



Community Foundations and Philanthropy

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When most people think of charities, they envision a group of people interested in making a difference in a particular aspect of people's lives. One charity may dedicate itself to curing disease or helping the sick, while another might focus on protecting the environment. One group might work with children to help them improve their education, and still another could try to solve the problems that the elderly face. It's easy to categorize different charitable organizations by the mission that they seek to accomplish.

However, any given community, no matter how large or small, has many different needs that various charities can address. To foster the sense of community in charitable giving, charities known as community foundations have come into being. As the nonprofit equivalent of locally based businesses, community foundations can give donors the flexibility to pinpoint their philanthropic efforts on whatever needs their community may have over time.

How community foundations work

The first community foundation was created in 1914 in Cleveland, and by the end of the decade, several other major cities had foundations of their own. Today, there are about 650 in the United States, and the idea has begun to spread around the world.

Community foundations have a number of valuable features that you won't always find with a charitable organization. Because these foundations are essentially local entities, they have deep roots within the particular community they serve. Both community-foundation employees and the outside professional advisors that work with the foundations have a wide range of expertise in assisting prospective donors to get the most from their giving. In recognizing the unique motivation that each donor has in making a gift, community foundations pride themselves on providing personalized service and tailoring solutions to each donor's needs.

Advantages of community foundations

Community foundations can achieve results in ways that typical charities can't. For one thing, they generally provide a one-stop shop for donors who want their gifts to have an impact throughout their communities -- a donor can make arrangements with a community foundation that leave the donor flexibility in the timing and distribution of gifts to particular target charities. In addition, where smaller charities may be unfamiliar or uncomfortable with taking certain types of unusual assets as donations, such as appreciated stock, real estate, collectibles, and other property that's difficult to convert to cash, community foundations usually have the experience and contacts necessary to help donors and charities unlock the value of unusual gifts.

What's more, by providing a clearinghouse for donations, community foundations can gather contributions from multiple donors and put them together into a single fund, to create a more substantial effect on the community. By coordinating grants, matching funds, and other resources, community foundations can tap into every available source of funding for a cause.

When it comes to sophisticated charitable planning, community foundations often have a depth of knowledge that smaller charities usually lack. For example, one foundation might work with an outside attorney to create a charitable trust that will help both the donor's family and a local charity. Another might set up an endowment fund designed to allow donors to make gifts supporting not only a charity's immediate needs but also needs extending well into the future. By keeping current on the

tax laws that confer so many benefits on charitable donors, community foundations hold themselves up as local experts in planned giving and in complex charitable financial planning.

Once a community foundation reaches a critical mass of funding and has a positive reputation within the community it serves, the people who work with these foundations often become leaders in their communities. By helping to coordinate the efforts of various charitable organizations within a community and ensuring that the groups waste none of their limited resources duplicating each other's tasks, community foundations take on a vital role in their cities and towns.

Types of gifts

You can make gifts to community foundations in several ways. The simplest method is an unrestricted gift of cash. However, for those who own other types of assets, including appreciated stock, life-insurance policies, real estate, and collectibles, community foundations can accommodate nearly any donor's needs.

Community foundations also offer a diverse set of funding vehicles for charitable giving. Gifts to unrestricted funds give the community foundation the ability to deploy assets where they are needed most. On the other hand, more hands-on methods, including donor-advised funds and designated funds, allow the donor to retain control of where money will go and the purposes for which it will be used. Scholarships and other specialized gifts are also an option for many donors.

Because they have close ties to estate-planning attorneys and other professionals, community foundations are usually familiar with the most recent changes in estate planning. Charitable trusts, gift annuities, estate bequests, and outright gifts are quite familiar to community foundations. You may find that your foundation contact may do a better job of explaining these arrangements in plain English than your own attorney does.

Community foundations offer a great way for donors to make charitable gifts while retaining the highest possible amount of flexibility and effectiveness. They not only serve the financial needs of both donors and the charities they choose as partners but also represent a path by which interested philanthropists can gain exposure to the communities they live in.

For more on charitable giving and your taxes:

- [Slash Your Taxes All Year Long](#)
- [Giving Stock to Charity](#)
- [Be Like a Billionaire](#)

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