



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

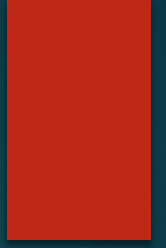
Three prevailing approaches currently being more broadly used

- ▶ 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 through 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			