roles at their fullest:

1. Endowment building and flexible, comprehensive donor services

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.

Community foundations:

- value highly their relationships with donors, demonstrating respect and responsiveness
- build and manage a growing collection of permanent funds (including a pool of unrestricted dollars) along with other forms of gifts, such as non-permanent endowments, flow-through funds, etc.
- prudently invest the funds entrusted to them, to achieve a balance between security of capital and a rate of return. Over time this permits significant annual grants and allows a reinvestment of some income to hedge against inflation, ensuring that future distributions retain their purchasing power
- work with donors of all means to plan and carry out their charitable giving so that their gifts satisfy their particular short and long-term philanthropic objectives while offering maximum benefit to the community

- help donors to articulate the values and priorities that are important to them and design granting processes that satisfy those goals, including, in some cases, grants outside the community; help families pass their philanthropic commitment from one generation to the next
- demonstrate knowledge and expertise about existing and emerging community priorities, the role of the community foundation and its benefit to donors and the community
- present flexible options to donors, including various types of funds, ways in which gifts can be made, and degrees of involvement
- provide donors with the degree of public recognition (as far as possible) or anonymity that they desire
- communicate regularly with donors about their funds and gifts, and with the public
- form alliances to leverage or maximize the impact of donor gifts
- work with charities to establish and manage their permanent endowment funds (agency endowment funds)
- develop policies and procedures, such as gift acceptance, that are readily available to donors and the public; ensure that formal agreements are in place with donors, if appropriate to the type of gift, and that appropriate records are maintained
- implement prudent investment and stewardship policies and practices

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.

Community foundations:

- address both immediate and long-term community priorities, needs, and opportunities, and reflect the community's diversity
- identify, reflect and disseminate knowledge of current and emerging community issues and priorities
- demonstrate flexibility, creativity and responsiveness
- focus on initiatives that build on strengths and assets, that increase the capacity of organizations to respond to challenges and opportunities, and that promote sustainability
- build on the knowledge and expertise of others in the community, including volunteers and donors, who are invited to participate in granting processes
- work collaboratively with other funders and grantmakers
- respect the philanthropic wishes of diverse donors and give them information and support to enhance their understanding of community needs and granting
- invite qualified community organizations to submit grant requests by widely publicizing the availability of grants and how to apply
- identify priority community needs and encourage strategic grantmaking; encourage qualified organizations to submit proposals, support them as they develop their plans, and link them to potential collaborators and funders
- report regularly to the community on grants made, the impact of these grants on community well-being, and, if appropriate, the link with donors' interests
- develop and implement policies and procedures to guide priority-setting, decision-making, conflict of interest, and ways in which grants and the foundation's granting processes will be monitored and evaluated.

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 opportunity 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:

- promote and celebrate the value of philanthropy
- inspire, educate and encourage citizens of all ages 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, inclusive relationships within the community; use the community's human and financial resources to bring donors, community groups, and individuals together
- 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 have common goals, sharing knowledge and expertise, and by helping with management issues.

The Way We Do Business in All Three Roles: Accountable, Responsive, Transparent Governance

To be responsive and accountable to their donors, their grantees and their community, community foundations operate with policies and practices that reflect clearly-articulated values, vision and mission, that inspire trust, and that stress fairness, flexibility and inclusiveness. They regularly review their goals and practices.

Community foundations:

- reflect the diversity of their community in all important aspects of their work
- maintain their autonomy from governments, corporations, individuals, and associations
- provide a forum for open dialogue among diverse sectors of the community
- articulate clearly the role, accountability, and authority of the Board of Directors, committees, staff and volunteers, and review their relevance and appropriateness regularly
- ensure that the process for nominating Directors to the Board (usually including an independent appointment committee) is clear, open and transparent
- demonstrate current expertise in financial management and prudent investment practices and strategies
- ensure high standards of accountability, transparency and stewardship in all aspects of their work
- engage in practices that are ethical, open, fair, objective, flexible and timely with grant seekers, donors, volunteers and others in the community
- evaluate their activities in order to improve skills and knowledge, and share key findings with others
- offer orientation and ongoing learning opportunities to Board, staff members, committee members, and other volunteers and develop and implement policies and procedures for periodic performance reviews; take advantage of the national network of community foundations for professional development and sharing of information
- implement human resource practices that are fair and equitable, and that meet or exceed provincial and federal labour standards
- adhere to governance standards that include conflict of interest policies; adopt a code of ethics
- develop, implement and regularly update administrative systems and procedures, including in the areas of finance and investment, data base management, communications, and office operations
- comply with the requirements of public foundations as registered charities under Canada's *Income Tax Act* and other legal requirements.

A Further Commitment to Values

The community foundation movement in Canada, through CFC, has articulated a set of ten principles to guide the work of local community foundations. That document, *Explorations: Principles for Community Foundations (2nd Edition)* echoes and expands on many of the characteristics outlined here.

COMMUNITY FOUNDATION ROLES AND PRINCIPLES



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 by the Canada Customs and Revenue Agency 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
 - 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

and must 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.

¹Qualified 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).

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' Only section

CF-LINKS (Community Foundation-Leadership, Innovation, Networking, Knowledge, and Support)

CF-LINKS is CFC's comprehensive professional development program that offers training, support and assistance to emerging and existing community foundations in all aspects of their work. This includes:

- training workshops in core competency areas
- peer gatherings
- thematic workshops
- mentoring opportunities
- on-site consultations with Regional Coordinators and CFC consultants
- resource manuals on governance and management, fund development, grantmaking, marketing and communications, and administration
- a Board Members handbook
- a facilitated tool for assessing community foundation practice

Network Meetings

National CFC conference and regional meetings

Promotional Tools

CFC's Annual Report; annual Fact Sheet about community foundations; presentations; press releases; newspaper articles, etc.

Special Projects

Special initiatives such as social justice, grantmaking; Our Millennium (1998-2000); occasional surveys and reports (e.g. compensation and hiring, investment practices of Canadian community foundations); and Developing Human Resources in the Voluntary Sector (HRVS).

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; collegial relationship with Council on Foundations (U.S.), including member rates for COF conferences.



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