

SERVING A WIDER COMMUNITY:

Community Foundations' Use of Geographic
Component Funds and Other Strategies and
Structures to Cover Territory



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II. INTRODUCTION

The project

Worldwide INitatives for Grantmaker Support - Community Foundations (WINGS-CF)¹ is an international network of associations, organizations and foundations that support the development of community foundations. When network participants came together in Ottawa, Canada in May 2000, they developed an agenda of priority issues for WINGS-CF committees to address. The topic of “affiliate funds,” also known as geographic component funds or community funds, was deemed very important by some of the associations attending the conference and was thought to be of emerging importance for community foundations internationally. This topic was assigned to the WINGS-CF Directory and Mapping Working Group.

In August 2001 the working group undertook a scan of WINGS-CF participants to:

- find where geographic component funds were already in operation, and
- explore the interest and value in a written report on such funds for an international audience

The results of the survey² demonstrated a great deal of interest on the part of WINGS-CF members in learning more about geographic component funds and other territorial strategies and structures. These types of funds have been used effectively in the U.S. since at least the mid-1970s. Community funds are part of

¹ Worldwide Initiatives for Grantmaker Support – Community Foundations is currently based at the Community Foundations of Canada. Later this year (2002) it will begin its three-year rotation at the European Foundation Centre.

² Sacks, Eleanor W. “Report to WINGS-CF on a Survey of the WINGS-CF Network on Area and Affiliate-Fund Activity.” October 2001. Internal report, not for distribution.

the Fondation de France and also exist in the U.K. and Canada. The King Baudouin Foundation in Belgium has two community funds. Geographic component funds have been set up recently in community foundations in Italy, Russia and Slovakia, and are being explored in Mexico, Poland and Germany. Australian community foundations are seriously considering geographic component funds as a way to cover their vast rural areas. Interest in community funds was also expressed in other parts of Europe, in South Africa and in Brazil.

The two main reasons given for geographic component funds not being more widespread are:

1. many community foundations are too early in their own development to consider this new direction, and
2. the concept and structure of community funds are not well understood.

However, newly-formed community foundations are maturing quickly and they want to know how other community foundations have broadened the scope of their activities and attracted more donors. WINGS-CF decided to commission this report as a way for community foundations to learn from one another.

Issues facing community foundations

Many of the community foundations formed in the last five to ten years have already grown beyond the start-up phase of their development. As they find that they are stable and operating effectively in their local areas, they are beginning to confront issues about how they can:

- better serve their existing areas
- expand their operations to neighboring areas, especially suburban and rural areas
- bring the community foundation closer to the community in order to take advantage of local expertise about community needs
- bring the community foundation closer to its current and potential donors
- build a pool of community leaders who can take on leadership roles in the community foundation
- promote philanthropy in the community to benefit the entire range of nonprofit activities, not just the community foundation itself.

Universal coverage

The concept of universal coverage, that is, giving every citizen access to a local community foundation, has been a moving force behind the development of community foundations in Canada, the U.S. and the U.K. for several decades and is now close to being realized in those countries. Although universal coverage

may seem far off in some parts of the world, if the growth in the number of community foundations continues at its current rate, universal coverage will eventually become a reality.

One way to increase community foundation coverage is for existing community foundations to expand their territories and to find better ways to serve their current areas of benefit. Community foundations organized around a county or regional area, instead of just a city or town, in addition to being more cost effective, may make more sense in terms of grantmaking and donor development. The enormous expenditure of time, effort and resources in creating a number of small community foundations in close proximity to – and perhaps in competition with – one another can be avoided through the use of community funds.

III. FOCUS AND PURPOSE OF THIS REPORT

Instead of focusing on one geographic model that works well in one kind of community, this report will:

1. examine in a broader context the strategies and structures community foundations have used to cover territory,
2. attempt to universalize the strategies and structures so that they will have relevance for community foundations internationally, and
3. offer a fuller range of options that community foundations can choose from to best fit the needs of their communities

All the strategies and structures developed by community foundations to cover territory have a number of goals in common. They are designed to:

- bring community foundations closer to the people and nonprofit organizations in their service areas,
- increase awareness of the benefits a community foundation brings to a community, and
- give community foundations a better understanding of community needs.

In order for nonprofits to grow, their donors and volunteers, the lifeblood of every nonprofit organization, must trust and feel a close connection to the organizations they support. Donors may be attracted to some nonprofits by their highly specific mission; others may want to have their names associated with a socially prestigious cause, such as an art museum or other types of types of cultural organizations. Community foundations have always attracted donors

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and volunteers who are committed to making their local communities better places to live. Geographically-based strategies and structures, at their best, involve more people in the work of community foundations and increase their level of commitment.

This report will examine:

- expansion of community foundations' areas of benefit to contiguous suburban, rural or regional areas
- development of component funds within community foundations that serve specific geographical areas, either adjacent to or internal to the original service area
- creation of field offices and regional leadership councils as another means to cover territory
- alliance structures
- community foundation mergers
- use of local grants panels
- informal and formal associations of community foundations

It will also use profiles of existing community foundations³ to:

- explore how and why a particular strategy was chosen,
- examine the structure that was put in place, and
- detail how each structure operates.

The strategies and structures employed are not mutually exclusive. As the profiles of community foundations will show, many community foundations have successfully combined a number of these strategies and structures to great effect.

Above all this report aims to be useful. Community foundations operating in different countries are subject to their own legal and tax systems governing nonprofits and foundations. Structures developed under one country's legal and tax systems are less important than the concepts and philosophy behind how community foundations cover territory. Community foundations can take the ideas and models presented here and adapt them to fit their local needs and circumstances.

³ See Appendix I.

IV. STRATEGIES AND STRUCTURES

A. Geographic Component Funds

Finding a common definition

All of the prior research on geographic component funds has focused on developments in the United States.⁴ Geographic component funds in the U.S. are most commonly referred to as community foundation “affiliates” or “affiliate funds”. The term “affiliate fund” in the U.S. has become a catchall for several different types of geographic structures and can mean different things, depending on the context. Not only do “affiliate funds” refer to geographic component funds, but the term also has come to mean identity-based funds, funds that are based on sex, gender, or ethnic identity.⁵ This is because they have similar structures. What geographic-based and identity-based funds have in common is that they are, for the most part, component funds of an established or lead community foundation. A great deal of autonomy in decision making is delegated to the “affiliates” by the lead foundation, leading some to characterize them as “mini-community foundations”. Identity-based funds are not discussed here. For greater clarity, instead of using the broad U.S. term “affiliate fund,” this report will use ***geographic component funds*** and ***community funds*** interchangeably. Both of these terms have a more universal meaning.

Key characteristics of geographic component funds

- They are component funds of an established community foundation, often called the lead foundation or host foundation; legally there is only one charitable entity – the lead community foundation.
- They cover a specific geographic area, either internal to the main community foundation territory or external to it.
- They have their own board of community volunteers who take responsibility for carrying out the work of their community fund.
- The community fund board has been delegated responsibilities for broad general grantmaking in their specific area by the lead community foundation.
- They are responsible for donor development and raising operating costs for their community fund in their area of benefit.
- If they are large enough, they may have their own staff, but most are staffed by the lead foundation.

⁴ An Annotated Bibliography, included at the end, lists the research reports and other sources of information consulted in writing this report.

⁵ A Glossary of Terms that are used by community foundations in the United States to describe their “affiliate” relationships is given in Appendix III.

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The responsibilities of the lead foundation revolve around creating economies of scale and supporting the community fund by providing:

- Asset management, including pooling of investments to create higher rates of return
- Back office support⁶
- Staff support, including advice on grantmaking and fundraising
- Volunteer training and technical assistance, so that board members of the community fund will understand the mission and structure of community foundations, and their own roles and responsibilities
- Start-up costs for administration and grantmaking – in most cases for at least the first year, or perhaps two or three years

Legally, the board of a community fund is only advisory to the Board of Directors of the lead foundation. The Board of the lead foundation has the responsibility for approving all grant requests made by the community fund board, just as it would for donor-advised funds and other funds that typically have advisory committees, such as scholarship funds.

In a majority of cases, especially when there is an expectation that the relationship will be permanent, the established community foundation will find ways to integrate board members from the community fund into the governance structure of the lead foundation. This can be done either by setting aside seats on the Board of Directors and/or on the board committees of the main organization. The benefits of integrating members of the two boards are:

- Community fund board members receive on the job training; they learn about community foundations by participating in an established organization.
- Communication is enhanced between the Board of the community foundation and the board of the community fund, providing a means to air concerns and to avoid misunderstandings.
- The Board of the community foundation learns first hand what the needs are in the territory covered by the community fund.
- Community fund volunteers participate directly in the work of the whole Board and obtain a larger perspective on the mission and activities of the foundation, thereby creating a greater commitment to it.

⁶ Throughout this report the terms “back office” and “administrative support” are used to indicate the essential, but largely unseen, functions provided by community foundations, such as fulfilling legal reporting requirements, fund accounting, and financial audits.

Geographic component funds can be used to accomplish a number of goals. They can be used to form structures that are either external to or internal to existing community foundation service areas. They can be designed from the outset to be permanent or allow for the possibility of separation at a later date. Some may be created at the instigation of community groups or donors, that is people outside the current community foundation orbit, or by community foundations themselves as part of their own strategy to cover territory. Community funds can be formed as part of a foundation's mission to promote philanthropy, or as an integral part of a community foundation's core mission of serving its own territory. These funds have been used effectively to bring the benefits of a community foundation to new territories, especially suburban and rural areas, and as a strategy to increase the community foundation's asset base. Experience with community funds has shown them to be flexible, creative and successful ways to cover territory.

Assessing readiness

Community funds are a simple concept, but community foundations should examine their own state of readiness before deciding whether to create or accept them. Starting community funds takes a great commitment of time, effort and resources on the part of lead foundations, usually more than community foundations project it will. They require dedicated staff support over the years. Community fund-community foundation partnerships have been described as a marriage, and like a marriage they must be worked at regularly in order to succeed. Community foundations should ask themselves a series of questions before going ahead with the formation of geographic component funds, including:

- Why does the community foundation want to form geographic component funds? Does it make sense for the mission of the community foundation? (This is especially important if the impetus for forming a community fund comes from a community group rather than the foundation itself.)
- What stage of development has the community foundation reached? Is the community foundation ready to take on this new strategy and structure for covering territory?
- What will creating and maintaining the funds entail in terms of resources: time, staff and money? How will establishing and supporting community funds impact other priority areas for the foundation?
- What are the demographics of the new external area (or internal region) in terms of population, wealth, areas of need?
- What will it take for the foundation to integrate the new service area into its governance, grantmaking and administrative structures?

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- Are there any longstanding rivalries and areas of mistrust that need to be addressed before a community fund is established?
- How can the community foundation break down the rivalries and mistrust to make itself attractive to the people in this new area?

Fund agreements and relationship management

There is almost always a creative tension between the community fund's desire for autonomy and the community foundation Board's legal requirement of oversight and control. This becomes apparent especially in situations where the community fund board and the Board of the community foundation have different perspectives on their roles and priorities. Community foundations will need to place a high priority on relationship management, in order for these arrangements to be successful.

The key to good relationship management begins with a fund agreement that carefully specifies what are the roles and responsibilities of each party to the agreement. If the lead foundation creates geographic component funds as part of a permanent strategy to cover its service area, the permanence of the relationship should be spelled out in the agreement. If the community foundation is using a geographic component fund to incubate a new community foundation in a neighboring area, the conditions under which it will separate should be specified in detail. This includes how the funds assigned to the community fund by the foundation and those funds raised in the community fund's area will be treated at the time the relationship is dissolved.

When community funds are established by a community group, the group often will want to have an escape clause in the fund agreement that allows them to separate at some point in the future. This may never happen. They may come to value being part of the lead foundation, especially having access to professional investment management, administrative support and grantmaking expertise, and decide to continue the relationship. Often the request for a way out is designed to overcome the uneasiness of some who fear the community foundation will exercise excessive control over their fund and use their fund to advance the foundation's priorities, rather than meet the needs of their local area.

An important point to remember is that community funds cannot separate from the lead foundation ***unilaterally***. A strong fund agreement sets the parameters of the relationship, establishes policies and procedures for how the fund and the foundation work together and protects both the lead foundation and the fund from unreasonable and capricious requests. A clause giving the foundation and the fund the right to review the relationship on a set schedule – every three to five years would be a reasonable time frame – would serve to reassure the

community fund that their needs can be addressed. Without a strong fund agreement, the fund and the foundation may find themselves operating on two separate levels, each having different perceptions and expectations of the other, which could lead to misunderstandings and bad feelings. A good fund agreement helps avoid this possibility.

Creating community funds

When Jennifer Leonard, a community foundation executive and consultant⁷, wrote the first report on U.S. “affiliate” funds in 1991 she found that lead community foundations initiated four out of five “affiliate” funds. About 25 per cent of the “affiliate” funds existed in some form before entering into a relationship with a lead foundation – a quarter of these were existing community foundations, half were community foundations in formation, and the rest were private foundations or others. The primary motivation for establishing “affiliate” funds on the part of community foundations was access to more donors and to attract new funds.

The picture in the U.S. today has changed somewhat. Data collected for the Council on Foundation’s 1998 Community Foundation Status Survey (the latest information available) shows that the number of geographic component funds initiated by community foundations equaled those initiated by groups from the areas served, with a smaller but significant portion being formed by individual donors or community groups.

What accounts for the change in part are the two large challenge grant programs undertaken by the W.K. Kellogg Foundation in Michigan and the Lilly Endowment’s Giving Indiana Funds for Tomorrow (GIFT) program in Indiana. The idea behind both of these programs was to create universal coverage in these two states. Wisely, the Kellogg and Lilly foundations realized that encouraging the development of new community funds was just as important as creating new community foundations. The two foundations made no distinction between requests from new community foundations and requests from community funds when awarding challenge grant funds.

Early evidence from the dozen or so community foundations outside the U.S., who have recently established community funds, shows that the impetus for creating community funds is coming primarily from lead foundations.

⁷ Leonard, Jennifer. “Covering Territory: Community Foundation Area Funds and Affiliates.” Community Foundation for Southeastern Michigan, 1991.

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Creating new community funds requires a lot of preparation; negotiations take time. If the idea for the community fund begins with the community foundation, the community foundation must be willing to present the idea repeatedly so that the local area will understand the concept. For example, when the Healthy City Community Foundation of Banska Bystrica decided it wanted to benefit the city of Zvolen 20 kilometers (12.4 miles) away, it had to present the idea numerous times to groups of local citizens and government officials. Leaders in Zvolen were given the option of receiving help with starting their own community foundation or having a community fund in the Health City Community Foundation. Ultimately, the local leaders decided to proceed with the community fund option and the Zvolen Fund was created. (See Profile)

If the idea for a community foundation comes from a local group, the community foundation must be certain that the “right” people are involved. It is just as important to have respected and trusted community leaders - including those who are either wealthy themselves or have access to wealth - serving on the board of a community fund, as it is to have the right mix of people on the Board of Directors of the community foundation.

Staffing

The New Hampshire Charitable Foundation has divided the State of New Hampshire (U.S.) into highly structured, geographic component funds, which they call regional divisions. The Foundation estimates that staffing each of its regional divisions takes at least 1.35 full-time equivalent (FTE) dedicated staff members. However, in practice the range goes from 1.35 to 2.75 FTE, depending on how developed the division is. This **does not include** all the back office support given to its component funds: accounting, legal, audit, investment management, technology support and development, marketing and communications, new product development for donors and nonprofits, gift processing and acknowledgement and fund establishment. The direct staff breakdown they give is:

Lead staff/development	0.75 FTE
Program	0.25 –1 FTE
Administration	0.50 –1 FTE

While this figure is on the high side for community foundations in the U.S., community foundations contemplating the establishment of community funds, should understand that they will require the investment of a vast amount of resources – time, money and personnel.

Policy needs to be set on how a community fund works with the community foundation, that is, will there be one point of entry to the foundation by the fund or multiple points of entry? Some community foundations choose to have one or more people assigned to work directly with their community funds, who then request information from other staff members at the community foundations on the behalf of the fund. Other community foundations will allow community fund volunteers to contact foundation staff members directly to get the help they need. The number of community funds a community foundation has may determine which course is deemed the better one to take. Allowing broad access to staff by community fund volunteers has the potential to create bad feeling if staff members perceive that staffing the community fund is burdensome and not their primary job. Usually, the best course to follow is the route taken by New Hampshire, which has opted for dedicated staff.

Costs

There are no good data on how much geographic component funds cost the lead or host foundations. Most U.S. community foundations do not break out the costs they incur for administration of geographic component funds. Each community fund typically has its own budget for grantmaking and operations, but this usually does not cover the time the lead foundation staff spends answering queries about grantmaking, fundraising, fund accounting, etc.

Data from the 1998 Status Survey of U.S. community foundations show that sometimes community foundations charge a flat fee for administering the funds' assets, or there may be a custom fee schedule, but most often the fees charged are the same as those the foundation assesses on other types of funds. In addition, a community foundation usually will contribute start-up costs and provide a grantmaking budget for a community fund from one up to three years, and expect that the board will raise funds for operating expenses and grantmaking thereafter.

B. Other Strategies and Structures

Geographic component funds are only one way to spread the work of community foundations. A number of other successful strategies and structures are examined below.

Community grants panels

If community foundations are most concerned with involving local communities in the work of the foundation and finding ways to address community needs more informatively, they can establish grants panels of local volunteers, who will

review grants and make recommendations on funding in their areas to the Board. The responsibility for fundraising, staffing and operations remains with the central organization.

Geographic expansion

Expanding a community foundation’s geographical service area is one way for community foundations to grow that has not received much attention. Some community foundations in the United States, such as statewide community foundations, by their very nature have precisely limited service areas. However, there may be opportunities for community foundations to expand, especially if they are based in a city or a county, which has a suburban or rural hinterland that does not have a community foundation. Community foundations have used this method to increase the scope of community foundation activities and extend into contiguous urban, suburban and rural areas. Expansion may appear simple to do, but doing it well requires as much attention to detail as entering into more complex organizational structures.

Typically, the first step in creating a larger service area begins with grantmaking. A community foundation receives funds that allow grantmaking in neighboring towns or rural areas outside their core area, where there is no community foundation. The community foundation then realizes that it has an opportunity to offer this new territory the full range of its benefits, by attracting new donors to the foundation from the area.

Before going ahead, community foundations should take time to examine and address a number of the same issues raised when considering geographic component funds, such as: the reasons for wanting to expand; the community foundation’s readiness; an assessment of the new territory; the preparatory work that needs to be done, strategies for overcoming any longstanding disputes and bad feelings between the original area of benefit and the target area.

After considering these issues, in some cases, it may make sense to explore a community fund strategy, especially if the rivalries and mistrust are longstanding and will be very difficult to overcome, or if the people in the new area identify strongly with their local community. However, if these do not appear to be insurmountable obstacles, and the community foundation is prepared to fully integrate new donors and volunteers into the work of the foundation, then the community foundation can prepare to go ahead.

What’s in a name?

Many community foundations that want to expand their area of benefit find that their name itself is an obstacle. They decide, after study and consultation, to

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change their name to reflect their commitment to a broader area. (See Profile of the Community Foundation of the South Okanagan.) In many cases, this is a crucial first step in gaining acceptance by potential donors and volunteers. There is often a suspicion that the big city will control or absorb the resources of the suburban or rural community into a grantmaking agenda set by the larger population area. In fact, it is more likely that the resources of the central area will be used to support the needs of a rural area, and will likely subsidize a suburban area until sufficient resources are raised in the local community.

Name changes need to be entered into carefully and with a great deal of consultation. The foundation's good name is an asset that should not be treated lightly. Often community foundations will try to keep the name as close to the old one as possible, so that it can build on the established good will.

One way to do this is to add the term "greater" to indicate that the community foundation now extends beyond its original limits. After participating in a board-staff retreat the Buffalo Community Foundation in the state of New York became the Greater Buffalo Community Foundation. When it wanted to become a regional foundation, the Richmond Community Foundation hired a consultant to help it work through its name change. The Community Foundation Serving Richmond and Central Virginia was chosen because they wanted to retain Richmond in the name for the sake of continuity, but also announce its new regional focus. Even though its new name is somewhat unwieldy, it clearly represents the territory served. Likewise, in the U.K., The Tyne & Wear Foundation became The Community Foundation serving Tyne and Wear and Northumberland.

Sometimes a totally new name is the best option. The Utica Foundation (New York) chose the Community Foundation of Herkimer and Oneida Counties to represent its new territory, when it became clear that the city of Utica in the name of the community foundation would be detrimental to its fundraising efforts in the new area.

Once the name reflects the expanded territory, community foundations need to be certain that they make real the promise of the name. The new territory needs to be fully integrated into the work of the foundation. Grantmaking and fundraising need to focus on the entire territory. The governance structure needs to be revamped to admit board members from throughout the region into full membership. Board committees also need to reflect the new regional focus. Policies and procedures need to be updated; new marketing and information materials need to be created. Only when all these steps have been taken will the expansion be complete.

Regional divisions

When the New Hampshire Charitable Foundation (NHCF) wanted to have a greater impact around the state, it decided to change the way it served its existing territory by developing a series of geographic component funds. The language it settled on to describe this structure was Regional Divisions. In their own “regions” these geographic component funds are called “community foundations” to give the areas they serve a real sense of ownership. However, when NHCF refers to the overall structure, it prefers to call them regional divisions to indicate that they are a permanent part of how the foundation structures its operations.

One of the challenges for the New Hampshire Charitable Foundation was to make certain that, in creating their divisional structure, NHCF, the statewide community foundation, remained strong and still had the capacity to address issues that were statewide, regional, and across regions. Without careful planning, there was a real danger that dividing a community foundation’s area of benefit into a group of geographic component funds could be divisive. It has developed a very detailed set of policies and procedures that ensure that NHCF remains strong. Board members of the community funds are integrated into all the statewide committees, which increases their commitment to NHCF and makes the structure work. (See Profile)

Leadership councils/ regional offices

Many community foundations find geographic component funds a useful way to enhance their organizational structures – but not all. Each community foundation must decide which strategies and structures best fit the mission of their organization.

The Oregon Community Foundation (OCF) (see Profile) is a statewide foundation in the Pacific Northwest region of the United States. It is a large state that has a relatively small population. Most of its citizens live in several metropolitan areas in the Willamette River Valley, with large areas of the state being sparsely populated. OCF rejected the use of geographic component funds as a way to serve the state of Oregon, because it felt they would be divisive. Bringing the state together has always been part of OCF’s core mission. Instead OCF developed a two-pronged strategy that included establishing regional leadership councils and regional offices. The leadership councils are composed of prominent community leaders who advise OCF on issues of concern in their areas and also represent the foundation to their communities. The regional offices are designed to serve donors and grantees around the state. In this way OCF involves more Oregonians in the work of the foundation and brings the Foundation closer to the people in the area it serves.

Alliances

The alliance model consists of bringing together a number of community funds on an equal basis to share administrative expenses. There is no lead or established foundation and only one charitable entity. Each community fund has the same number of representatives on the Board of an alliance, regardless of the size of their funds. Alliances usually form when the interest in establishing community foundations in neighboring communities arises at or about the same time. The most prominent alliance (see Profile of the Community Foundation Alliance, Inc.) formed in response to a community foundation initiative by a private foundation in the U.S. state of Indiana. Creating alliances may be harder to do without strong incentives, since they require a great deal of cooperation and consensus, as well as uniform readiness by all parties involved.

Mergers

Opportunities for mergers exist where there is a sufficient density of community foundations, and, because this is so, mergers may be an issue for the future in many areas where community foundations are still relatively new. However, the issue of the density of community foundations is worth considering now when developing strategies for how to cover territory.

Mergers make sense when there are two or more community foundations already existing in close proximity to one another. Mergers occur when existing community foundations join together to form a new single legal identity. There are a number of reasons why community foundations may choose to do this. They may have overlapping service areas, and they may be in competition for donors, limiting their ability to grow. The existence of multiple community foundations in close proximity may also cause confusion and duplication of effort for nonprofits when they are deciding which foundations to approach for funding. Mergers also occur, in some cases, in areas where towns or cities with a distinct identity have grown together to the point that a county or regional community foundation makes more sense than a city or town-based community foundation.

Mergers are difficult for some community foundations to consider when each community wants its "own" community foundation. It will take a lot of work and planning to overcome these types of objections, since they are often based on emotional ties and longstanding attitudes, rather than a clear understanding of the benefits. Community foundations considering merger may decide to develop community funds in order to maintain the sense of local focus and commitment that came from having two independent foundations.

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The reasons to merge are similar to why community foundations choose to establish geographical component funds:

- A larger donor base and a larger pool of assets
- Economies of scale achieved by eliminating duplication of services

Additional benefits include:

- Clearer messages sent to donors about the purpose and stability of the community foundation in their area
- Simplification of grants processes for nonprofits seeking funds

Types of mergers

There are two basic types of mergers:

- Mergers of equals, to create one new charitable entity
- Mergers where one community foundation becomes a community fund of the other

The latter occurs where there is an imbalance in size and stage of development between community foundations. In this case it may make more sense for a smaller foundation to join with an existing larger community foundation and become a community fund.

Agency endowments or agency funds

In some cases community foundations can structure geographic component funds as agency endowments. Agency endowments are funds in a community foundation established by a nonprofit agency that has its own independent charitable legal status. Agency funds are formed when a nonprofit organization donates its permanent assets to the community foundation. In return the community foundation invests and manages the funds and, on a set schedule, usually once or twice a year, sends the nonprofit agency a check. The nonprofit agency is responsible for developing its own programs, and all the bookkeeping and reporting that is required by law.

These funds are similar to designated funds. However, in the case of designated funds, the funds come from an individual or family, who specify in the fund agreement which charities will receive the income from the donor's fund. This type of arrangement is most likely to occur when an existing foundation or trust decides to merge with a community foundation.

Formal and informal associations of community foundations

Community foundations can also cover territory by cooperating with other community foundations on asset development and grantmaking issues.

The high concentration of community foundations in the U.S. means there are many opportunities for community foundations to come together around areas of mutual interest to form formal and informal associations.

Informal groups of community foundations in a region, such as the Bay Bounders, a group of community foundations which border the San Francisco Bay in California, meet regularly to discuss issues of common concern, including grantmaking priorities. The four community foundations in the State of Tennessee – East Tennessee, Greater Chattanooga, Greater Memphis, and Middle Tennessee – have developed an informal agreement so that donors, who are not located within their immediate areas of benefit, can have access to a community foundation. They have agreed, using a map of the state, to assign areas not served by a community foundation to each of the four foundations.

Statewide associations of grantmakers, such as the Council of Michigan Foundations, the Indiana Grantmakers Alliance, the Ohio Grantmakers Forum, and the regional Southeastern Council of Foundations, have sections that serve as a forum for community foundations in their areas. The associations in Michigan and Indiana have played a large role in carrying out the challenge grant programs of the Kellogg Foundation and the Lilly Endowment.

Associations composed only of community foundations have also formed on a statewide basis. These include the Community Foundations of Pennsylvania and the Community Foundations of North Carolina, among others. They are able to address legal, funding and grantmaking issues that affect only their states. One good example is the role the Community Foundations of Pennsylvania played in successfully lobbying the state government for the right of Pennsylvania community foundations to apply for funds from the tobacco settlement.⁸ Their experiences led them to realize that state legislators were not very informed about philanthropy in particular and nonprofits in general, which has led to a new initiative to make state legislators better informed about the nonprofit sector.

⁸A coalition of U.S. states had sued the tobacco industry to recover the costs of providing health care to smokers for their tobacco-related illnesses. In a settlement reached with the tobacco companies, each state received a multi-million dollar settlement. Each state developed its own policies for what the funds could be used for. In general, they were to be used for improving healthcare and smoking prevention programs.

There are also a couple of international coalitions of community foundations that have formed around specific topics having a geographic focus. These include the Great Lakes Community Foundations Environmental Collaborative and the Collaboration of the Community Foundations on the Gulf of Maine, both of which are composed of community foundations in Canada and the U.S. The Gulf of Maine collaboration was formed to address issues of water quality in the Gulf of Maine and the social and economic impact of the decline in the fishing industry. The Great Lakes Collaborative was formed with the support of several large foundations to address issues of environmental quality in the Great Lakes. The private foundations involved provided matching funds to raise endowments in community foundations for environmental stewardship.

In the United Kingdom the typical community foundation is formed on a county basis, because of the historical loyalty individuals feel towards their counties. Some of these counties are quite small and there is at least one initiative (in the West Midlands) where the community foundations are looking at ways they can share services and also profile-raising activity in order to be as cost-effective as possible. They are setting up an informal association to help bring this about. In Wales a country-wide community foundation is supporting the development of more local structures which will enable locally focused grant-making and fundraising but will also easily work together when Wales-wide issues are in hand. Some of these sub-regional structures will be free-standing community foundations but other are likely to be branches of the Community Foundation in Wales. Coverage of London is likely to be achieved in a similar way.

V. TIPS FOR DEVELOPING SUCCESSFUL TERRITORIAL STRATEGIES AND STRUCTURES

- Review the mission of your organization and the reasons why and why not to choose a particular course. What are your primary motivations for establishing a geographic component fund, or another structure, to cover territory? Are they to:
 - increase assets
 - attract a larger donor base
 - spread the benefits of a community foundation to a larger area
 - serve the existing area better
 - create a larger pool of community foundation volunteers
 - eliminate competition by precluding the start-up of a new community foundation nearby
 - promote philanthropy?

- Assess the readiness of your foundation. Are you at a stage of development where adding new levels of structure makes sense? What resources do you have now? What resources will you need? Are there sources of funding that can be tapped to help you with the start-up costs – a donor, a corporation, a foundation?
- Take a long-term view. Think not just about the immediate benefits, but what this will mean for your foundation five years from now. Will the decisions you make now continue to have a positive effect in the future?
- Define the relationship carefully. A solid fund agreement, and well thought out policies and procedures, will help avoid problems in the future.
- Commit the foundation to ongoing relationship management.

VI. CONCLUSION

Geographic component funds and the other strategies and structures outlined here have the potential to bring community foundations closer to the people and the areas they serve. Not only can they increase assets for community foundations, but they can also increase commitment to community foundations, and by extension to community philanthropy as a whole.

Many of the community foundations formed in the last five to ten years have reached the point where they are ready to consider new ways to cover territory.

Experience has shown that all of the alternatives proposed can be very effective in spreading the work of community foundations. Before deciding to go ahead, however, community foundations should first assess their readiness and the resources needed. Community foundations can then consider which strategy makes sense for their area and how to adapt the models presented here to their own use. Community foundations need to consider not just what the short-term advantages are, but what the impact will be in the future. Carefully nurturing and supporting these relationships will ensure that all parties and the areas served will achieve the maximum benefits these models can provide.

**APPENDIX I
Profiles of community foundations**

- 1. Greater Bristol Foundation** (United Kingdom)
- 2. New Hampshire Charitable Foundation** (United States)
- 3. Community Foundation of the South Okanagan** (Canada)
- 4. Healthy City Community Foundation of Banska Bystrica**
(Slovakia)
- 5. Community Foundation Alliance** (United States)
- 6. Oregon Community Foundation** (United States)

Greater Bristol Foundation
Restoring a Sense of Place

Strategy: External Expansion

Structure: Community Funds

Background: The city of Bristol is the major metropolis in the west of England. The history of its governmental jurisdiction, however, is somewhat complicated. Bristol was founded on the banks of the Avon River (also known as the Bristol Avon), not far from where the Avon flows into the Bristol Channel. Historically, it had been a major English seaport and today is a great manufacturing and service center for the entire west of England. The city and its immediate surroundings were once a small county in its own right, known as the City and County of Bristol. It was bordered by the counties of Gloucestershire to the north and Somerset to the south. A governmental restructuring in 1974 disbanded the City and County of Bristol and a new larger county, called the County of Avon, merged Bristol together with parts of Somerset and Gloucestershire. For many, the new County of Avon seemed artificial and was never fully accepted.

In England, historically, people have felt a great deal of loyalty to their counties. As a result counties are the territorial units around which most community foundations are formed. When the Greater Bristol Foundation (GBF) was started in 1987, however, the decision was made that its area of benefit would cover a 10-mile radius from the Bristol city center. This was an area larger than Bristol city itself, and included suburban and rural areas. Its original territory did not include the other major population centers in the County of Avon. The Foundation extended east up to the edge of the city of Bath. It did not extend as far southwest as the seaside resort city of Weston-super-Mare.

The national government undertook another major reorganization of local governments in the 1990s. The County of Avon was abolished in 1996 and in its place four Unitary Authorities were established: City of Bristol, Bath and North East Somerset (BANES), North Somerset, and South Gloucestershire. The new Unitary Authorities recognized the ancient connections to their original counties and offered the Greater Bristol Foundation an opportunity to expand its area of benefit throughout the short-lived County of Avon.

The territory now covered by the Greater Bristol Foundation has a population base of about 1 million people and consists of urban, suburban and rural areas.

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Bristol contains about half the population or 500,000 people; North Somerset has about 200,000 people; South Gloucestershire has between 150,000 and 200,000.

Process: There have been longstanding rivalries between Bristol and its neighbors, which were exacerbated when the formation of the County of Avon forced them to come together under one governmental structure. The Greater Bristol Foundation realized that the territory covered by unitary authorities offered a way to overcome these animosities. By creating several community funds based on the unitary authority boundaries, the Greater Bristol Foundation could offer local areas the benefits of a community foundation, and a measure of autonomy in their organization and administration.

The Greater Bristol Foundation is fortunate to have a large administrative endowment that can support the increased administrative expenses associated with expansion. GBF has devoted one-half of its administrative fund to support the development of its community funds. The Foundation is also managing the Local Network Fund for the same area. The Local Network Fund is a government-funded initiative for the whole of England that seeks to address the effects of poverty on children and young people.* Grants from the Local Network Fund are being used to get the grantmaking started in the community funds.

The first community fund, the North Somerset Fund, was established in April 2001. The Board chair of GBF was from North Somerset and was able to use his knowledge of the area and his connections in the community to promote the community fund idea and help get it started. The North Somerset local authority had already done a needs study for the area, which made it easy for the Foundation to set priorities for grantmaking and explain how the community fund could benefit the local area.

The next community fund to be established will be the Bath and North East Somerset Fund, probably in late autumn 2002. This fund represents a particular challenge. Bath is located 12 miles (19.3 kilometers) east of Bristol. It is known for its Roman baths and its elegant architecture from the 18th and early 19th centuries, when it was a resort and spa. It sees itself as being very distinctive. A group of community leaders at first tried to start their own community foundation, but came to realize that they would benefit from association with the Greater Bristol Foundation. They bring to the relationship concerns about having their “own” community fund, which center on the desire for autonomy. The

* The Local Network Fund for Children and Young People is being managed by Community Foundation Network, the membership organization for community foundations in the U.K.

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BANES fund may raise running costs for its own office and staffing if they decide that it is a priority for them.

The boards of GBF's community funds are structured as subcommittees of the main GBF board. At least one trustee of the Foundation is a member of the community fund "subcommittee." At the moment GBF is managing the community funds using existing resources. The Assistant Director of the Foundation spends part of his time staffing the funds, which ties the funds into the foundation at the staff level as well as at the Board level. As the community fund structure grows, the GBF staff realize that they may need to invest in more resources, including additional staff and local offices.

The Greater Bristol Foundation sees many benefits in choosing this structure. The community funds allow GBF to be more effective, because the Foundation is no longer seen as an outsider. The community funds bring the Foundation closer to donors and increase the Foundation's local knowledge. The North Somerset Fund is already bringing in new donors. The biggest challenge for the Greater Bristol Foundation is not to dominate, but to increase the sense of ownership on the part of the community through their community funds.

New Hampshire Charitable Foundation
Building on Regional Strengths

Strategy: Internal Coverage
Structure: Regional Divisions

Background: The New Hampshire Charitable Foundation* is a statewide community foundation, located in the northeastern part of the United States, known as New England. New Hampshire, like many of its New England neighbors, is one of the smaller states in the U.S. It ranks 46th in size of the 50 United States and has a population of about 1.25 million. For comparison, New Hampshire covers a territory somewhat smaller than Belgium.

Its small size, however, has not diminished its proud history and spirit of political independence and its powerful tradition of local control. New Hampshire still practices a town meeting form of government, where citizens meet face to face to discuss issues and vote. This focus on local government is reinforced by the fact that the primary form of taxation is the local property tax. There is no statewide tax on earned income nor is there a general sales tax on goods and services that would provide revenue to strengthen the state government. Those who follow the U.S. presidential primaries will know that, unlike larger states where political campaigns are conducted using large public gatherings and media advertisements, in New Hampshire it is important for politicians to meet face to face with voters.

New Hampshire has a varied terrain with mountainous areas, lakes, river valleys, and a small coastline (16 miles or 25 kilometers) on the Atlantic Ocean. The largest river in New England, the Connecticut River, marks its western boundary with the state of Vermont. Economically, New Hampshire is known for its winter sports and summer recreation. Manufacturing is the principal source of income, especially electrical and other types of machinery, textiles, wood pulp and paper products, stone and clay products. Agriculture is another major segment, characterized by dairying, poultry, fruit and vegetable growing. There is a significant high technology region in southern New Hampshire.

* The New Hampshire Charitable Foundation's regional division model is highly structured. For more details on how it operates, see the Annotated Bibliography for how to obtain a copy of NHCF's booklet, *NHCF Regional Structure: September, 2001*.

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Process: The New Hampshire Charitable Foundation (NHCF) was formed in 1962. At first it focused its activities on increasing the amount of scholarship assistance available for New Hampshire students. However, it quickly took on the responsibility for developing and focusing charitable resources for the entire state. After its first decade it was awarding grants broadly to the full range of nonprofit organizations. By 1982 its grants and loans to nonprofit organizations reached \$1 million USD for the first time.

Even though it was prospering, the New Hampshire Charitable Foundation (NHCF) decided it needed to find a new way to reach more people around the state. It realized that it could use the “strong sense of local identity” to create “a powerful regional focus of philanthropy.” NHCF embarked on building a permanent regional structure for the foundation.

In 1983 NHCF created its first regional division, the Greater Portsmouth Community Foundation (now called the Greater Piscataqua Community Foundation to reflect its regional rather than city focus). Five other regional divisions followed, each representing a geopolitical area of the state: Northern New Hampshire Foundation (1985); Lakes Region Charitable Foundation (1992); Upper Valley Community Foundation (1994); Monadnock Community Foundation (1998); Manchester Regional Community Foundation (2000). The goal of the NHCF is to make certain that every region of the state has its own division. Plans are underway to create another two or three divisions to cover the remaining areas of the state.

The Foundation decided to call them regional divisions, rather than “affiliate” funds or “geographic component funds,” to make it clear that they are a permanent part of NHCF.

In establishing its regional divisions, NHCF carefully and explicitly structured them in ways that would balance the needs and contributions of the regional divisions, while leaving the statewide organization strong and allowing opportunities for the Foundation to work across regions, between regions and statewide.

The Foundation has developed a “Social Compact” for its regional divisions that spells out three geographic conditions that all must meet:

- Each regional division serves broad geographic areas with a population sufficient to support community-wide programs and development
- Each division encompasses prosperous as well as less prosperous communities. The number of regional divisions will be designed so as to

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ensure regional divisions of scale and diversity, and to contain costs system-wide.

- Regional boundaries are “soft,” enabling donors and applicants to define their own interests in aligning with one or more regional divisions. Donor requests to change their regional affiliations are respected.

Since the New Hampshire Charitable Foundation has only one legal entity, the full legal, financial and administrative authority rests with the NHCF Board. Although members of the Board of Directors are drawn from all regions of the state, and representatives of each division sit on the Nominating Committee for the Board, regional divisions do not have formal representation on the NHCF Board of Directors. Representatives of the regional divisions do sit on several statewide committees:

- Fiscal Policy Task Force – establishes policies to maintain sufficient operating resources for NHCF to function effectively as a statewide philanthropy leader
- Statewide Funding Partnership – a means for the NHCF and the regional divisions to pool grantmaking resources to address issues that transcend regions
- Marketing and Communications Committee – advises NHCF’s Director of Marketing on the annual marketing and communications plans and vendors

Each regional division has its own Board of Directors. The regional divisions have been delegated significant responsibilities for the operations of the Foundation in their region. These include operating budgets, setting community priorities, grantmaking, fundraising, and community initiatives. They maintain a high profile and are the “community foundation” for their region.

The divisions are for the most part staffed by the central offices of the statewide foundation. All staff members are employees of the New Hampshire Charitable Foundation, not the regional divisions. Staff members are assigned to work directly with one or more regional division part-time. They also have statewide responsibilities that give them a larger perspective and which help spread ideas and lessons learned more quickly across the regions.

NHCF believes that it takes at least “1.35 full time equivalent (FTE) of direct staff to grow a regional division” after it is fully up and running. Currently, the direct staff ranges from 1.35 to 2.75 FTE broken down as follows:

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Lead staff/development	0.75 FTE
Program	0.25 – 1 FTE
Administration	0.50 – 1 FTE

Regional divisions with regional offices have somewhat more staff than do those divisions staffed from headquarters. In addition to direct staff, the statewide organization supports the regional divisions with staff providing the following services: accounting, legal, audit, investment management, technology support and development, marketing and communications, student aid administration, new product development for donors and nonprofits, gift processing and acknowledgement, and fund establishment. Each regional division pays for the direct staff assigned to it as well as a portion of the foundation overhead.

In 1994, when NHCF had only three regional divisions, it decided to review the effectiveness of regional divisions as a means for increasing philanthropy in New Hampshire. The review was overwhelmingly positive, even though it recognized that the foundation paid a high price for “maintaining this complex organizational structure, [and] balancing this duality” between a high level of autonomy for each region and a high affiliation between the parts. The “price includes the time it takes to orient new directors, incorporators and staff to how the Foundation works, and sometimes [the] confusing face” it presents to the public. It also includes the time it takes to achieve consensus throughout the system and the time needed to consult broadly on potentially sensitive issues. In the end what holds the regional structure together is the “*continuous* investment in people, reiterating the values of the Foundation and encouraging collaboration rather than competition within the Foundation.” Finally, it takes committed volunteers and staff who share the vision of improving the quality of life in New Hampshire.

Community Foundation of the South Okanagan

Extending Benefits to an Entire Region

Strategy: External Expansion

Structure: Community Funds

Background: The Community Foundation of the South Okanagan in the province of British Columbia, Canada, was first established 1991 as the Penticton & District Foundation. Its offices are based in Penticton, the largest town and administrative center in the region.

The South Okanagan is located in south central British Columbia, bordered by the United States to the south, the Fraser Valley Regional District to the west and the Kootenay-Boundary Regional District to the east. The region is primarily rural. It is known for its rich agricultural lands in the Okanagan River Valley and especially for its fruit orchards and wine grape industry. In 1998 the Board of the community foundation decided to extend its mandate to include the entire Regional District of Okanagan-Similkameen, which is composed of six communities. The total population of the Regional District is about 61,000: Penticton (36,100), Summerland (10,500), Oliver (4,300), Osoyoos (4,100), Keremeos (3,000), Princeton (3,000).

Process: When the Board took the decision to expand its area of benefit in 1998, it was influenced by both internal and external factors. In one sense the community foundation was already making grants throughout the region. Many of the charitable organizations that provide services on a regional basis are housed in Penticton. By making grants to these organizations, the community foundation, in fact, was covering the entire region. The expansion was also driven by an increasing number of requests from donors throughout the region to establish funds. By extending its geographic boundaries to match the Regional District, it closed the gap between the Central Okanagan Foundation to the north and the Phoenix Foundation of the Boundary Communities to the east. It made sense to have a larger community foundation, which would be able to pool funds for investment purposes, rather than having a proliferation of many tiny, unsustainable community foundations.

The first step in the process was the name change in 1998. Changing the name was absolutely crucial in getting the ball rolling and establishing credibility with donors throughout the region. Without a new name to reflect its broader territorial mandate, the plan would not have succeeded. The next step was to make presentations to local governments throughout the region to get their input

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as to what would be needed to make a regional foundation work and to encourage their community's participation.

After these steps were taken, the foundation began the enormous task of creating a Community Fund Model and developing the support systems that would be needed to implement it. The Board felt establishing community funds in each of the six communities would take advantage of their strong sense of local identity. Throughout 1999 and into 2000 all governance documents were completely rewritten. To jumpstart the process, the community foundation offered a \$5,000 endowment challenge grant to the five communities outside Penticton if they would start their own community funds. The communities of Oliver and Osoyoos each established their community funds in 2000. Summerland established its community fund in 2001. The two remaining communities, Keremeos and Princeton, have not yet formed their funds. The explanation may be that they are the smallest of the six communities and also the farthest from the others.

Each community fund has its own Community Committee, consisting of a chair and a maximum of five other members (minimum of four), recruited from within the territory for which that particular Committee has responsibility. The Committee Chair and Committee members are appointed by the Board of the community foundation. The chairs of the community committees sit on the Board as non-elected Directors of the community foundation. The community committees are responsible for organizing and managing the operations of the community foundation within a designated area. These responsibilities include fund development, general and special fund raising activities, and community relations. The committees also have representation on the grants committee of the community foundation, and participate in recommending grants for distribution.

The primary benefits of these relationships are that the residents of all communities throughout the Regional District now have the opportunity to enhance the quality of life in their areas through the establishment of endowed funds. The consolidated administration reduces costs, while maintaining the individual identities of each community.

The Community Foundation of the South Okanagan has developed a communications plan to spread the word about its new mission and community fund structure, and a very successful "Friends of the Foundation" program to help cover administrative expenses.

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The Community Foundation of the South Okanagan feels that the biggest challenges in the near future belong to the individual community committees. Each community will ultimately determine its own success, which will be measured by the increase in funds available for grantmaking in their own communities over time.

Healthy City Community Foundation of Banska Bystrica
Spreading the Benefits to Neighbors

Strategy: External Expansion

Structures: Extended Service Area, Community Fund

Background: Banska Bystrica, the fifth largest city in Slovakia, has a population of approximately 85,000. It is also the administrative, economic and cultural center of Central Slovakia.

The Healthy City Community Foundation of Banska Bystrica was the first community foundation in Central and Eastern Europe. It was established in 1994 by a group of concerned citizens that included local Rotarians and city officials. Initial funding came in the form of a \$30,000 donation from the city. With this funding it immediately started a grantmaking program and sought international support. Grant funding from the Charles Stewart Mott Foundation put the foundation on a firm footing and helped the foundation build trust and have an impact on the local community at a very early stage.

In Central and Eastern Europe (CEE) it has proved easier to establish new community foundations in small to medium size cities than in larger cities.* This fact raises questions about sustainability and economies of scale that are as important in CEE as they are in countries with a longer history of community foundations.

Process: During its short lifetime the Healthy City Community Foundation has continually increased its service area. At first the community foundation covered only the city of Banska Bystrica. In 1996 it expanded into rural areas around the city. In 1998 it expanded to cover the neighboring city and county. Currently, Healthy City Community Foundation of Banska Bystrica serves a population of about 200,000 people.

* Mesik, Juraj. "Community Foundations Go East." *International Dateline*, October 1999. Council on Foundations, Washington, D.C. Interestingly, this experience mirrors the early development of community foundations in the United States. Even though community foundations were formed in New York City, Boston, Chicago and Philadelphia in the first 15 years of development, the majority of community foundations formed before the 1930s were in small to mid-sized cities in the Midwestern and Northeastern parts of the United States. This almost certainly has to do with the fact there is a greater cohesion and civic-mindedness in small to medium size cities that encourages local leaders to work together to benefit their area. Larger cities can be dominated by factions and competing interests that make it harder for community leaders to come together around the formation of an organization designed for the benefit of all.

The Healthy City Community Foundation has always believed that part of its central mission is to spread the community foundation concept. Another reason for expansion has to do with the fundraising strategy developed by the community foundation. The country has a small, very rich entrepreneurial class, but they are newly wealthy, uncertain about their future status, and, for the most part, lack a culture of giving. It is very hard to obtain donations from them. The business community is overwhelmed with solicitations from a great number of good causes. They have not yet seen the community foundation as a way to relieve them of the burden of doing their own grantmaking. The community foundation decided its best option initially is to raise smaller contributions from the broader middle class, mainly professionals. It is a strategy that has proven successful in the post-Communist social and economic environment in Slovakia. However, it is a strategy that will only work with a population sufficiently large and prosperous enough to sustain the foundation.

Zvolen Fund: From the beginning the Healthy City Community Foundation wanted to offer the citizens of its twin city Zvolen the same benefits it offered the citizens of Banska Bystrica. Zvolen is located 20 kilometers to the south of Banska Bystrica (approximately 12.5 miles) and has a population of around 42,000. Representatives of the community foundation repeatedly presented the community foundation concept to the elites and local government in Zvolen. When they understood the idea, the community foundation offered Zvolen two options: their help in creating Zvolen's own community foundation or a fund within the existing community foundation. Zvolen opted to create a fund within the Healthy City Community Foundation.

Once the decision was made to create the Zvolen Fund, the community foundation provided the know-how in setting up the community fund. Representatives from Zvolen were integrated into the board of the community foundation. The board of the Zvolen Fund took responsibility for structuring its grantmaking process and establishing a local presence in Zvolen by setting up an office and staff.

The city of Zvolen and its deputies were important partners in this process, as were Zvolen nongovernmental organizations. The city of Zvolen for the last three years has been among the largest local donors to the community foundation. Other donors to the Zvolen Fund include some smaller corporations and individuals.

The relationship is designed to be permanent. Even so, the community foundation would be open to the fund spinning off, if it would prove advantageous to the city of Zvolen.

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The mutual benefits of this relationship are clear. The Healthy City Community Foundation of Banska Bystrica serves a bigger population and has a larger base for fundraising. The Zvolen Fund benefits from the established reputation and expertise of the community foundation. It is unlikely that Zvolen could have sustained a community foundation on its own. Economies of scale have been achieved. A larger territorial area now has the benefit of access to a community foundation.

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Community Foundation Alliance, Inc.
A Partnership of Equals

Strategy: Create a single community foundation based on the equal partnership of nine community funds

Structure: Alliance

Background: The Community Foundation Alliance, Inc. was formed in 1991 in response to the Lilly Endowment's community foundation initiative, Giving Indiana Funds for Tomorrow (GIFT). The Lilly Endowment is one of the largest private foundations in the United States, based in Indianapolis in the U.S. state of Indiana. A little more than a decade ago the Lilly Endowment decided that it wanted to help build more permanent resources for the small to medium-sized communities of Indiana by encouraging the formation of community foundations and community foundation affiliates. It did this through a series of challenge grants for endowment and operating expenses, special project matching funds for grantmaking, and training programs offered through the Indiana Donors Alliance (now the Indiana Grantmakers Alliance).

In 1990 when the GIFT program was first conceived there were only nine community foundations in Indiana with an aggregate total endowment of about \$100 million. More than 80 percent of those assets were in community foundations serving Indiana's two largest cities: Indianapolis and Fort Wayne. Today in Indiana there are 90 community foundations and county affiliates with assets surpassing \$1.2 billion USD. Since its inception in 1991, the Community Foundation Alliance has grown to become the third largest community foundation in Indiana, with assets totaling over \$73 million USD in 2000, and grants made of over \$1 million USD.

The Community Foundation Alliance, Inc. serves nine counties in the southwestern corner of Indiana. The region is bordered by the Wabash River to the west and the Ohio River to the south, part of the Mississippi River system. These two rivers form the boundaries with the states of Illinois and Kentucky. The area is largely rural and agricultural, but it also has a significant manufacturing base. The Toyota Motor Company has located several automobile plants in this region. The largest city is Evansville with a population of about 122,000. The population of the nine counties ranges from 13,000 people in the smallest to 172,000 in the largest. Most of the counties have between 20,000 and 40,000 people. The aggregate population of the nine counties is over 405,000.

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Process: The Community Foundation Alliance, Inc. was incorporated in 1991 as a single legal entity. The Alliance is composed of nine “community foundation” partners, one for each of the nine counties. The first community foundation, which encompassed the largest county, was formed in 1992; the last was formed in 1998. Legally, each community foundation is a “county services committee” of the Alliance. Each community foundation has its own Board of Trustees. Boards of Trustees are responsible for:

- Establishing the policies and procedures to guide the community foundation, subject to approval by the corporate board of the Alliance
- Evaluating grant proposals and recommending grants to the corporate board
- Raising funds for endowment and operating expenses
- Nominating three members to serve on the corporate board along with the president of each committee foundation

The Alliance is responsible for providing back office support, including:

- Audits and tax filings, obtaining legal advice, maintaining records that are legally required
- Quarterly investment reports
- Marketing, including an Annual Report and newsletters, brochures and marketing tools
- Staff support in grantmaking, grants monitoring, marketing, fundraising, technical assistance as requested by the community foundations
- Investment, spending and finance policies and services
- Other services as requested by the community foundations and approved by the corporate board of the Alliance

The main difference between the community foundation partners in the Community Foundation Alliance and other types of affiliate or geographical component funds is that there is no lead foundation. The Alliance is designed to be a partnership of equals. Each community foundation has four members who sit on the corporate Board, without regard to the size of its territory or population.

In order to become one of the community foundation partners in the Alliance, the Alliance first asked each founding group to raise money up front for operations. The Community Foundation Alliance then applied to the Lilly Endowment on their behalf for participation in the GIFT program. The Lilly GIFT program did not distinguish between the establishment of new community foundations and the creation of new affiliate/geographic component funds. The Lilly Endowment recognized that many counties in Indiana would not be able to support community foundations on their own, and they wanted every part of the

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state to have access to a community foundation. Lilly did require that each community foundation have at least a part-time staff person and an office. This encouraged community foundations to affiliate.

Keeping the Community Foundation Alliance strong requires the partners to maintain an atmosphere of trust through open dialogue and the sharing of ideas. All forms of cooperation are hard and require continuous effort. The partner community foundations have an option to spin off if they wish. Knowing that this is possible makes them willing participants in the relationship. A creative tension helps maintain the balance between the legal necessity of central control and local autonomy.

Whether the Community Foundation Alliance could have been created in its present form without the Lilly Endowment's GIFT program is open to question. The incentives to work together that Lilly provided certainly shortened the time it took to develop the Alliance. Trying to create such an Alliance without these incentives would require more negotiation and exceptional vision and foresight on the part of the community leaders in each county to recognize the benefits an alliance structure could provide. Now that the Alliance exists, however, others can learn from its experience.

Oregon Community Foundation
Unifying the State

Strategy: Internal Coverage

Structures: Regional Leadership Councils/Regional Offices

Background: The Oregon Community Foundation (OCF) is a statewide community foundation on the west coast of the United States. Oregon is situated between the states of California to the south and Washington to the north. It is the tenth largest state in the U.S.; in total territory it is slightly larger than the United Kingdom. However, the population of Oregon is relatively small, approximately 3.4 million.

The majority of the population of Oregon is situated in the rich agricultural valley of the Willamette River, which stretches from Portland on the Columbia River, the northern border of Oregon, south to the central part of the state. The Cascade Mountains to the east of the Willamette Valley form a dividing line for the state. East of the Cascades the terrain is high desert, with cattle ranching, mining and irrigated wheat farming predominating.

The wealth of Oregon was built originally on timber, agriculture and mining, and energy intensive industries, such as aluminum smelting and paper milling, that took advantage of the cheap hydropower produced by the Columbia River system. The growing high technology industry, located primarily to the west of Portland, recently overtook agriculture as the largest segment of the Oregon economy.

Even though there are distinct regions in the state, the people of Oregon have a great loyalty to the state as a whole, and see the quality of life in Oregon as very distinctive in contrast to other states. Oregon has also benefited from the foresight of its political leaders, who realized that by having all segments work together, the state could have greater influence and impact far beyond what the size of its population would indicate. The state has often been the testing ground for developing innovative social and environmental programs that have spread nationwide.

Process: The Oregon Community Foundation was formed in 1973 by a group of leading citizens from around the state. They saw the foundation as a unifying force for the state, and as a way for those who had made their living from the rich agricultural lands, timber and mining to give back to the state that was the

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source of their wealth. When OCF was formed there were somewhat more than two million people in the entire state.

Initially, the foundation focused its development activities in the greater Portland area since that was where most of the population and the wealth of the state were concentrated. Board members were drawn from all parts of the state, but for the first 15 years OCF held its board meetings in Portland. Beginning in 1988 the OCF board began a concerted effort to reach out to all parts of the state. It started holding its quarterly board meetings in various population centers in eastern and southern Oregon as well as in Portland. Given the size of the state, this was a major commitment by the board, since no matter where the board meetings were held, for many board members, attending board meetings involved an overnight stay.

Grantmaking was always statewide and benefited many rural areas. However, the Oregon Community Foundation was perceived as being run from and dominated by Portland. To help combat this, OCF first began holding regional forums around the state to introduce the community foundation to individuals, attorneys and financial advisors.

The Foundation also looked for other ways to bring the community foundation closer to the people so that OCF could fulfill its mission to be “every community’s community foundation.” “Affiliate” funds were rejected as being potentially divisive and against the traditions of the state. At the same time, the staff realized they could not make OCF truly statewide using only periodic staff visits to local areas and the efforts of its 13 board members.

To resolve this dilemma, OCF staff conceived the idea of creating regional advisory councils, known as Leadership Councils, composed of local community leaders. The OCF board enthusiastically endorsed the idea. The first Leadership Council was created in 1992 in southern Oregon. OCF decided to phase in the Councils slowly so that they could be managed effectively. There are now five Leadership Councils throughout the state: Southern Oregon (1992); Southern Willamette Valley (1993); Central Oregon (1995); Northern Willamette (1998); and Portland Metropolitan (2000). Each Council is composed of 20 to 30 members who meet twice each year and is chaired by an OCF board member from the local area. The purpose of the Leadership Councils is three-fold:

- engage significant local leaders more actively in OCF’s work
- provide the OCF board and staff with broad policy advice on regional issues and trends and evaluate the Foundation’s effectiveness

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- help promote the Foundation’s visibility and services, as well as the overall concept of philanthropy

The Leadership Councils report to OCF’s central office in Portland to assure quality and consistency of purpose. They get the highest level of support from the leadership of OCF and are staffed by the Vice President for Program and her full-time assistant. Through the Chair of each Council, recommendations developed by the Leadership Councils are presented directly to the Board. The Councils also meet together on a statewide basis from time to time. This further supports the idea of “one Oregon.” These meetings build new inter-regional friendships and support the cross-fertilization of programs and ideas to address problems. OCF has been very pleased with the success of the Councils. They have broken down barriers of mistrust and have made OCF truly the “local” community foundation.

In 1992, when the first Leadership Council was formed, OCF’s endowment was about \$80 million USD; it is now well over \$400 million USD. A good deal of the credit can be attributed to the impact of the Leadership Councils. The Councils benefit OCF because they:

- are a local body of well-respected individuals who strongly endorse the Foundation
- increase the name recognition of the Foundation as Council members promote OCF locally
- make OCF significantly more active in the local area

Three regional offices were added, starting in the mid-1990s, as the need for local support for donors and grantees increased. They are located in southern Oregon, eastern Oregon, and the central Willamette Valley, in addition to OCF’s main office in Portland.

The decision to create the regional offices came about when OCF projected out its workload over several years and realized that its services would deteriorate if they did not find a new way to meet the needs. The local offices have proved very popular and also send the message that the Foundation cares about local communities. The regional offices and the Leadership Councils do not have a formal relationship, but both serve to bring the Oregon Community Foundation closer to the people of Oregon and raise the profile of the Foundation around the state.

In addition, it should be noted that OCF also has about 20 community funds that benefit specific cities, towns and regions of the state. For the most part these are

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geographic field of interest funds, focused on a broad area of grantmaking, and were initiated by donors. In a few cases, small community foundations in the state have chosen to become part of OCF. They are treated like agency funds. One check is sent to them each year and they are responsible for their own operations. All of these funds are donor-driven and are not part of OCF's overall strategy to cover territory.

APPENDIX II
**Glossary of terms used to describe “affiliate”
relationships in the United States**

Community foundations may want to consult, in addition to this report, the other reports, resources and conference presentations listed in the Annotated Bibliography, and individual community foundations themselves when considering how to cover territory. When reviewing information on “affiliate funds” that has been written for a U.S. audience, it is helpful to understand all the terms that are used to describe these funds and their slightly different emphases.

- **Affiliate funds** – Affiliate funds are the most common way in the U.S. to refer to geographic component funds as a category. The use of the term “affiliate” implies that these funds are affiliated, that is, are connected to a community foundation but also have a semi-autonomous existence. Affiliate funds have their own board and broad responsibilities for grantmaking and fundraising in their local area. More recently, identity-based funds, those that are formed around sex, gender, or ethnic identity, have also been called “affiliate funds,” since they are also “affiliated” with community foundations and have their own boards and responsibilities for fundraising and grantmaking. This is unfortunate because it further blurs a concept that is already somewhat fuzzy.
- **Agency endowments or agency funds** – In some cases geographic component funds can be structured as agency endowments. This can occur when independent foundations, with their own separate charitable legal status, see the benefits of merging and donate their assets to a community foundation. They receive disbursements from the community foundation on a set schedule. They remain separate legal entities and are responsible for all areas of their operations.
- **Area funds** – Affiliate funds and area funds are often linked together, and, in some contexts, they may seem to be equivalent terms. It is more common for area funds to be defined as funds that are restricted to a geographical area, but they are more focused in their grantmaking than community funds. They do not usually have a community board.
- **Community foundations** – In the U.S. geographic component funds are often called “community foundations” even though they do not have a separate legal status. This is done, primarily, to give the local community the

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impression that they have “their own” community foundation with a great deal of local autonomy. This has become the most common way to identify individual geographic component funds in U.S. community foundations.

- **Community funds** – Some community foundations realize that calling a geographic component fund a “community foundation” is not legally accurate and deemphasizes the role of the lead community foundation. They prefer to use the term community fund. This term does not hide the fact that a community fund is a component fund of a community foundation, even though it implies a certain measure of independence.
- **Donor-advised funds** – As the number and importance of donor-advised funds has grown in the overall mix of U.S. community foundation funds, more and more community foundations are beginning to classify their geographic component funds as donor-advised funds. Geographic component funds and donor-advised funds appear to share some common characteristics: they have donors who serve as a board; they are responsible for raising their own funds; they make grants broadly in the community; and they have the ability to recommend grants to the lead foundation. This occurs more often if community funds are initiated by community groups rather than by community foundations themselves.
- **Regional divisions** – Regional divisions are structured as geographic component funds. However, the use of this term implies that they are a permanent structure and part of a strategy developed by the lead foundation to cover its territory.
- **Supporting organizations** – A feature of the U.S. tax code allows what are essentially private foundations with broad community purposes to gain the preferred tax status of public charities by piggy-backing their operations onto community foundations. Since community foundations in the U.S. legally must demonstrate broad community support in order to remain public charities, supporting organizations are often used when a large private donation would make the foundation lose its public charity status. Supporting organizations are relatively independent and run their own operations, although they benefit from pooling their assets with the community foundation and have access to community foundation staff expertise. Large donors who want more control over their philanthropy will often choose to establish a supporting organization with a community foundation rather than set up a private foundation. This structure does not exist outside the U.S.

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- **Territorial field of interest funds** – Some community foundations prefer to use this term for their geographic component funds. In some cases they may be true field of interest funds, that is, they have a broad grantmaking category, such as the arts or the environment, but only in a specific geographical area. In other cases, they may operate like community funds and have a board and broad grantmaking and fundraising responsibilities for the territory covered by their funds. This name for geographic component funds is a variation on one of the most common types of community foundation funds, the field of interest fund, and ties them closely to the operations of the community foundation.

APPENDIX III
Annotated Bibliography

*1998 Fall Conference for Community Foundations. Council on Foundations.
"Area/Affiliate Funds – Models and Lessons Learned."*

Presenters: Alan Cantor, New Hampshire Charitable Foundation (NHCF); Marilyn Klenck, Community Foundation Alliance; Marcia Rapp, Grand Rapids Foundation; Sheila Weeks, Board Member, NCHF.
Audio tape of session available from Audio Archives, 3043 Foothill Boulevard, Suite 2, La Crescenta, California 91214, U.S.A. Tel: 1-818-957-0874.

*1996 Fall Conference for Community Foundations. Council on Foundations.
"Cultivating Affiliate Funds: Fertile or Fallow Fields & How You Plow Them."*

Presenters: Steve Brooks, Tri-Valley Fund, California; Lisa Cashdan, Upper Valley Community Foundation, Vermont; Kathleen Cornett, Oregon Community Foundation; Virginia H. Hooper, East Bay Community Foundation, California; Andrea L. Reynolds, Community Foundation of Greater Memphis, Tennessee; Susan Shattuck, Arizona Community Foundation; Peter Snyder, Tri-Valley Fund; Suzy D. Sonenberg, Long Island Community Foundation, New York.
Audio tape of session available from Audio Archives, see above.

Community Foundation Network (U.K.). "WORK IN PROGRESS - How Can Community Foundations Best Cover Territory: Planning the Right Structure for You and Your Area. Community Foundations and Affiliates." ACTAF, 1999.

This paper puts forth some "initial thoughts" on how community foundations can "use area committees and affiliate structures to reach wide or complex geographical areas." It looks at ways a variety of "affiliate" structures could be adapted to the U.K. context. *Internal document. Not for distribution.*

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Council on Foundations, Community Foundations in the United States: 1998 Status.

The 1998 Status survey for the first time requested information about “affiliate fund” practices in U.S. community foundations. Because of the delay in processing the statistics, the 1998 Status report will be published only on the Council on Foundations Web site. Unpublished statistics.

Hersrud, Cher. "Community Foundation Affiliate Fund Programs: Their Development, Administration, and their Impact on the Nonprofit Sector." 1999.

This study was funded and disseminated with the aid of a grant from The Nonprofit Sector Research Fund of The Aspen Institute. The report is in two parts. The first attempts to update the original Jennifer Leonard study of affiliate fund practices in the U.S. (See below) The second part, which is the main focus of the paper, examines the formation of affiliate fund relationships as a way to structure philanthropy in four rural states: North Dakota, South Dakota, Montana and Wyoming.

Leonard, Jennifer. "Covering Territory: Community Foundation Area Funds and Affiliates." Community Foundation for Southeastern Michigan, 1991.

This is the first study to examine the formation of affiliate fund relationships in United States community foundations. Through the use of survey research, the author collected data on the number of community foundation affiliates and affiliate fund practices, including profiles of affiliate funds at a number of community foundations. The report is a good introduction to a practice that was still relatively new at the time. The report is now quite dated and predates the recent focus on donor advised funds at U.S. community foundations.

New Hampshire Charitable Foundation: Regional Structure. September 2001.

Due to the significant interest in how the New Hampshire Charitable Foundation has structured its regional divisions, NHCF put together a very informative booklet of information. The booklet can be obtained by e-mailing NHCF at: info@nhcf.org.

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Pardini, Alan. "Affiliate Funds: A Rising Practice in Community Philanthropy." The James Irvine Foundation, 2000.

This report is a product of the Community Foundations Initiative (CFI) in California funded by The James Irvine Foundation. The paper is "intended to provide a framework for thinking about affiliate funds, both their benefits and costs." It draws on the experiences of the seven California community foundations participating in CFI. It also expands the use of the term "affiliate funds" to include identity-based funds such as those based on sex (women's funds), gender (gay and lesbian funds), and ethnic identity (Hispanic, African-American or Native American funds) that have special relevance in the U.S. context. The paper can be downloaded from the publications section of The James Irvine Foundation Web site: www.irvine.org.

Reynolds, Dorothy. "Practical Considerations Concerning Affiliate Funds." Community Foundation Issues Series #3. Enhanced Technical Assistance Program. Council of Michigan Foundations: 1998. 3 pp.

Tice, Karen. "Community Foundations Serving Rural Areas." Council of Michigan Foundations, 1998.

This eight-page report is designed to "help in the formation of community foundations in rural areas." Since the population of many rural areas is not sufficient to sustain a community foundation, a significant portion of this report is devoted to the issues surrounding affiliation, especially several U.S. affiliation models involving a lead foundation, and the alliance model. It also has a useful checklist of issues to consider when starting a new community foundation or an affiliate relationship. This report is available on the Council of Michigan Foundations Web site: www.cmif.org/sitemap.htm under Publications.

Tice, Karen E., Duane L. Tarnacki and Kathryn A. Agard. "DRAFT REPORT: Extending Community to Neighbors: Building Successful Community Foundation Affiliates." Council on Michigan Foundations, 1995.

This report discusses the different forms of affiliation that are possible under the laws of the United States and Michigan. It also focuses on the usefulness of community funds in extending the benefits of community foundations to rural areas. *Internal document. Not for distribution.*

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APPENDIX IV

**INTERNATIONAL SCAN OF GEOGRAPHIC COMPONENT FUNDS
AND OTHER WAYS TO COVER TERRITORY⁹**

Region / Community Foundation Name	Component Fund / Structure	Type	Date Initiated
I. North America			
<i>Canada</i>			
<u>Community Foundation of the South Okanagan</u> www.cfso.net Deborah O'Mara-Matovich, Executive Manager	Oliver Community Fund	Name Change/Expansion	1998
	Osoyoos Community Fund	Internal Coverage/Community Funds	2000
	Summerland Community Fund		2000
	Keremeos Community Fund		2001
	Princeton Community Fund		In development
<u>Hamilton Community Foundation</u> www.hcf.on.ca Carolyn A. Milne, President & CEO	Burlington Community Foundation	Incubating New Community Foundation	1999
<i>United States¹⁰</i>			
<u>Community Foundation Alliance, Inc.</u> www.alliance9.org Marilyn J. Klenck, Executive Director	Vanderburgh Community Foundation	Alliance of 9 Community Foundations	1992
	Posey County Community Foundation		1992
	Daviess County Foundation		1993

⁹ *Note:* A number of community foundations have been formed as component funds of other foundations, such as the Fonds La Wartoise and the Central and Southwest Flanders Regional Fund that are part of the King Baudouin Foundation in Belgium. This Appendix covers only geographic component funds and other ways to cover territory that have been established by community foundations themselves.

¹⁰ In 1998, Cher Hersrud conducted a survey of 329 U.S. community foundations to find the number of “affiliate” funds. Of the 239 who responded, 65 community foundations reported a total of 328 “affiliate” funds. Only the U.S. community foundations profiled in this report will be listed here.

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Region / Community Foundation Name	Component Fund / Structure	Type	Date Initiated
	Gibson County Community Foundation		1993
	Perry County Community Foundation		1993
	Knox County Community Foundation		1996
	Spencer County Community Foundation		1996
	Pike County Community Foundation		1998
	Warrick County Community Foundation		1998
<u>New Hampshire Charitable Foundation</u> www.nhcf.org Lewis Feldstein, President	Greater Piscataqua Community Fdn. Northern New Hampshire Foundation Lakes Region Charitable Foundation Upper Valley Community Foundation Monadnock Community Foundation Manchester Regional Community Fdn.	Internal Coverage/ Regional Divisions	1983 1985 1992 1994 1998 2000
<u>Oregon Community Foundation</u> www.oregoncommunityfound.org Gregory A. Chaillé, President	Five Regional Leadership Councils: Southern Oregon Southern Willamette Central Oregon Northern Willamette Portland Metro Three Regional Offices: Eugene, Medford, Bend	Internal Coverage	1992 1993 1995 1998 2000 Mid-1990s
II. Europe			
Italy:			
<u>Fondazione della Provincia Lecco</u> www.fondazione.provincia.lecco.it Emilio Amigoni, Secretary General	Premana Fund	Internal Coverage/ Community Fund	2001

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Region / Community Foundation Name	Component Fund / Structure	Type	Date Initiated
Russia:			
<u>Tyumen Foundation</u> www.cafonline.org/cafrussia/default.cfm?page=togliatti Olga Alexeeva, Director, Charities Aid Foundation-Russia	Yamal Foundation	Expansion/Remote Community Fund	2002
Slovak Republic:			
<u>Healthy City Community Fdn. of Banska Bystrica</u> www.changenet.sk/nzmbb/english.html Beàta Hirt, Director	Zvolen Fund	Expansion/Community Fund	1998
United Kingdom:			
<u>Greater Bristol Foundation</u> www.gbf.org.uk Helen Moss, Director	North Somerset Fund Bath and North East Somerset Fund South Gloucestershire Fund	Expansion/Community Fund Expansion/Community Fund Expansion/Community Fund	2001 2002 (expected) In development
<u>London Community Foundation</u> ¹¹ www.londoncf.org		Unique Mixed Model	In development
<u>Community Foundation Serving Tyne & Wear and Northumberland</u> www.communityfoundation.co.uk George Hepburn, Director	(Formerly Tyne & Wear Foundation)	Name Change/Expansion	1999
<u>The Community Foundation for Greater Manchester</u> www.communityfoundation.co.uk Nick Massey, Director	The Community Foundation Serving Tame Valley (formerly the Tame Valley Community Trust)	Merger	2001

¹¹ The London Community Foundation is designed to provide donor services and grantmaking for all of London, as well as support the development of community foundations across London. The model allows the London Community Foundation to work with “developing community foundations, and in those areas without a community foundation to set up Subsidiaries and Branches of the London Community Foundation”.