Debunking some Myths- Community Foundation Sustainability

Traditional assumptions of sustainability

- Sustainability is based on asset size alone
- Deficits will disappear the larger the asset size
- All assets are equal when it comes to sustainability
- With assets of $40-$50 million community foundations will be sustainable

Myth #1

- Large asset size does not eliminate operating deficits

  - If fee structures do not support existing funds, adding more similar funds will weaken overall economics and not increase sustainability

  - A survey of 246 US community foundations found that those ranging in size from $0-$5m up to $500m+ all experienced at least one deficit in the last five years

  - For example, over 50% of US community foundations with assets between $100-$250m had operating deficits in one or more of the last five years. The size of the deficit tended to grow with the size of the assets

Myth #2

- Following traditional and planned patterns of growth most emerging foundations in the USA that were part of a recent research project would not lead to sustainability
  - None could cover their own costs, nor could they ever expect to
  - All were supporting a wide number of small active funds
  - All anticipated this pattern of growth to continue

Some new approaches

Three prevailing approaches currently being more broadly used

- The controlled approach - don’t spend money you don’t have
- The engaged approach - recognise the importance of building relationships and of being relevant to a broad set of community stakeholders; take an activist approach based on community involvement and collaboration
- The leveraged approach - emphasise broadening the community foundation’s reach though partnerships with regional funders, matched funding etc.

The drivers for sustainability

- Setting clear product and fund priorities for development
- Aligning pricing with cost drivers and donor incentives
- Achieving consistent revenue by diversifying sources
- Managing the cost base

And just another thing to think about

Interplay of mission and growth

Focus	Grant-making	Donor services	Community leader/social change agent
Type of fund sought	Prefers unrestricted and endowed	Advised: accommodates donor	Promotes unrestricted but accommodates donor
Feature	Restricts payout and successor advisers	Educates about grant-making	Encourages endowment with broad purposes
Visibility	Community leaders/ grantees	PAs (intermediaries)	Intermediaries and community/public
Growth Rate	Slow	Rapid	Moderate to Rapid
Strategic objectives			