

cf INSIGHTS

Align, Adapt, Aspire

Ten Years of
Community Foundation
Business Model Evolution





The idea behind CF Insights is simple:
What if **each** community foundation could know what **all** community foundations collectively know?

Created by Community Foundations

CF Insights responds to a hunger for shared knowledge and greater impact among U.S. community foundations.

Community foundations grow stronger when their decisions are based on timely, accurate, and complete information. Through CF Insights, community foundations improve performance and sustainability – individually and collectively.

Propelled by FSG

As nonprofit consultants dedicated to social impact, FSG combines deep knowledge of the community foundation field with world-class research, strategy, and evaluation capabilities.

In partnership with the Community Foundations Leadership Team, FSG has been a driving force for CF Insights since its inception.

Learn more about CF Insights at www.cfinsights.org.

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Acknowledgements



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CF Insights' Approach and Methodology

The research findings, examples, and observations in this publication are drawn from 10 years of FSG and CF Insights work that examine community foundation business models, as well as conversations about business model analysis and implications with CEOs, boards, and staff. In this publication we place a particular focus on understanding the business model evolution of community foundations who have conducted an Activity-Based Costing study at least twice in the last 10 years, where we are able to closely observe changes in external factors, strategic decisions, and business model choices. In these cases, we are able to map changes in assets, resource allocation decisions, and revenue sources to this larger context.

We thank the following community foundations for informing this effort:

- Ann Arbor Area Community Foundation
- Aspen Community Foundation
- The Community Foundation for Greater Atlanta
- Baltimore Community Foundation
- Berkshire Taconic Community Foundation
- The Boston Foundation
- The Community Foundation for Greater Buffalo
- Foundation For The Carolinas
- Grand Rapids Community Foundation
- The Community Foundation of Greater Greensboro
- Greater Houston Community Foundation
- Kern Community Foundation
- The Minneapolis Foundation
- Minnesota Community Foundation
- The San Francisco Foundation
- Santa Fe Community Foundation
- Silicon Valley Community Foundation
- The Greater Tacoma Community Foundation
- The Vermont Community Foundation

Close exploration of individual community foundation choices is supplemented by insights drawn from the more than 300 community foundations who actively contribute to CF Insights' database of information about assets, gifts, grants, operating costs, and revenues.

Observations also build upon prior research and publications by CF Insights and FSG that have:

- Demonstrated the value in unpacking the community foundation business model to look at strategy and business model decisions by asset category or product (see [*Strengthening Community Foundations: Redefining the Opportunities*](#)).
- Shown that there is not a specific asset size that a community foundation must reach in order to be sustainable—the type of growth a community foundation experiences can make a business model more or less sustainable (see [*Growing Smarter: Achieving Sustainability in Emerging Community Foundations*](#)).
- Highlighted a variety of revenue model options and offerings pursued by community foundations to meet the needs of different external constituents (see [*Fueling Impact: A Fresh Look at Business Model Innovation and New Revenue Sources*](#)).

- Identified several models for reconfiguring community foundation business models and concluded that community foundations should consider mergers, alliances, and affiliations—but that each arrangement fulfills different goals and represents tradeoffs (see [Seeking Shared Success: Business Model Innovation through Mergers, Affiliations, and Alliances](#)).
- Explored the gap between aspirations and current practices in managing Donor Advised Funds, testing assumptions about donor behavior and goals beyond asset growth (see [Do More than Grow: Realizing the Potential of Community Foundation Donor Advised Funds](#)).

Insights from [On the Brink of New Promise: The Future of U.S. Community Foundations](#) by Blueprint Research & Design, Inc. and the Monitor Institute have also shaped our thinking and the work of many community foundations highlighted in this report.

Community foundations interested in putting their own business models in context can visit www.cfinsights.org to find a range of comparative and longitudinal data. CF Insights members can compare their business model metrics to peer benchmarks with more than 80 online reports. Available metrics focus on asset development, grantmaking, investment performance, and sustainability.

What is a Business Model?

A business model describes the rationale of how an organization

- Creates
- Delivers, and
- Captures Value

For a community foundation this translates into

- The product portfolio, e.g., DAFs, Agency, Community Leadership, etc.
- The operating capacity and cost structure of the organization, which is primarily staff
- The revenue generated to cover the costs, such as administrative fees, distributions from endowments, fundraising, or fee-for-service arrangements

In a community foundation business model, some products generate a surplus to support the work that requires a subsidy. It is the decision about what to subsidize that should be deliberate.

Executive Summary

In 2014, community foundations will have been a philanthropic resource for communities across the United States for 100 years. But even as they are a source of stability and permanence, they are also agents of change and enterprises that need to respond to changing circumstances.

No one would expect today's community foundation business model to mirror the model of the early 20th century, which was not created to support the diverse range of activities in which community foundations now engage. In fact, many community foundation leaders would agree that, given shifting community needs, philanthropic opportunities, donor priorities, competitive offerings, collaborative opportunities, and economic circumstances, even the business model of just 10 years ago is insufficient to support their current work—never mind what they aspire to do!

Leading community foundations have moved past the search for easy answers to business model dilemmas and are using data to make thoughtful and often bold decisions. They recognize that in order to achieve impact and sustainability, they must make deliberate choices that are unique to their own circumstances.

Today's Challenge

With that in mind, this is the business model challenge we present to the community foundation field:

- Move beyond outdated definitions of sustainability, recognizing what is needed to truly thrive.
- Do not let opportunities choose you, but rather translate your aspirations into a clear strategy and business model that allow you to be both disciplined and flexible.
- Engage in a rigorous process of understanding where resources go today and whether your values, goals, business model, and culture are aligned.

What We Know

We have learned a great deal about community foundation business models over the last 10 years.

- **Community foundations need to avoid the traps.** Simple answers are not always the best solutions.
- **Being disciplined works.** Community foundations have opened the “black box,” allowing them to understand their business model and to change their economics.
- **Business models have flexed.** Community foundations are increasingly confident about an expanded focus on leadership roles.

What We Observe

We have seen community foundations make bold decisions that lead to greater impact and sustainability by following these principles:

- **Effective choices are aligned.** In figuring out the right roles and resource priorities, the biggest challenge for many community foundations is aligning values, strategic priorities, business model choices, and organizational culture.
- **Adapting is the key to sustainability.** Community foundations will always be challenged to adapt to serve an ever-changing set of community and donor priorities, focusing on impact today and permanence as an enduring community resource.
- **Aspirations require continuous change to business models.** Beyond the external reasons for change, community foundations will always be motivated by their mission and sense of purpose to continually take on new opportunities and risks, doing more to support their communities.

Advice for the Future

We know it is possible to make intentional choices and big changes.

1. Know that only you can see your future

Many people ask, “What’s the future for community foundations?” We can’t give you the answer. Arriving at the right decisions about the future for your community foundation is a process. Being disciplined, being aligned, and building in flexibility to adapt are what works.

2. Don’t try to be all things to all people

No organization can do all things at once or as well as others who specialize. Many community foundations now recognize that competing for growth on any terms or saying “yes” to every request for leadership is not the answer. Pursuing opportunities in the absence of a clear strategy can undermine differentiation, lead to a divided culture, and result in an inconsistent identity. Growth should deepen focus, not compromise it.

3. Own it!

Community foundations need to define their unique set of choices and assert the ways in which they are different from competing alternatives. They need to achieve a differentiated position by aligning their values, choices, culture, and people. Doing this well and clearly will convey the right priorities to the right partners and donors.

4. Value the process

Being disciplined and getting to alignment requires you to have the right information and conversations internally and externally. If your business model and the needs and interests of your community or donors are a “black box,” you can’t ask the right questions. And if you haven’t asked the right questions, you can’t get to the right answers.

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Today's Challenge

Ten years ago, the dialogue about sustainability at many community foundations focused on understanding and then remedying the mismatch between the traditional business model and the reality of community foundation operations. Sources of cost and revenue were not aligned, a problem that rapid asset growth in the late 1990s and early 2000s had masked. When investment returns declined in the early 2000s, a new harsh reality hit and community foundations found themselves forced to weather an environment in which asset values proved insufficient to cover their priorities. In 2008 and 2009, the market declined even more significantly, challenging community foundations to stretch resources even further. A business model that was unprepared for this volatility strained community foundations' resources and their ability to achieve impact.

However, in the last ten years, community foundations have done more than just survive the market and the challenging economic conditions. Community foundations have changed how they understand themselves and how they navigate business model choices. Responding to market conditions has been part of the reality, but they have also focused on developing new types of philanthropic resources, building new types of relationships, and pursuing new leadership roles. Foundations who have been disciplined about changing their business models to serve these new priorities have a different mindset. They understand how the traditional business model falls short of new aspirations and actively find new ways to make ends meet as they play new roles. They now view sustainability as a continuing challenge rather than something they need to "fix." The question now is to figure out how to adapt the business model to continually support a changing context and achieve enough clarity to do so in a way that is aligned with values, strategy, and culture.

Community foundations are now tackling a new set of challenges that go beyond the question of matching revenues with costs. These include:

- Moving beyond outdated definitions of sustainability to recognize what is needed to truly thrive.
- Translating aspirations into a clear strategy and business model that supports both discipline and flexibility.
- Engaging in a rigorous process of understanding where resources go today and whether the community foundation's values, goals, business model, and culture are aligned.

Our goal with this report is not only to demonstrate how community foundations have achieved success in evolving the business model, but also to help you think about ways to apply the principles behind their success at your own community foundation. You will need to find your own answer to these challenges by finding the "right" business model for your community foundation, but the stories of peers can be both instructive and inspiring.

What We Know

Ten years of business model analysis paints a picture of an interesting evolution. We know that community foundations have become increasingly deliberate about where they invest their operating capacity and how they pursue leadership work. To arrive at the right choices, each community foundation has first needed to recognize and avoid common missteps.

Avoid the Traps

Managing a community foundation requires a balance between the pursuit of a clear strategy for engagement and impact and the need to be responsive and opportunistic. Understanding opportunities in the community and determining where the community foundation is best positioned to take on a role prepares a foundation to effectively adapt. **Simple answers are not always the best solutions.** Community foundations need to avoid the following three traps as they craft the right business model for their situation.

Trap Number 1: Once we have figured out the business model, we don't need to worry about it anymore!

Successful community foundations continually reflect on and refine both their strategy and their business model. Both must evolve in order to achieve ever-changing goals.

An examination of the Baltimore Community Foundation's (BCF) journey illustrates the need for active reflection. In the early 2000s, BCF changed its strategic focus from transactional grantmaking to donor service, civic leadership, and strategic grantmaking. In order to do this work, the organization raised \$20.5 million to make grants, expand infrastructure and seed an administrative endowment. This strategic shift reflected the foundation's desire to put itself at the center of change in Baltimore, becoming a more compelling partner. Over time, BCF established a reputation for making change happen in Baltimore; that reputation has led to new partnerships and more grantmaking resources.

In 2011, BCF conducted an activity-based costing analysis to check the pulse of its business model, given all the changes it had experienced. This data and reflection led the foundation's leaders to ask new questions about where they were headed. As Amy Seto, Executive Vice President and Chief Operating Officer, notes: "What we found is that we were so good at listening to donors and making things happen that we got ourselves spread too thin. We were involved *in everything* and we had lost focus on building endowment for the future." Now BCF views growing permanent funds as an important future focus in order to provide more flexibility and consistency in the resources available to support community change and organizational capacity. As a result, the foundation has set an immediate goal to raise \$100 million and to build a \$1 billion endowment by 2050 and is actively asking donors to support these efforts.

Trap Number 2: Grow, baby, grow!

Asset growth can feel like the answer to sustainability and relevance in the community. Growth in assets offers the promise of more revenues and more flexibility in the business model. However, growth for growth's sake is not a silver bullet and can create new stress on the business model. Asset growth provides momentum and visibility, but it is most valuable when coupled with deliberate strategy that considers which types of growth matter most, as the BCF example above illustrates.

The FSG publication [Growing Smarter: Achieving Sustainability in Emerging Community Foundations](#) highlights the “growth paradox” for three emerging community foundations. In these case studies, the data show that continued growth leads to increased assets and fee revenue. However, costs also increase—sometimes more rapidly—creating larger operating deficits. Community foundations’ decisions to serve ever more donors and other partners often create new costs, particularly for organizations that strive for new levels of donor and community engagement.

Trap Number 3: If it worked for them, it will work for us!

Stories from peers are a great source of inspiration. Understanding how one community foundation changed its fee policies, created a new revenue source, or reduced its costs can offer ideas for addressing challenges at your own foundation. Sharing stories and data is at the core of CF Insights’ value and provides community foundations context for their own experiences and choices. However, assuming that a solution that worked at one community foundation is right for any community foundation ignores reality. Each foundation operates within a very different marketplace and community context. There is no single best approach to establishing a path to leadership or sustainability because community foundations have different roles, values, and resources.

Walker Sanders, President of The Community Foundation of Greater Greensboro, cautions: “You cannot directly transport roles and decisions from one community to the next. You have to be mindful of how the decisions you make reflect the nature of your community.”

In order to foster the vision for the future that you want for your community foundation, consider the following and avoid the trap of simple solutions:

- Anticipate the need to continually adapt the business model. As you change your strategy, consider the implications that shifts in goals have on your business model and recognize that, in order to be sustainable, the model must change.
- Get more specific about asset growth goals. Determine where you want to see growth (strategic goals) and how that growth is best managed (business model decisions).
- Do not expect to be able to import a policy or practice from a neighboring community foundation. Learn from them and from others, but ultimately make decisions grounded in your own context, aligned with your values, strategy, business model, and culture.

Unpack the “Black Box” and Make Changes

FSG first explored the challenges and opportunities of community foundation business models in the 2003 publication [Strengthening Community Foundations: Redefining the Opportunities](#). The findings, based on a detailed examination of nine community foundations, used a standardized activity-based costing model designed by these foundations.¹ The message from that work was simple but powerful: community foundations should think of their assets as a portfolio of different products and adjust the economics of those products based on deliberate choices about where resources should go, which products should generate a surplus, and which products should be subsidized for mission-related reasons. Doing so requires disciplined analysis to understand what can otherwise be a “black box” of fund agreements, fees, and policies determined by prior generations.

An effective discussion of individual product economics should take place within the broader context of strategic priorities. All too often, the absence of a clear strategy and lack of understanding about where resources went led to scarce dollars subsidizing funds and products that were not at the core of the community foundation’s impact. As the 2003 report highlighted, community foundations should consider the following:

1. What are our strategic priorities?
2. What mix of products and services aligns with our strategic priorities?
3. How do we position priority products for growth?
4. What operational changes do we make by product, including pricing, processes, development focus, and revenue diversification, to achieve the economic outcomes we desire?

Figure 1: Making Decisions on Product Economics



¹ CF Insights makes a suite of Activity-Based Costing Analysis tools available to community foundations at <http://www.cfinsights.org/Tools/CFActivityBasedCostingAnalysis.aspx>. Details on analysis methodology can be found there.

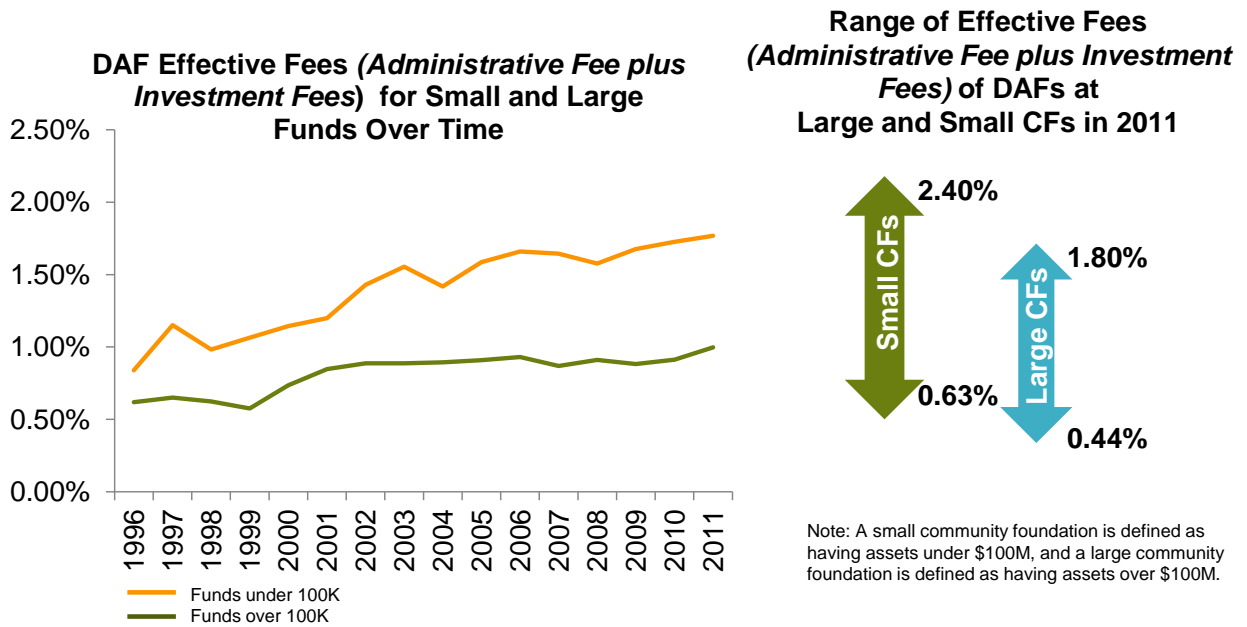
In the ten years since 2003, we have seen that this disciplined approach works. **Community foundations have opened the “black box,” allowing them to understand their business model and change their economics.** Using data to make decisions results in a better match between revenue and costs, and individual offerings have become stronger economic contributors.

At Ann Arbor Area Community Foundation (AAACF), understanding the economics of its business model has become central to decision-making. Since 2003, the community foundation has updated its activity-based costing model three times to help understand and inform major changes at the foundation. The process has become part of the foundation’s culture, as the board and finance committee use data to drive decision-making. Each fresh analysis has resulted in course corrections. AAACF has made many changes to its revenue model, including asking board members to contribute gifts to cover operating expenses, implementing a process to make grants from discretionary funds to cover specific operating expenses, starting an administrative endowment campaign, and changing fee policies on scholarship funds and donor advised funds. AAACF also introduced technology to reduce costs, particularly with grants management. According to Cheryl Elliott, President and CEO of AAACF: “The activity-based costing analysis helped our staff get more efficient at what we do. This work gradually shifted our culture and we have become more intentional and purposeful.”

Looking across many community foundations that have used the activity-based costing model, you can see the benefit of the analysis for managing specific products. For example, in 2003, donor advised funds (DAFs) were a confounding product for community foundations. Responding to growth opportunities and market pressures, community foundations struggled to manage thousands of new active donor relationships and keep fees low. As a result, many community foundations subsidized their DAF products. In the 2003 analysis, only three of the nine community foundations had a DAF program that generated enough revenue to fully cover costs. However, the picture has changed dramatically in the last several years. Of the 33 community foundations that completed activity-based costing analyses between 2009 and 2012, 70% had DAF products that broke even or generated a contribution, even as they weathered the market downturn.

How did this shift in DAF economics happen in less than 10 years? We know that some community foundations have decided that DAFs must break even or generate a surplus to support their strategic priorities. As such, they have adapted the product to support this goal. In CF Insights’ 2012 publication [*Do More Than Grow: Realizing the Potential of Community Foundation Donor Advised Funds*](#), an analysis of 31 diverse community foundations found that effective fees of donor advised funds increased between 2003 and 2011, particularly for smaller funds.

Figure 2: Change in Donor Advised Fund Fees over Time at Community Foundations



Beyond changing fees, community foundations have changed policies, focused cultivation on larger funds, reduced costs using technology, differentiated services provided to different donor types, and grown assets to achieve some new economies of scale.

Of course, not all individual DAFs generate enough revenue to cover the full costs of maintaining the fund. Small funds are typically subsidized by large funds and community foundations make different tradeoffs and choices about this challenge. For some, maintaining small funds is viewed as a mission-driven priority. For others, small funds are a priority if the donor is a good “fit” with the community foundation’s goals beyond DAFs. Still others have intentionally moved away from managing these funds by counseling them to other resources.

Spotlight on Choices

Business Model Challenge – Managing Small DAFs

Silicon Valley Community Foundation (SVCF)

Following an activity-based costing analysis in 2011, SVCF adopted an online service model for donors with funds <\$25k in order to reduce costs. At the same time, the foundation lowered its DAF minimum fund size from \$10k to \$5k with the goal of growing philanthropy and relationships in the community. The foundation regularly surveys its donors and notes that many now expect to be served by an online model.

The Boston Foundation (TBF)

With data in hand, TBF decided against raising the minimum fee and fund size of its DAF product despite the fact that small funds required a subsidy of \$150k in 2011. TBF determined that many of the donors in this group had made a planned gift, were expected to make large contributions to their fund, or were contributing to TBF's Civic Leadership Fund. TBF calculated that losing these donors for a net gain to the budget of \$100k was not worth risking future potential.

The Community Foundation for Greater Buffalo (CFGB)

CFGB strives to focus on its "sweet spot" and avoid being all things to all people. As such, the community foundation is disciplined about fund development and proactively solicits funds of \$1M or more where there is great potential for long term relationships and where CFGB is best positioned to offer significant value. In support of this disciplined approach, in 2008 and 2009 CFGB counseled out 86 relationships that they saw as being better served by another DAF provider.

Going beyond the DAF example, community foundations have used this discipline across their entire suite of products. Berkshire Taconic Community Foundation (BTCF) illustrates the positive impact of business model analysis and intentional decision-making processes.

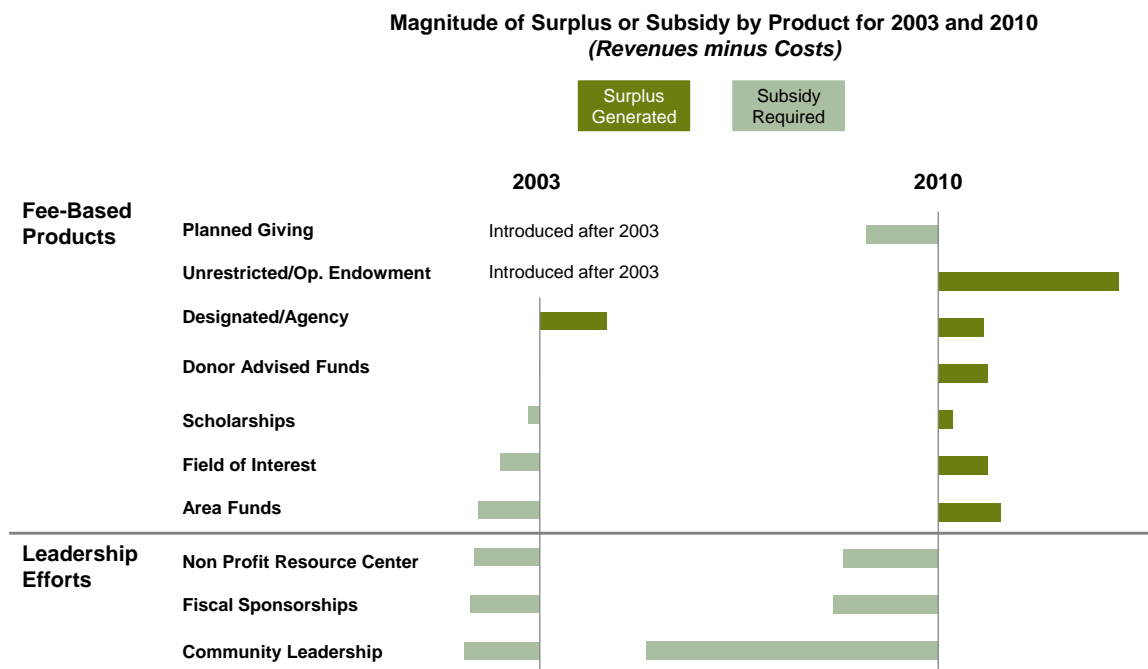
In 2004, with assets of \$48 million and revenue driven by a mix of administrative fees and fundraising for operations, BTCF operated with a \$120,000 budget deficit and felt the strain. In response, the community foundation made significant changes and set a goal to have administrative fees and income from its operating endowment cover annual operating costs.

BTCF leaders highlight various changes they made to reach this goal and direct resources in ways they believed could be most effective in supporting community philanthropy. BTCF:

- Began to say "no" to certain products that required large subsidies and had limited impact on the region's population, including small community projects that engaged in a lot of fundraising.
- Defined the kinds of funds (more than \$250,000 and endowed) that best positioned the community foundation for long-term impact and made pricing changes to cultivate those funds.
- Raised fees on some products so that the foundation could more fully cover its own costs.
- Committed to and succeeded in raising an operating endowment of \$2 million.

The community foundation lost several funds as it repositioned itself for success because of the higher fees, but the foundation began to grow in different ways as it focused on more endowments and managing fewer fiscal sponsorships. Six years later, in 2010, BTCF managed just under \$100 million in assets and had a financial model in which revenues fully matched operating costs, meeting the sustainability goal it had set for itself. The individual economics of virtually all fund types improved because of the changes the foundation made. As a result, BTCF no longer needed to fundraise to cover operating costs.

Figure 3: Changing Product Economics at Berkshire Taconic Community Foundation



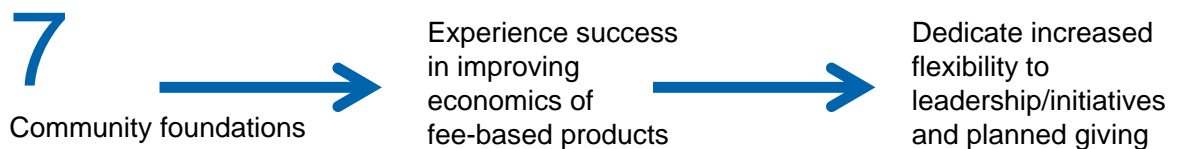
As Jennifer Dowley, President of BTCF, reports: “Over the last eight years, we have achieved many of our sustainability goals. We are able to cover our costs with our fees, other recurring revenue, and our operating endowment. We no longer fundraise annually for operations and board gifts now go to our only unrestricted fund.” BTCF certainly recognizes its progress and growth since 2004. However, the foundation’s aspirations do not end with the goals from 2004. Its leaders also recognize that they need to adapt further to remain sustainable, given all they want to achieve in the community. According to Jennifer: “We have reached a point where we can sustain ourselves, but we don’t feel like we are thriving. The question for us now is how do we get to where we have more flexibility to be entrepreneurial, hire

staff, and support more people in the community. We need to be in a more comfortable place than we are now. We look forward to figuring out how to grow smarter, be more strategic, and how to keep our own resiliency.”

For BTCF, the initial goal of sustainability was set and met, but the work continues. This story is common to many community foundations. A business model assessment leads to deliberate decision-making around product focus, fee policy, revenue sources, and cost reductions. Adjustments are made, goals are reached, but there is always more to do because aspirations change.

BTCF’s experience is not unique. All seven of the community foundations that engaged in an activity-based costing analysis with CF Insights’ support twice between 2003 and 2011 improved the economics of their suite of fee-based products. In all but one case, these improvements meant that these products as a group fully covered their costs and made a contribution to the community foundation overall. In the last instance, the community foundation reduced the subsidy required by these products. Improved economics created greater flexibility in the business model, which led to increased investments in community leadership, community initiatives, and planned giving.

Figure 4: Disciplined Analysis Leads to Improved Economics and Greater Flexibility at Community Foundations



The evolution has not just been about improving product economics to make other kinds of investments. There has been a shift in the way community foundations define their value and core offerings as they begin to invest more in new roles.

A business model assessment leads to deliberate decision-making around product focus, fee policy, revenue sources, and cost reductions. Adjustments are made, goals are reached, but there is always more to do because aspirations change.

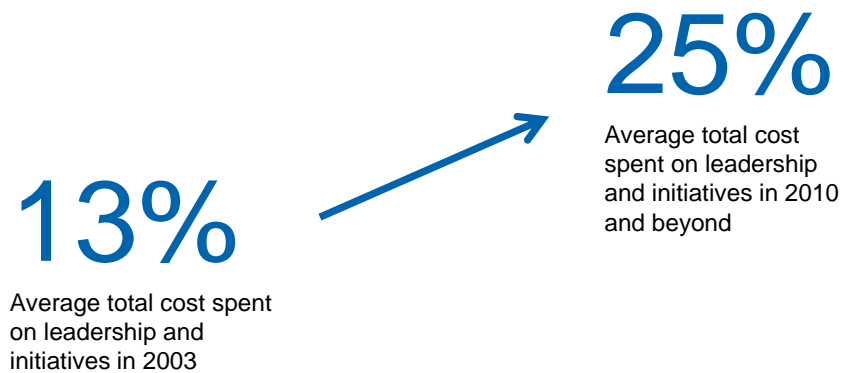
Flex to Play New Roles

In the last ten years, increased engagement and investment in leadership and initiatives has driven many of the changes to the business models. **Community foundations are increasingly confident about an expanded focus on leadership roles.** New roles and partnerships have added complexity to the business model, and revenue sources have diversified and expanded to make this possible.

Many community foundation leaders continue to discuss the findings and challenges presented by 2005's *On the Brink of New Promise: The Future of U.S. Community Foundations*. "Every service and product that community foundations offer...is now available from other sources.... [C]ommunity foundations more than ever before still need to demonstrate their value by emphasizing their impact on and accountability to their communities."²

One way many community foundations have addressed this need is by expanding community leadership roles and initiatives. When FSG examined nine community foundation business models in 2003, expenditures on leadership and initiatives from the operating budget ranged from 3% to 23%, averaging 13% of total costs. Since 2010, this work has grown significantly. The share of operating capacity dedicated to leadership and initiatives now averages 25% of operating costs and ranges from 7% to 50%.³

Figure 5: Average Percent of Total Costs Spent on Leadership and Initiatives by Community Foundations



² Lucy Bernholz, Katherine Fulton, and Gabriel Kasper, "On the Brink of New Promise: The Future of U.S. Community Foundations," Blueprint Research & Design, Inc. and Monitor Institute (2005), http://monitorinstitute.com/downloads/what-we-think/new-promise/On_the_Brink_of_New_Promise.pdf.

³ Figures represent total costs allocated to leadership and initiatives products and are based on activity-based costing analyses of 27 community foundations from FY2009 to FY2012.

Spotlight on Choices

Business Model Challenge – Getting Involved in Initiatives

Initiatives are a way for community foundations to be entrepreneurial, structure new kinds of partnerships, and pursue goals with dedicated focus and resources. They also represent a range of interesting and different business model choices. Generally considered part of a community leadership portfolio, initiatives take many forms in their staffing and funding models. In any configuration, initiatives represent significant investments of influence, time, and cost by the community foundation. They should be pursued with clear intentions and a sense of how they fit with the business model, values, strategic goals, and culture.

According to criteria used for involvement in strategic initiatives by The Community Foundation for Greater Atlanta (CFGAs), there are both strategic considerations and practical ones. In CFGAs's business model, initiatives come in many different shapes and sizes, but thanks to a long history of being disciplined about this work, CFGAs generates enough revenue to support the operating capacity needed.

How does CFGAs decide to pursue an initiative? CFGAs's role in each initiative is unique in its inception, design, funding, duration, and targeted constituency. When approving an initiative, CFGAs's board of directors affirms that the initiative aligns with the foundation's mission and values; is important and value-added; and will be implemented in ways that benefit the community. When deliberating the implementation of an initiative, CFGAs Board and staff rely on careful analyses of community trends and issues, appropriate research data, and frequent convening of nonprofit professionals, civic leaders, and others to determine the foundation's role. In the foundation's current initiatives, CFGAs is a lead convener; fiscal agent and financial manager; developer of programming, including grantmaking; coordinator of public outreach and awareness; and provider of direct services, including education and training.

How does CFGAs fund its work with initiatives? With few exceptions the initiation of and key resources for initiative work comes from the foundation's expanded donor base of corporations, national and local foundations, and the public and civic sectors. Negotiated on an individual basis, CFGAs also contributes organizational resources such as staff time, in-kind contributions, and designated dollars. Additionally, in each of CFGAs's grantmaking initiatives, CFGAs donors have provided direct financial support.

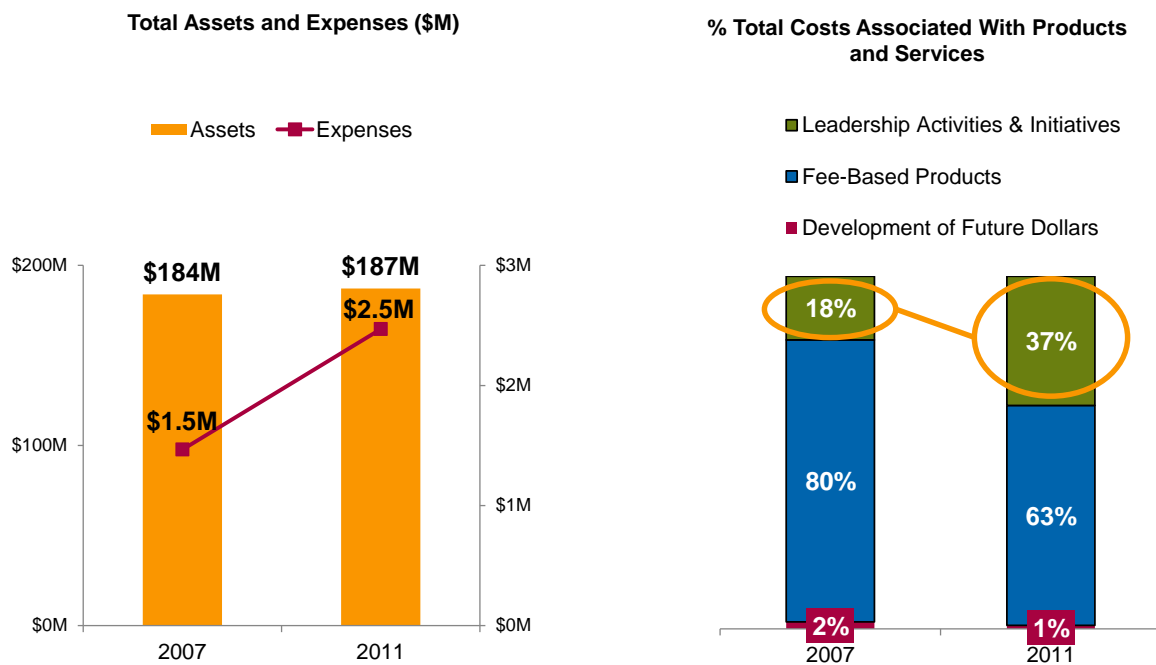
The San Francisco Foundation takes a similar approach. According to Chief Financial Officer Monica Pressley, proposals for new initiatives are considered by a cross-functional team to make sure the initiative fits with the foundation's priorities and is manageable under the terms of potential partnerships. "We need to know what it is we are doing and how it all connects to the community, and we need to make sure we are the best partner for the goals. For our business model, we want to charge fees that cover our costs and we need to explore whether there are others that would truly be better homes for the work. Our cost structure and capabilities should be the right fit."

Going forward, management of community initiatives is an important area for sharing practices and increasing clarity about decision-making, in both entering into new initiatives and in transitioning out of the work. Laura Meyer Wellman, Executive Vice President at **Foundation For The Carolinas**, highlights tension around initiatives that results in the need to balance the desire to be involved with the need to be disciplined about strategic and business model priorities. "We have changed over the last ten years. We needed to be less blind about engagement for engagement's sake and as a result we have focused on having an exit strategy. We now have a Center for Civic Leadership and use this structure to examine which major initiatives we need to be involved in. This has been an extremely successful change. We have new decision-making structures, and have moved away from taking on any initiative that comes down the pike."

A disciplined approach to examining the business model clarifies decisions about leadership focus. As Cheryl Elliott, President and CEO of Ann Arbor Area Community Foundation, notes: “*On the Brink* was so powerful and timely for us, particularly with how it aligned with the data from our activity-based costing analysis. We really understood that our community foundation’s competitive advantage was in community leadership because there were others who could do things faster and cheaper. The business model data helped us understand more about our community leadership efforts, what we were doing, and what the costs were.”

In fact, leadership efforts have become so integral to so many community foundations’ identities that increased investments in leadership and initiatives are often not contingent on asset growth. Choices by The Community Foundation for Greater Buffalo (CFGB) reflect this. Between 2008 and 2011, the community foundation’s assets contracted and rebounded slowly, but CFGB maintained a focus on increasing operating capacity and shifting more resources to leadership efforts. During this time, operating costs increased by 67% and costs associated with leadership and initiatives grew from 18% to 37% of the total operating budget.

Figure 6: Change in Assets, Expenses, and Costs by Product for The Community Foundation for Greater Buffalo



Similar to CFGB, assets at Baltimore Community Foundation (BCF) have remained steady for the last few years, yet over the same period BCF has made significant investments in leadership and initiatives. Operating expenses have risen to as high as 4% of assets, while revenues to support this work have expanded significantly through different types of partnerships and relationships with donors. As part of this change, BCF has created opportunities for donors to make different types of contributions. According to Amy Seto, Executive Vice President and Chief Operating Officer: “We frame opportunities for donors to contribute in four ways: open a fund, invest in Baltimore by contributing to a discretionary endowment, support BCF through contributions to the Civic Leadership Fund, or create a legacy. For example, in 2012 BCF raised over \$1.3 million for the Civic Leadership Fund to support our advocacy and other civic leadership activities. Of that total, 20% of the contributions came from donor advised funds. In order to sustain our business model, we are always searching for new and creative ways to engage donors and advisors in philanthropic work and collaboration in our community.”

Changing the revenue model for leadership and initiatives is one important way community foundations have adapted over the years to create a more sustainable future. Different values, goals, and assets lead to different choices, but there are four typical revenue sources: gifts and grants from donors and other funders, fees for services covered through partnerships, internal grants or disbursements from operating or discretionary funds, and the redirection of surpluses from other areas of the operating budget.

Diana Sieger, President of Grand Rapids Community Foundation, reflects that having sources of revenue beyond asset-based fees is an important source of flexibility, given the many roles they play in the community.⁴ She states: “The need to diversify our funding was one of the lessons we learned since we started analyzing our business model in 2003. We always have to cover a funding gap for community leadership. In recent years, we have been much more intentional about where that source of revenue is going to come from. This is a shift for us, but a necessary one as we consider our financial sustainability.”

New roles and partnerships have added complexity to the business model, and revenue sources have diversified and expanded to make this possible.

⁴ For more details on community foundation revenue diversification, see CF Insights' 2010 publication *Fueling Impact: A Fresh Look at Business Model Innovation and New Revenue Sources*, available at <http://www.cfinsights.org/Knowledge/ViewArticle/ArticleId/2/Fueling-Impact-A-Fresh-Look-at-Business-Model-Innovation-and-New-Revenue-Sources.aspx>

Spotlight on Choices

Business Model Challenge – Funding Leadership and Initiatives

The Vermont Community Foundation (VCF)

Several community foundations, including VCF, have set up leadership funds. VCF started its philanthropic leadership fund (PLF) in 2006. The PLF supports both operating costs of the foundation (a portion of overall salaries related to leadership work), as well as specific leadership initiatives. The PLF allows VCF to have the flexibility to work on emerging issues and needs. Since 2006, some current donors have contributed 0.5% to 2.0% of fund assets to the PLF. VCF has also made a recent decision to expand access to the PLF beyond current donors to raise support. In 2013 VCF expects VCF donors to represent two-thirds of contributions to the PLF, while the other one-third will be from individuals who do not have a fund with the community foundation.

The Boston Foundation (TBF)

TBF relies on a diversified mix of revenue for its leadership and initiatives commitments. In FY 2012, 64% of revenue to support this work was generated by surpluses from designated and discretionary funds, 27% from fundraising through its Civic Leadership Fund (CLF), and 9% from administrative fees from funds supporting initiatives. The growth and success of the CLF, launched in 2002, has been particularly transformative for TBF. Between 2003 and 2011, the total raised increased from \$328,000 to over \$1.4 million. TBF seeks contributions to the CLF from civic leaders, corporations, fund-holders, and foundations.

The Minneapolis Foundation (TMF)

According to Jean Adams, COO and CFO: “We recognized we were spending a significant amount on community leadership activities. As a result we were challenged to think about the strategic value of these activities. We concluded that they are extremely important. As a community foundation, underwriting community leadership activities is part of our value-add to the community and to our donors.” Distributions from the community foundation’s discretionary assets fund approximately 50% of TMF’s leadership activities.

Greater Houston Community Foundation (GHCF)

Unlike TMF, GHCF has very limited unrestricted dollars. Donor advised funds represent 80% of the community foundation’s assets and so the foundation formulates its positioning around leadership efforts very differently. Stephen Maislin, President and CEO notes: “We are truly a donor-focused community foundation. Our leadership is focused on influencing large investments in the community and leveraging the philanthropic capital invested in the community by donors.” GHCF’s leadership funding model is based on carefully managing the balance between costs and revenues, with a “pay-as-you-go” philosophy. They take on new efforts as they are able to build partnerships and generate revenue through these partnerships to support the work.

What We Observe

In addition to the insights we gain from business model data, we have observed ten years of decision-making by community foundations. While every community and board is different, successful community foundations all work to align decisions, recognize the need to continually adapt, and always aspire to do more.

Align for Success

In figuring out the right roles and resource priorities, the biggest challenge for many community foundations is aligning values, strategic priorities, business model choices, and organizational culture. Community foundations are called upon to play a wide range of roles and serve many different constituents, with needs that are constantly changing. Alignment starts with being able to articulate *why* goals are set and *why* changes matter, at every level.

Staff and board members often note the difficulty of articulating the community foundation's identity and role to its many different constituents. This is one very visible way the challenge of alignment manifests itself externally. The community foundation is one entity, and yet a board member communicating to a civic leader or major donor can easily deliver different messages about the community foundation's purpose and role if all parties involved do not understand how values, goals, and offerings are aligned. A staff member talking to a prospective grantee, initiative partner, or prospective scholarship fund donor may encounter the same situation. As a result, a donor may take years to learn about the role the community foundation plays in key community leadership efforts or for a grantee organization that receives a grant from a community foundation to see the foundation as a potential home for its endowment.

Internal alignment is also essential. A focus on many important but disparate goals can result in tensions between roles and functions, competition for resources, and a confused sense of purpose. Community foundations that work harder to achieve alignment, communicate a clear identity, and change culture, along with goals and business model decisions, are better able to pursue a set of roles that brings staff and board members together rather than pulling them apart.

At the core, alignment requires a clear sense of the community foundation's mission and values and strategic goals. Business model decisions shape how the community foundation configures itself to realize these goals, and the culture and people provide the means through which the foundation engages community constituents. Achieving alignment requires explicitly recognizing this series of nested choices and making decisions and tradeoffs with that framework in mind.




Figure 7: The Nested Choices Important to Alignment



For each community foundation, these nested choices should be different. Intersections happen in different ways for community foundations, as different strategies serve distinctly different communities. The Greater Houston Community Foundation and the Santa Fe Community Foundation are great examples of this. Each has experienced a process of clarifying its values, goals, business model choices, and culture. And while neither would suggest that it is finished growing or changing, each is able to communicate a set of nested choices that fit together and reflect clear tradeoffs. Ultimately, these foundations believe their choices have led to greater asset growth, greater sustainability, and greater impact.

Community foundations are called upon to play a wide range of roles and serve many different constituents, with needs that are constantly changing. Alignment starts with being able to articulate why goals are set and why changes matter, at every level.

Figure 8: Aligned Choices at Two Community Foundations

| Community Foundation | Mission and Values | Strategy and Goals | Business Model | Culture and People | Key Figures |
|--|--|---|--|--|--|
| <p>Each CF makes a range of choices that fit its community context, mission, and values</p>  | | | | | |
|  <p>Greater Houston Community Foundation</p> | <ul style="list-style-type: none"> • “Smart giving. Better results.” • Support individual choices • Empower with knowledge and data • Leverage philanthropic capital in the community for greater effectiveness | <ul style="list-style-type: none"> • Focus on being premier local philanthropic advisory resource • Serve complex needs of philanthropists to pursue their goals, “turnkey solution” • Pursue leadership roles that inform donors’ choices, bring donors together, and create new vehicles for effective local philanthropy | <ul style="list-style-type: none"> • Connect fund offerings, fee-for-service and consulting support, and sophisticated giving vehicles to meet complex needs • Tier support to donors • Manage all products to cover costs through fees • Provide consultative support for strategy and multi-generational planning | <ul style="list-style-type: none"> • See the CF in a servant leadership role • Operate with a focus on professional services expertise, with staff seen as thought leaders • Structure pooled funds (FOI) as philanthropic venture capital • Focus relationship development around donors’ timetables, primarily through professional advisors | <ul style="list-style-type: none"> • 82% of assets in DAFs • 73% of operating revenue from admin fees and 20% from fee-for-service relationships • 89% of costs in serving fund and donor relationships • Operating costs at 0.9% of assets, focusing on relationships that are typically tied to managed assets |
|  <p>Santa Fe Community Foundation</p> | <ul style="list-style-type: none"> • Engage in critical civic issues and take a visible stand • Be an active partner and physical presence, an “exciting and collaborative place where the community goes to work” • Serve as infrastructure for effective philanthropy and nonprofit service | <ul style="list-style-type: none"> • Serve as “an anchor institution for values-driven donors, foundations and visionary nonprofits that want to work collectively to achieve measurable positive change.” • Engage donors in issues and enlist contributions to leadership • Fill gaps by bringing in new resources or taking an active role • Lead and take part in new community conversations | <ul style="list-style-type: none"> • Focus largest share of capacity on initiatives and leadership • Choose a few core fund offerings: Discretionary, DAFs, Agencies, Regranting • Manage all products to cover costs • Generate revenue to fully support leadership and initiatives through a variety of sources • Own building and operate <i>The HUB for Social Innovation</i> as a place for the community to convene, learn, and connect | <ul style="list-style-type: none"> • Operate with an entrepreneurial mindset • Focus on being visible and communicating about values with the broad community • Build staff capacity to engage with partners around complex issues in the community • Dedicate significant resources to operating the <i>HUB</i> as a place for gathering and making connections | <ul style="list-style-type: none"> • 46% of assets in DAFs and 30% in Discretionary funds • 52% of operating revenue from external gifts and grants • 41% of costs in leadership roles and 16% in fundraising for leadership • Operating costs at 3.6% of assets, focusing on roles that extend far beyond managing assets |

What does alignment look and feel like in practice? External messages clearly communicate the role of the community foundation and the types of relationships it offers to different constituents, there is a common understanding of goals and priorities across different internal functions, and decision-making about resources and growth is connected to strategic goals. Ultimately, the culture and people clearly demonstrate how the links between values and goals matter.

The community foundations that have focused on significant strategic and business model transformation emphasize the importance of change among people and culture in order to realize new goals. In the words of Clotilde Perez-Bode Dedecker, President and CEO at The Community Foundation for Greater Buffalo:

We've been transforming our organization with a focus on increasing impact. This started with determining our strategy and then aligning the business model with that strategy. Strategic goals and business model priorities serve as a touchstone for organizational design and resource allocation. We are also working on an intentional transformation of our culture, with language being a key indicator of culture and new paradigms. For example, we have removed 'unrestricted' and 'undesignated' from our language. Now we call these funds 'Changing Needs Funds' because that is what they support—the changing needs of the community over time. We are also working to transform our relationships. We are shifting to a focus on clients, not donors or funds. This particular change in terminology is important for us as we work with a wide range of assets reflecting individuals, nonprofit organizations, and private foundations. New language resulted from seeing things from their perspective. To have us see them as clients rather than donors is incredibly important from a relationship management perspective.

Beyond language, community foundation staff members report that cultural change is also important in executing the shift in strategy from seeing “every fund as a good fund” to only entering into relationships that bring a clear value added and align with the business model. Betsy Constantine, Vice President of Giving Strategies at CFGB, emphasizes the importance of staff alignment based on a common understanding of business model data. “It has been important to have all staff understand what the data and analytics say about which clients and offerings support our impact. We have been more disciplined about cultivating business that aligns with impact. According to our goals, there are two ways to support impact: first, by directly bringing in less restricted funds; second, by having a fund minimum and fee structure to generate revenue so that, beyond covering costs, a relationship leaves some for the good of the community.”

A change in relationships and messaging driven by strategic goals is also important in talking with donors in a different way about their legacy. According to Betsy:

The power of our community leadership portfolio with individuals is in helping them think through the option to have their legacy go to a less restricted fund going forward. For a long time, the only rationale we had was that we'd pick good charitable organizations forever. Now we're able to show clients the strategy and focus that goes into selecting priorities for our community impact work, particularly with leadership initiatives, show the leverage obtained, and clearly articulate why individuals might make the choice to leave more flexible dollars in

a succession plan. Donors now say, 'I like the thought process, I like the strategy, I share interest in the goals.' We now have the discipline and way of talking to people and as a result almost all of our new donors have a field of interest or Changing Needs Fund as a component of their succession plan.

In addition to bringing about cultural change and demonstrating alignment in the ways people work, community foundations that have changed goals and business model priorities over the last ten years also say that they have changed hiring decisions to achieve greater alignment. Even for larger community foundations that might be more inclined to hire for specialized roles, the need for alignment has led to making hires that bring breadth. According to Debra Watt, Chief Financial Officer at Foundation For The Carolinas: "We have hired extensively in the past ten years—from 23 people in 2003 to 58 people in 2013. At the same time, we have quadrupled assets. This has required intentionality about our broadest goals and to hire people who can play broadly and focus on multiple aspects of the foundation."

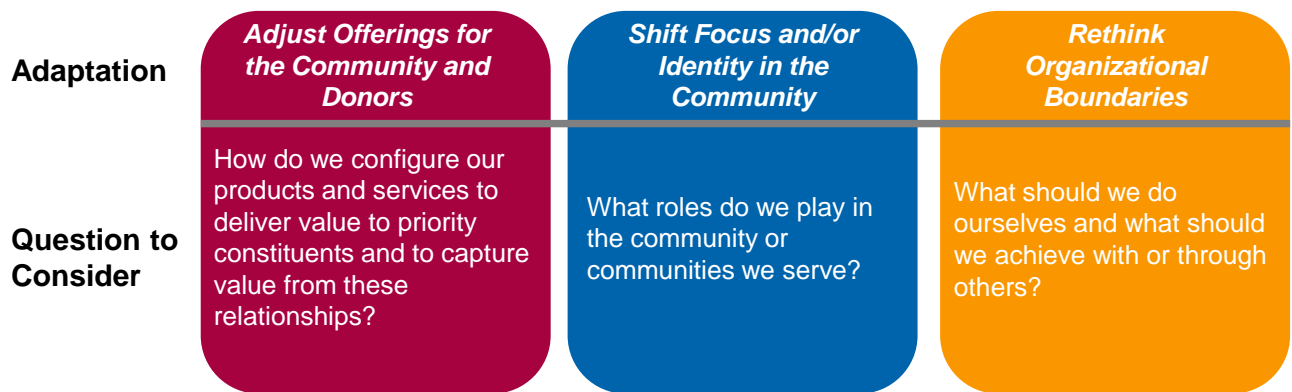
Many emphasize the importance of staff change in flexing to play more leadership roles. As Deborah Ellwood, Executive Director of CFLeads, observes: "A change in staff focus and organizational culture are often necessary for a community foundation going from a traditional charitable bank model to a community builder and change agent. A community foundation needs staff with skills specific to leadership efforts—people who can sit down with the mayor or governor, are adept at public policy analysis, understand the public systems that shape communities, and are intentional about working closely with residents as community partners. Often this means transitioning staff from being internally focused on processing grants to being out in the community—learning, making connections, and getting involved. That can mean a change in the entire organizational culture."

These changes to culture and people take longer to bring about than decisions about strategic goals and business model priorities, but community foundation leaders suggest that successfully making these changes is equally critical.

Adapt to Thrive

As the reflections and data show, community foundations have successfully made small and large changes to their business models in order to align with values and strategic goals. **Community foundations will always be challenged to adapt to serve an ever-changing set of community and donor priorities, focusing on impact today and permanence as an enduring community resource.** As such, there is a need to continually consider opportunities to flex further in order to thrive.

How can your community foundation think about adapting your business model? There are three options to consider:



The catalyst to adapt is often about a response to a specific need—either a need for the community foundation to adjust its own inner workings to become more aligned or a need for the community foundation to better serve its community. Adaptations are most effective and successfully implemented if they result in greater alignment of the community foundation’s values, strategy, business model, and culture.

Consider three examples of community foundations that have adapted in recent years. Each represents an important shift and puts the community foundations on a path to greater alignment.

Adaptation Example #1 – Silicon Valley Community Foundation (SVCF)

SVCF’s recent innovations to serve corporations were driven both by internal and external considerations. In an effort to better serve its community and fulfill its vision to be “a comprehensive center of philanthropy,” SVCF reoriented its strategy to focus more on engaging corporations, which led to a new product offering, and ultimately a new partnership to better serve constituents.

Shift Focus

The corporate culture in Silicon Valley matters. According to Mari Ellen Reynolds Loijens, Chief Business, Development and Brand Officer at SVCF: “In Silicon Valley, where you work becomes your community.

We realized that if we did not engage with corporations, then we were not engaging with the community.” SVCF initially worked with corporations as a way to involve employees in philanthropy, and out of this relationship grew other opportunities to engage corporations themselves as clients.

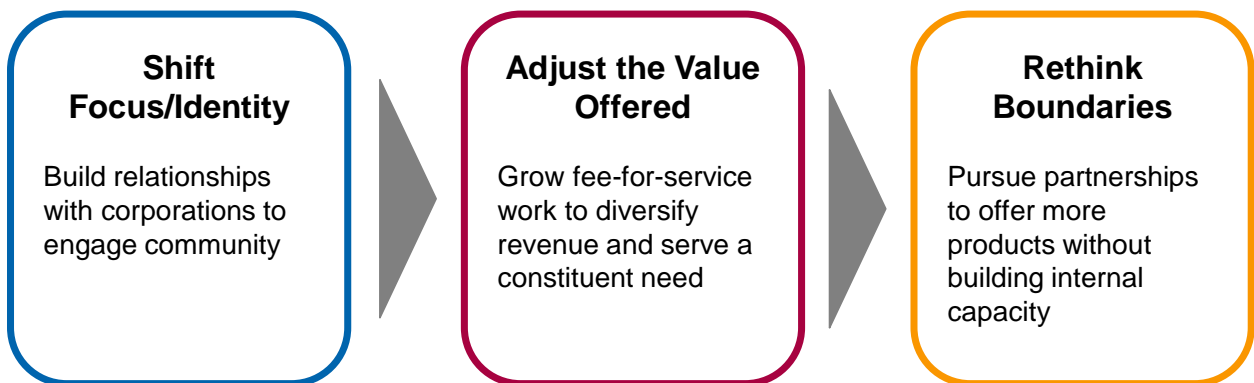
Adjust Offerings

Wanting to better serve corporate constituents and diversify revenue beyond asset-based fees, SVCF has expanded its corporate advised funds and pursued more consultative services with custom pricing, such as strategic planning, program design, and benchmarking. Fee-for-service revenue grew more than 100% between FY2010 and FY2012 and remains a priority growth area.

Rethink Boundaries

For SVCF, geographic boundaries and partnership structures have changed in order to better serve corporations. Many corporations and their employees in Silicon Valley think globally; as a result, SVCF has invested in international grantmaking capabilities to better meet donor needs. In addition, SVCF recently announced a partnership with the for-profit YourCause to support global matching gifts and employee volunteerism.

Figure 9: Adaptation at Silicon Valley Community Foundation



Adaptation Example #2 – Aspen Community Foundation (ACF)

ACF has adapted by launching a regional collective impact effort. By looking more comprehensively at persistent needs in its community, ACF realized that individual grants and leadership efforts supporting individual nonprofits had not moved the needle on any issue in the region. The community foundation’s new Cradle to Career Initiative’s mission is to increase youth success across the region and serve the needs of more than 22,000 children ages 0 to 18, by ensuring that children are ready for kindergarten and graduate from high school ready for college or career. The effort is structured as a collective impact

initiative with ACF serving as the backbone organization, guiding the vision and strategy, supporting aligned activities, building public will and mobilizing funding.

Rethink Boundaries

With a small staff and a desire to build services for youth across the community, ACF immediately recognized that it needed to partner with other entities in order to have the impact it sought. The foundation has brought together more than 60 nonprofit executives, school officials, health and human service agency heads, and other community leaders on a monthly basis to create broad Cradle to Career goals and specific, measureable indicators of success.

Adjust Offerings

To make the effort possible, ACF significantly ramped up its fundraising to build operating and grantmaking resources and increased staff resources to serve as the dedicated backbone for this complex partnership. In 2012 the foundation raised \$4 million from local donors and funders, with a goal to raise a total of \$10 million. ACF is working to engage regional and national funders to bring additional funding to support the work.

Shift Identity

The Cradle to Career effort has become a major focus of ACF’s work and has created opportunities to increase awareness of the foundation and the issues among donors and the community, a particular challenge given that many donors do not spend a full year in the Aspen community. According to Valerie Carlin, Program Director of ACF, “Our Cradle to Career work provides a focused way of talking to donors about the needs of the community. We have found that donors are interested in the broad community collaboration, the emphasis on data and measurement, and the potential to make significant impact. This work gives us a cohesive story to tell.”

Figure 10: Adaptation at Aspen Community Foundation



Adaptation Example #3 – Kern Community Foundation (KCF)

KCF is a young community foundation motivated to adapt by a need to build more visibility and greater donor relationships in the community, as well as by internal pressure to stretch operating resources.

Rethink Boundaries

As a new CEO, Jeff Pickering decided to outsource KCF’s finance, accounting, and investment management in order to refocus staff members on the community’s highest priorities. In 2010, KCF outsourced its back office to Greater Horizons, managed by the Greater Kansas City Community Foundation, which freed staff time to focus more on external relationships.

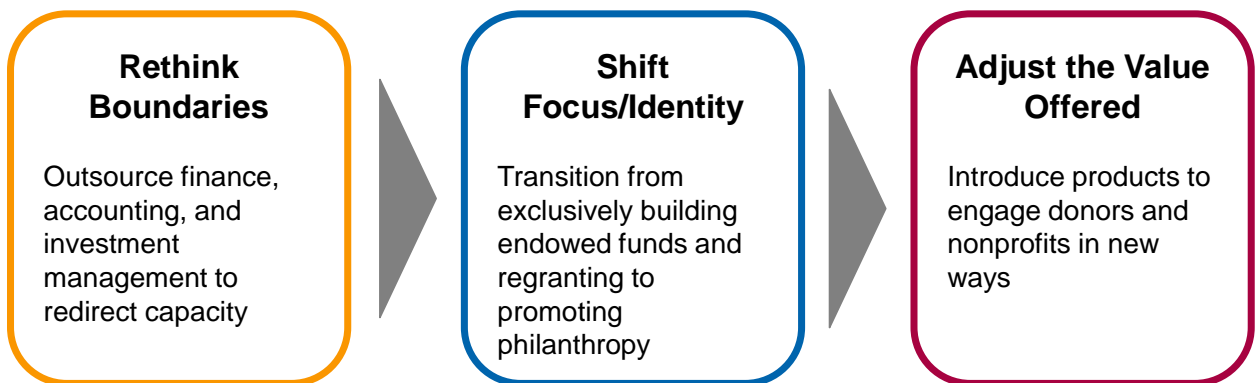
Shift Identity

With the shift in staff capacity, KCF focused resource decisions on promoting philanthropy broadly in the community. According to Jeff: “We are very focused on the habit of giving today. We have a community of over 800,000 people and we manage only 100 funds, so it is clear that we need to build a community of donors and meet them where they are at.” Previously the foundation had been more focused on building endowed funds and partnering with a small number of private foundations to administer local grantmaking processes.

Adjust Offerings

KCF adopted the DonorEdge platform to engage with nonprofits, increase their visibility, and promote more philanthropy in the community. Additionally, the ability to leverage Greater Horizons offerings led to immediate benefits and more flexibility for donors interested in DAFs, particularly the ability to offer a wide range of investment management choices. Through Greater Horizons, KCF was also able to introduce a Giving Card product as a new way to engage a broader range of donors in philanthropy.

Figure 11: Adaptation at Kern Community Foundation



Change does not need to happen in all three areas to be effective, but a domino effect often occurs, particularly as choices and tradeoffs become aligned. And while these three examples may appear linear, the process is always dynamic. Community foundations are making choices and tradeoffs continually as the environment changes.

Adaptation Example #4 – The Boston Foundation (TBF)

TBF, having used data and analysis to adjust its strategic goals and business model three times in the last decade, is an example of how change occurs over a longer timeframe. Its approach shows the value of discipline, a focus on continuous learning, and a quest for alignment.

2003 – 2007: Focus on Discipline and Flexibility

In 2003, TBF examined its business model in a rigorous way and two findings inspired major changes: the foundation subsidized its DAF portfolio by more than \$1 million annually and leadership efforts cost nearly \$1.5 million with no dedicated revenue source. TBF recognized that though it had significant discretionary assets, it did not have enough resources to fuel its aspirations to expand its leadership work. As a result, TBF saw the need for greater flexibility. It adjusted DAF offerings and increased fees, deprioritized some products, and created its Civic Leadership Fund (CLF) to generate dedicated revenues for leadership.

2008 – 2011: Focus on Impact through Initiatives and Leadership

TBF repeated the business model analysis in 2008. As a result of decisions made earlier and a strong market in 2007, the economics had improved and TBF now operated with a \$1 million surplus. The CLF succeeded and annual contributions covered 25% of leadership costs. Additionally, DAFs no longer required a subsidy and generated a surplus of \$350,000. The changes TBF had implemented allowed the foundation the flexibility to take on new roles.

With this newfound flexibility, TBF pursued several initiatives focused on improving outcomes for youth and invested in another office location closer to the neighborhoods where many grantees and initiatives were focused. New initiatives and partnerships expanded the leadership portfolio from 27% of total operating costs in 2007 to 46% in 2011. At the same time, TBF believed that increased involvement in visible community initiatives increased TBF's profile and relevance to donors and community partners.

Importantly, the discipline inspired by an operating deficit in 2003 did not stop when the foundation generated a surplus. TBF continued to fine-tune DAF management by focusing on cultivating larger funds and establishing a higher-touch engagement model for donors with greater philanthropic capacity. In addition, the foundation continued its quest for greater revenue diversification. Between 2007 and 2011, the CLF grew from \$800,000 to \$1.4 million and TBF established policies to generate additional revenues to cover a portion of new initiative costs.

During this period, TBF refined its offerings and established new roles, going beyond traditional boundaries to become more engaged in direct work in the community and strengthening its position in the community as a convener, facilitator, and advocate.

2012 and Beyond: Emergence of a New Identity

In 2012 and 2013, TBF continued with a third analysis of its business model and donor priorities, resulting in major strategic and culture changes. This analysis came at a time when the value of discretionary grants had flattened due to market performance. TBF refocused its goals for donor relationships in a way that kept impact and alignment at the center of the work. It designed changes to reinforce TBF's ability to be a "partner in enhancing donor impact; a major funder of nonprofit organizations; and a civic leader and convener," including:

- Promoting TBF in a new campaign centered on partnering with donors and communicating the array of opportunities donors could pursue with TBF. The central message encourages donors to aim for impact: "Don't just give. Solve."
- Merging with The Philanthropic Initiative (TPI), a philanthropic advisory services provider, and thus expanding the portfolio of options for impact available to donors through TBF.
- Shifting the culture from a transactional to relational mindset focused on increasing conversations about impact with donors and prospective partners by integrating the donor services and development departments and increasing staff.

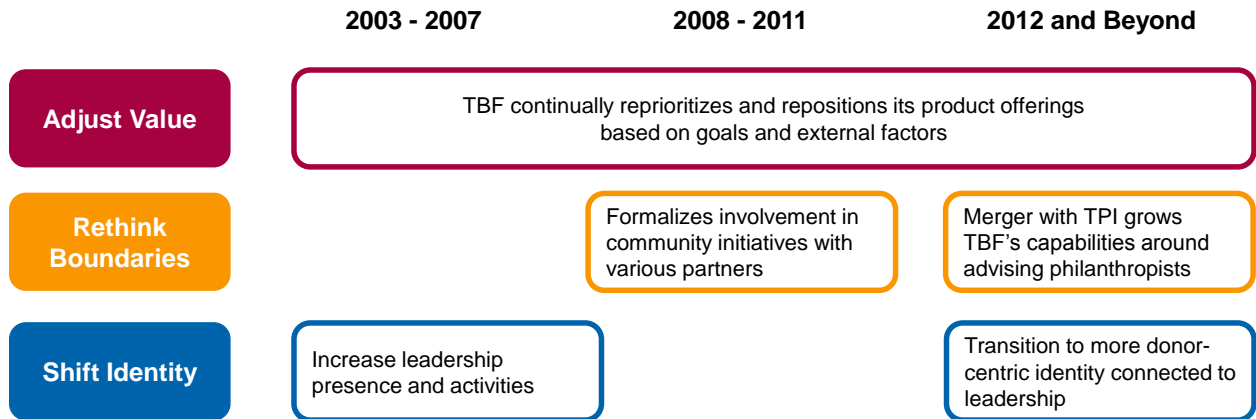
While TBF has made strides in multiple areas, Stephen Chan, Chief of Staff, stresses the importance of aligning the foundation's mindset with its values and goals:

We cannot just put out money on one side and raise it on the other side. Instead, we need to bring those two aspects together. As we shift our mindset to a more donor-centric point of view, we need to invite donors to co-create and inform our impact agenda. Our focus is no longer on inventing something internally and then trying to sell it externally. Instead, we are changing our mental model about how we raise money on the one hand and give it out for impact on the other. We still need to find a sweet spot.

Kate Guedj, Vice President for Development and Donor Services confirms that for TBF, the point of this shift is "becoming more permeable and porous to our donors and partners. We want a place where people feel like it is *their* Boston foundation, a place where they can come to do more than give and where we are the go-to place for impact in Boston."

Adaptations are most effective and successfully implemented if they result in greater alignment of the community foundation's values, strategy, business model, and culture.

Figure 12: Adaptation Over Several Years at The Boston Foundation



As these examples show, achieving alignment is an important goal, but it is often a work in progress; it does not suggest that once alignment is achieved, the work is done. Community foundations should never expect to stop adapting their strategy, business model, and culture because there is always more to take on.

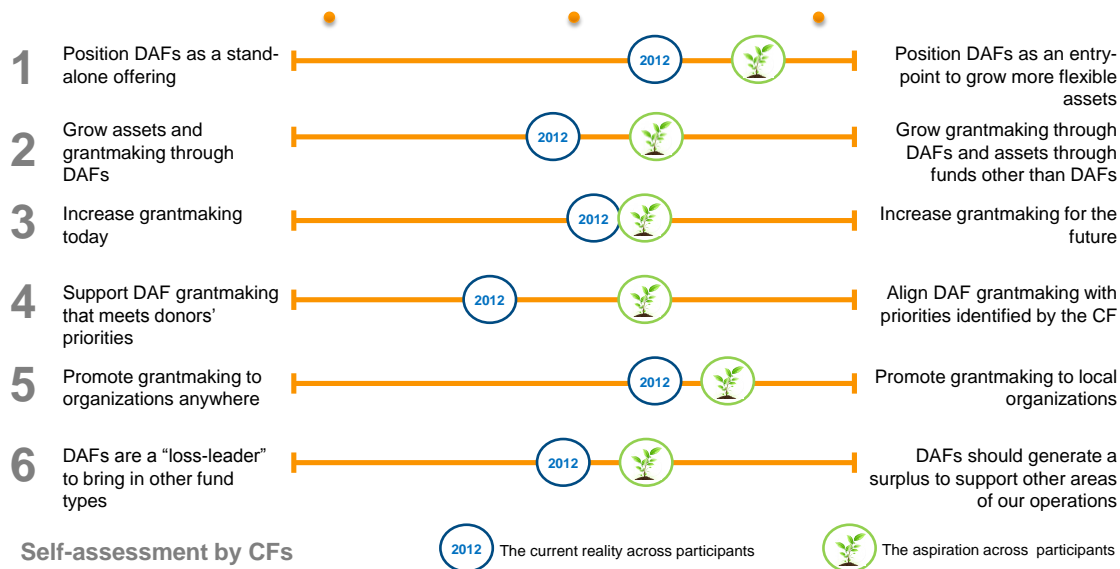
Aspire for More

Beyond the external reasons for change, community foundations will always be motivated by their mission and sense of purpose to continually take on new opportunities and risks, doing more to support their communities. More often than not, this will require doing things differently.

Community foundations that have been focused on transforming themselves to achieve new types of impact never suggest that they have reached an end point. Being engaged and active in the community raises new questions about what is next and compels community foundations to continually set new priorities, build new relationships, and achieve new goals. Being a learning organization means always asking the next big question.

In *Do More Than Grow: Realizing the Potential of Community Foundation Donor Advised Funds* (DAFs), participating community foundations articulated this desire to continually do more. The gap these community foundations reported between current practices supporting DAFs and aspirations for their DAF program is driven by community foundations' mission and motivations. Even when a community foundation achieves growth, positive economics, customer satisfaction, and active grantmaking through DAF relationships, there is an aspiration to strive for more impact and alignment.

Figure 13: Overview of Strategic Intentions and Current Reality for Donor Advised Funds



From *Do More Than Grow: Realizing the Potential of Donor Advised Funds*

DAFs are not the only area where aspirations grow from the seeds of earlier successes. Once there is a successful beginning, community foundations recognize the need to continue the work, often in new ways with new resources.

In 2012, the community foundation field emerged from the Great Recession to once again achieve new heights in asset growth and gifts, but over the last ten years many foundations have also focused on achieving new heights in relevance to their communities. This has required taking risks, driven by the desire to achieve impact and make the best possible use of scarce resources. In the words of Mari Ellen Reynolds Loijens, Chief Business, Development, and Brand Officer at Silicon Valley Community Foundation: "In this field we cannot be afraid to fail. We must have the willingness to take the time to see where we can stretch. We are ready to be fearless." And from the perspective of her colleague Vera Bennett, Chief Operating and Financial Officer, risk taking and big aspirations drive successful growth. "For those of us that have been in this field a long time and have grown, we know we were not always like this. We had to be innovative and take risks to get here." The willingness to take these risks comes from passion for the mission and the continual instinct to aspire for more.

We see many new directions fueled by aspirations to achieve impact. Work in the community leads to new goals for individual community foundations as well as for the field. These goals lead to new roles and business model choices.

- For The Greater Tacoma Community Foundation, engaging the community in dialogue about youth violence led to new community-wide goals for change and new resources and partnerships focused on building civic engagement. The community foundation has created a new youth advisory board, hosted community-wide events for thousands of residents, created new grant programs, and taken an active role in supporting a collective impact effort supporting Tacoma students.
- For The Community Foundation for Greater Buffalo (CFGB), bringing together a local effort that aligns the work of different sectors on shared goals led to opportunities to leverage funds from regional and national sources, enlisting new types of partners to expand the work. In 2012, four CFGB initiatives involved 282 partnerships. For every dollar that CFGB has invested in these four leadership initiatives, the foundation has raised \$13, totaling \$55 million.
- For the Greater Houston Community Foundation, donors' interest in K–12 education innovation led to the creation of a strategic education fund that operates like a venture capital fund. General partners make a substantive commitment and drive the strategy and grantmaking decisions, and more limited partners make a contribution but do not play a leading decision-making role. Both individual donors and staffed foundations are involved. So far, the fund has made investments in blended learning and to a parent advocacy effort.
- A desire by the Minnesota Community Foundation to promote philanthropy across the state led the organization to mobilize seven other community foundations and 15 other partners to launch giveMN.org. GiveMN is an online and mobile giving platform that supports Minnesota Community Foundation by promoting philanthropy broadly with the message that everyone can be a philanthropist. As of early 2013, GiveMN had raised \$75 million from 218,000 unique donors to support 7,756 nonprofits.

With these aspirations and new goals, these community foundations asked themselves big questions. Each has embraced new ways of operating as part of adapting the business model and none have stopped asking themselves hard questions about what comes next.

Being engaged and active in the community raises new questions about what is next and compels community foundations to continually set new priorities, build new relationships, and achieve new goals. Being a learning organization means always asking the next big question.

Advice for the Future

Managing a sustainable community foundation requires finding a balance between the pursuit of goals for impact and engagement and the need to be responsive and opportunistic. It also requires balancing flexibility and permanence. This means making decisions that are anchored in clearly articulated values, strategic goals, business model, and culture. The process does not involve shortcuts or easy answers. We leave you with four concluding thoughts:

1. Know that only you can see your future

Many people ask, “What’s the future for community foundations?” We can’t give you the answer. Arriving at the right decisions about the future for your community foundation is a process. Being disciplined, being aligned, and building in flexibility to adapt are what works.

Successful leaders recognize that the path to success will be different for different organizations, and that having a strong mission and core values will lead to decisions that are distinct and right for both the community foundation and the community.

2. Don’t try to be all things to all people

No organization can do all things at once or as well as others who specialize. Many community foundations now recognize that competing for growth on any terms or saying “yes” to every request for leadership is not the answer. Pursuing opportunities in the absence of a clear strategy can undermine differentiation, lead to a divided culture, and result in an inconsistent identity. Growth should deepen focus, not compromise it.

A clear and differentiated strategy specifies which individuals, partners, and opportunities are right for your goals. By looking at strategic value and cost for current and potential offerings, community foundations can make decisions about whom to target and how to best manage relationships. Any community foundation will naturally serve a broad portfolio of donors and partners, and it is important that investments remain focused and directed to the parts of the portfolio where they can have the greatest impact.

3. Own it!

Community foundations need to define their unique set of choices and assert the ways that they are different from competing alternatives. They need to achieve a differentiated position by aligning their values, choices, culture, and people. Doing this well and clearly will convey the right priorities to the right partners and donors.

What this means in practice is that everyone must pursue shared goals and communicate consistent messages. It is not a case in which different people represent different positions for each different circumstance or audience.

4. Value the process

Being disciplined and getting to alignment requires that you have the right information and conversations internally and externally. If your business model and the needs and interests of your community or donors are a “black box,” you can’t ask the right questions. And if you haven’t asked the right questions, you can’t get to the right answers.

Sustainable community foundations use business model analysis tools and many other forms of inquiry to continually assemble the data and perspectives they need to reflect and adjust course as needed. They engage staff and board members in this reflection process and see themselves as learning organizations.

The leaders that most clearly align, adapt, and aspire are focused on achieving near-term success, long-term transformational change, and permanence as an enduring community resource. They celebrate the inherent tension in simultaneously keeping their focus on the immediate possibilities, big strategic goals, and stewardship for the future. Sustainability means much more than meeting goals for today.



All statements and conclusions, unless specifically attributed to another source, are those of the authors and do not necessarily reflect those of the other organizations or references noted in this report.

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The idea behind **cf INSIGHTS** is simple

What if *each* community foundation could know what *all* community foundations collectively know?

Created by Community Foundations

CF Insights responds to a hunger for shared knowledge and greater impact among U.S. community foundations.

Community foundations grow stronger when their decisions are based on timely, accurate, and complete information. Through CF Insights, community foundations improve performance and sustainability - individually and collectively.

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As nonprofit consultants dedicated to social impact, FSG combines deep knowledge of the community foundation field with world-class research, strategy, and evaluation capabilities.

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