

THE GROWING IMPORTANCE OF COMMUNITY FOUNDATIONS

Eleanor W. Sacks

FREDERICK H. GOFF



Frederick Harris Goff is known today for developing the community foundation concept and founding the Cleveland Foundation, the first community foundation in the U.S. It was only one accomplishment in his remarkable life.

Fred Goff was born on a farm in Blackberry, Illinois in December 1858. His family moved to Cleveland when he was 5 or 6 years old. On the journey he and his brother took charge of the family's horse. Young Fred's arrival in Cleveland was unheralded – in a boxcar with the horse.

As a boy and young man Goff took whatever jobs he could find. He worked his way through the University of Michigan shelving books and sweeping floors in the library. After graduating he worked as Cleveland's law librarian and read law, beginning his practice in 1883. In 1896, he joined the firm that handled litigation for John D. Rockefeller and Standard Oil. He was an expert on corporate structuring, and also advised wealthy Clevelanders on estate planning.

In early 1908, he worked with Cleveland's Mayor, Tom Johnson, to resolve the city's street railway crisis, by establishing a non-profit holding company to acquire private streetcar interests. It was a difficult process, conducted entirely in public meetings, and brought Goff to the attention of Clevelanders for the first time.

Goff was named the President of the Cleveland Trust Company in June 1908. The new policies and procedures he established reformed banking practices locally and nationally. He used his election as President of the Trust Company Section of the American Bankers Association in October 1913 to promote his community foundation concept as an opportunity for trust banks to serve their communities. Inspired by his vision of service, bankers started community foundations nationwide.

Fred Goff died in March 1923 at the age of 64.

Photo courtesy of the Cleveland Foundation and the Goff Family Archive

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¹ The research for this essay is based on the forthcoming book by Sacks, Eleanor W., *Community Foundations in the United States: Their Origins, Growth and Development from 1914 to the Present*. It also draws on research conducted for the five Community Foundation Global Status Reports she wrote on the global growth of community foundations (2000-2008), published by Worldwide Initiatives for Grantmaker Support (WINGS), and the two subsequent reports (2010 and 2012), available at: wingsweb.org.

² The number of 763 U.S. community foundations comes from the Foundation Center (New York) database for the fiscal year 2012, the latest year for which the Foundation Center has collected data. The list of the Foundation Center's Top Funders: 25 Largest Community Foundations by Asset Size is available at:

www.foundationcenter.org/find-funders/topfunders/top25assets.html. The list includes assets from year end 2012 and mid-year 2013. The Silicon Valley Community Foundation received a nearly billion dollar gift from Facebook's founder Mark Zuckerberg and his wife Dr. Priscilla Chan at year end 2013. The list of Top 100 U.S. Foundations by Asset Size: www.foundationcenter.org/findfunders/top-funders/top100assets.html. On the local impact of community foundations, see, for example: Key Facts on Georgia Foundations, New York: Foundation Center, 2013, p. 2. The Community Foundation for Greater Atlanta is the region's second largest foundation, but its largest local grantmaker.

³ The first community foundation formed outside the United States, the Winnipeg Foundation of Winnipeg, Manitoba, was established in 1921. Today there are at least 188 community foundations in Canada. See the Community Foundations of Canada website: http://communityfoundations.ca/#find_location.

2014 MARKS A MILESTONE IN THE DEVELOPMENT OF COMMUNITY FOUNDATIONS AROUND THE GLOBE. THE FIRST U.S. COMMUNITY FOUNDATION, THE CLEVELAND FOUNDATION OF CLEVELAND, OHIO, IS CELEBRATING ITS CENTENARY.

Today there are at least 763 community foundations in the United States actively making grants – more than a dozen have assets over a billion dollars and at least two have assets over \$4 billion. Of the largest 100 grantmaking foundations, 16 are community foundations.² In many areas of the United States community foundations are the largest local foundations. Even where they are not, their local focus means they are frequently the foundations with the largest local impact. The size and impact of community foundations will continue to grow due to the fact they are the only grantmaking foundations that raise funds continually – from individuals, families, corporations and even other foundations. U.S. community foundations have seen a surge in growth because they have learned how to attract and utilize living donors, rather than rely primarily on deferred forms of giving, such as legacies and charitable remainder trusts.

The number of community foundations has more than doubled in the United States in the last 20 years. Even with this remarkable rate of growth, today there are more community foundations outside of the United States than inside, and the numbers worldwide continue to expand.

From Cleveland, community foundations spread quickly across the United States and soon crossed into Canada.³ Community foundations began to expand across the Atlantic in the 1970s and 1980s, taking root first in the United Kingdom. There was real doubt at the time whether this North American invention could be adapted to vastly different charitable traditions and giving cultures. The fact that the community foundation concept could be translated successfully to the U.K. gave local and international funders the confidence that this form of community philanthropy could be successful outside its original context. Since that time community foundations have been established in other parts of Western Europe, especially in Germany, Italy, Spain, Ireland and Belgium.

After the fall of communism community foundations were identified by international foundations and funders as a way to assist the integration of the former eastern bloc into western political and economic systems. They would help rebuild a culture of philanthropy and citizenship in Russia and Central and Eastern Europe. As international support for the political and economic transition began winding down, community foundations were part of the funders' long-term exit strategy.

Community foundations also were seen as a way to support emerging democracies in sub-Saharan Africa. In countries where local and national governments were withdrawing support for social safety nets, community foundations were identified as a means to maintain the local non-profit infrastructure. Community foundation growth has been widespread in Mexico and is having success in other parts of Latin America. Community foundations also have been formed in the Middle East and Turkey, in the Caribbean, India, Southeast Asia and Australia.⁴

The fact that community foundations have been established successfully in countries with histories and traditions of giving that are widely divergent points to the flexibility of the concept and the power they give citizens to affect the future and vitality of their communities.

Given their long history and widespread acceptance it is remarkable that community foundations are not better known or understood. They are the least studied form of philanthropy, a field as a whole in need of scholarly attention. As a result, both within the United States and around the globe, the reasons for their founding, where they fit in the overall landscape of philanthropy, their structures and their purposes are not apparent to the majority of people, even those who have a special interest in philanthropy – international funders, individual and corporate donors, and academic researchers. It is hoped that this dearth of research will soon change. In celebration of the Cleveland Foundation's 100th anniversary, the Charles Stewart Mott Foundation recently endowed a chair in Community Foundation Studies, the first of its kind, at the Indiana University Lilly Family School of Philanthropy.

WHAT ARE COMMUNITY FOUNDATIONS?

Community foundations are the most identifiable form of structured community philanthropy. They bridge and combine community philanthropy with foundation philanthropy. Community foundations share several basic characteristics.

They:

- are foundations that raise money in their communities and build a permanent resource to create vital communities by encouraging and supporting the local non-profit infrastructure;
- have a board of local citizens who are responsible for maintaining the organization, and for identifying and funding communities priorities;
- cover a defined geographic region and serve the needs of all the citizens in their region, regardless of race, religion or ethnic origin;

⁴ For more information on the global growth of community foundations, see the Community Foundation Global Status Reports available at: wingsweb.org.

1914

The Cleveland Foundation, the first community foundation in the United States, is conceived and established by Frederick Harris Goff, President of the Cleveland Trust Company.

1916

The Indianapolis Foundation, the 14th community foundation, is the first community foundation established in multiple trust-bank form, setting a new precedent for how community foundations are structured.

1920

The Committee on Community Trusts, the first support organization for community foundations, is established by the Trust Bank Section of the American Bankers Association. It is headed by Frank J. Parsons, the driving force behind the establishment of the New York Community Trust in 1920 and its Acting Director.

⁵ Alexeeva, Olga. "Community foundations in a country without a community." Alliance Magazine (1 September 1998). Available at: www.alliancemagazine.org/en/content/community-foundations-a-country-without-a-community

- are non-partisan and non-political, even though they may take political stands when the good of the community is at stake;
- operate in an open and accessible manner that is designed to build trust, which they do by reporting back to the community on a regular basis.

WHAT DO COMMUNITY FOUNDATIONS DO?

Beyond their resource development and grantmaking functions community foundations also have a number of broader roles in their communities.

• **Teach and promote philanthropy.** One of the chief roles of community foundations is to teach individuals and the community at large about the values of philanthropy and taking personal responsibility for improving their local areas. This role crosses cultural and state boundaries. Community foundations helped revive a culture of giving in Russia, where before the fall of communism the state was expected to provide all the needs of its citizens. It was precisely because community foundations make grants based on "democratic principles, community cooperation, and traditions of legal and above board management of charitable money" that they could bring about real change in Russia's giving environment.⁵

Worlds apart, in Silicon Valley, many young millionaires and billionaires in the technology industry have money to give but don't know how to give – they need to find the causes they care about and establish priorities for their giving. For many years the Silicon Valley Community Foundation (SVCF) has served as a mentor to these young entrepreneurs. The eye-catching gifts totaling \$1.5 billion that SVCF received in the last two years from Facebook founder Mark Zuckerberg and his wife, Dr. Priscilla Chan, are only the latest donations from a large group of high tech entrepreneurs that are using the community foundation to learn about and test out their philanthropy. These two extremes illustrate the many ways that community foundations can be effective in promoting philanthropy. All community foundations do this, but how they do it may not be as obvious or dramatic.

• **Act as intermediary organizations:** Community foundations do not in most cases provide services directly to individuals or operate programs in the community. They are organizations that collect funds and make grants to non-profit organizations in order to support the local charitable infrastructure and address changing community needs. However, there are a number of exceptions to this general rule. The first is the awarding of scholarship funds to provide individuals with educational opportunity. In some countries – such as Germany – it is traditional for foundations to be operational. Their community foundations routinely design and run their own programs. In other areas,

especially where the charitable infrastructure is weak, community foundations may also operate programs. Even in areas where the charitable infrastructure is strong, community foundations may design programs and work with partners to tackle larger issues that existing non-profits are not designed or equipped to handle.

• **Community leadership:** There are many things that community foundations do beyond their grantmaking that impact their communities. As experts on the local non-profit infrastructure and on community needs, they are in a position to convene key local decisionmakers – including non-profit leaders, local and state government officials, the business community, and representatives of other foundations and funders – to develop a coordinated program that will have greater impact than any one actor could do on its own.

One example of community leadership is the Vital Signs program developed by Community Foundations of Canada. Vital Signs is an annual community survey that collects data on "significant social and economic trends and assigns grades in areas critical to quality of life. ... Vital Signs reports promote awareness of community issues and are used by communities for social planning, by citizens and philanthropists to identify community needs and strengths, and by community foundations to inform their grantmaking and leadership activities."⁶ This highly successful program has been adopted by community foundations outside of Canada, including the United States and the United Kingdom.

Community foundations in the United States began with community leadership. Before it had any money to grant, the Cleveland Foundation conducted several groundbreaking surveys in order to raise the profile of the foundation in the community and help set its grantmaking agenda. Two of the surveys, the School Survey and the survey of the Administration of Criminal Justice, broke new ground in the science of surveying and became national models for how to do community surveys for decades afterward.

• **Promote community development:** It is difficult to know what Cleveland would be like today if it did not have the Cleveland Foundation and its focus on community development. The city was hit hard by structural changes in the U.S. economy, and lost much of its manufacturing and industrial base. This caused its population to decline as local citizens left the city to find work. Cleveland was the fifth largest city in the United States in 1920. Today its population is half of what it was then. One of the elements of the Foundation's redevelopment strategy was the restoration of Cleveland's PlayhouseSquare in the city's central theater district. An article in the New York Times recently noted that this cultural attraction is anchoring the comeback of the downtown area and has had a multiplier effect. New shops, restaurants and apartment buildings are

⁶ For more information on Vital Signs, see the Community Foundations of Canada website: www.cfc-fcc.ca/programs/vital-signs.html.

1921

Due to the lobbying efforts of lawyers representing the Cleveland Foundation and the New York Community Trust, the Revenue Act of 1921 gives community foundations organized in trust form the status of tax deductible charities.

1921

The Winnipeg Foundation is formed by Winnipeg banker, William Forbes Alloway, the first community foundation established outside the United States.

1924

The Rockefeller Foundation makes the first grant by a private foundation to a community foundation, awarding the New York Community Trust a five-year declining challenge grant of \$50,000 for operating expenses.

⁷ Piepenburg, Erik. "Cleveland's Thriving Theater Hub Lures Residents," New York Times, April 2, 2014, p. B6.

⁸ Hodgson, Jenny. "Tracking the growth of organized community philanthropy: Is it the missing piece in community development?" 2013 State of Civil Society Report, Civicus, Ch. 24, pp. 237-243. Hodgson, Jenny, Barry Knight & Alison Mathie. "The New Generation of Community Foundations," Global Fund for Community Foundations and Coady International Institute, March 2012. Knight, Barry and Andrew Milner. "What does community philanthropy look like? Case Studies on Community Philanthropy, Vol. 1. Centris, 2014. All of these articles are available on the Global Fund for Community Foundations website: www.globalfund-communityfoundations.org

⁹ Dalia Association, www.dalia.ps.

¹⁰ The Boston Foundation: www.tbf.org.

being built to cater to arts patrons who like the convenience of living close to the theaters. The number of individuals living downtown has doubled in the last 15 years.⁷

Community foundations have been identified as a means to effect community development in resource poor areas, especially in the Global South. Community foundations have the ability to marshal external resources to address community needs in ways that are managed and controlled by local leaders who, sensitive to the needs of their communities, set the development agenda.⁸ The Dalia Association, a community foundation for Palestinians,⁹ was started as a means to encourage local people to take control of their community development and break a culture of dependency on external funders and external agendas. Palestinians "are the largest per capita recipients of international aid, but they have no control and very little influence over how those resources are used on their behalf." Dalia's mission is to advocate for "Palestinian rights to self-determination in development." Community foundations can be a driving force for community development. However, to be successful external funders must be willing to step back and let local leaders take charge in order to create effective and sustainable development.

• **Increase the accountability and operating standards of non-profits:** As grantmakers, community foundations have a responsibility to see that their funds are well spent. Community foundations have been active in setting and raising the operating standards of the non-profits they fund. This was especially the case in Russia and Central and Eastern Europe after the fall of communism, where nonprofit organizations were being created anew and needed to learn the basics, such as how to write grant proposals and how to operate in open and accountable ways.

The early history of U.S. community foundations shows the same pattern. The Permanent Charity Fund (Boston) – now The Boston Foundation¹⁰ – had to teach local non-profits how to account for their grant and endowment funds and operate in transparent ways, before they would make grants to them.

• **Focus resources in times of disaster:** Community foundations have been highly effective in times of disaster in helping to rebuild their communities. After the Loma Prieta earthquake devastated parts of San Francisco in October 1989, the San Francisco Foundation realized that it was not just individuals who were injured. Local non-profits were also damaged – their offices shattered – and they were unable to provide the vital services the area so desperately needed. The San Francisco Foundation¹¹ used its expertise to devise a recovery plan that focused on getting non-profit organizations up and running as quickly as possible.

On the same day that the World Trade Center and the Pentagon were attacked the New York Community Trust created a partnership with the United Way of New York City to establish The September 11th Fund. It made its first grants eleven days later. By the time it closed at the end of 2004 it had distributed over \$525 million to individuals, to other non-profits and to businesses to help them rebuild.¹²

In the U.K. community foundations were prominent in organizing resources after flooding in the Lake District in 2005 and 2009. In early 2014 the massive flooding in Devon and Cornwall led the eleven community foundations in the affected areas and the national support organization, U.K. Community Foundations, to establish a coordinated appeal for funds for local relief.¹³

• **Social justice:** Most community foundations are general purpose, that is, they support the broad range of charitable interests and efforts in their communities – from the environment, education and the arts to social and economic needs. Where situations warrant, and the board and staff decide to take on the role, community foundations will focus more purposefully on issues of social justice. The most prominent community foundation to adopt this approach is the Community Foundation for Northern Ireland (CFNI).¹⁴ It is a leader in social justice grantmaking and in efforts to bring peace to divided societies around the globe. CFNI was started in 1979 as the Northern Ireland Voluntary Trust, with an initial grant of £500,000 from the U.K. government and the mission of bridging the sectarian divide in Northern Ireland through its grantmaking. Even during the worst of the sectarian violence it kept the lines of communication open between the two sides of the conflict. It has made a successful transition from being the recipient of development funds from governments, foundations and aid agencies to being an active and successful fund raiser in Northern Ireland and abroad. It changed its name in 2002 to recognize its expanded role.

No matter where they are located community foundations are a reflection of the communities in which they operate and their times. They are human institutions and as such are an expression of the values of their founders, their boards and their donors. Ideally, the problems that community foundations identify and address through their grantmaking and programs reflect the most pressing needs in their local areas. However, the ability to address these issues may be limited by the resources available to the community foundation and the vision and daring of its board and staff.

Community needs change over time, and the solutions and methods community foundations use to address these needs change as well. What is appropriate at one stage of development may no longer be appropriate at another as community foundations grow and evolve to meet changing situations and needs.

¹¹ The San Francisco Foundation: www.sff.org.

¹² More information about The September 11th Fund, including the Final Report, can be found on the NYCT website:

<http://www.nycommunitytrust.org/AboutTheTrust/OurHistoryAwards/TheSeptember11thFund/tabid/622/Default.aspx>

¹³ See: ukcommunityfoundations.org/media/news_article/uk_community_foundations_flood_and_storm_appeal

¹⁴ Community Foundation for Northern Ireland: www.community-foundationni.org

1925

The New York Community Trust establishes the first fund for an overseas charity, the Moritz and Charlotte Warburg Memorial Fund, to benefit the Hebrew University in Jerusalem, organized in trust form the status of tax deductible charities.

1931

The first community foundations manual is published by the Committee on Community Trusts of the Trust Bank Division of the American Bankers Association. It contains the first survey of community foundations and their operations, and lists 74 active community foundations in the U.S. and Canada.

1931

The first donor-advised fund is established in The New York Community Trust. In 1935 the second donor-advised fund is established in the Winston-Salem Foundation.

¹⁵ In this essay a distinction is made between charity and philanthropy, based on historical definitions. Charity is defined as caring for immediate human needs in order to alleviate suffering and want. It is often carried out face-to-face, in the form of almsgiving or through personal interactions. Philanthropy is defined as being more strategic and scientific. It examines issues in a systematic way, seeking to identify root causes and bring together individuals and the resources with which to address community needs. In this sense, the aim of philanthropy is either to solve or eliminate community problems – not merely ameliorate them.

¹⁶ Andrew Carnegie wrote two articles: “Wealth,” *The North American Review*, Vol. 148, No. 391 (June 1889), pp. 653-64 and “The Best Fields for Philanthropy,” *The North American Review*, Vol. 149, No. 397 (December 1889), pp. 682-98. They were combined under the title “Gospel of Wealth” and published as the first chapter in a collection of Carnegie’s writings, *The Gospel of Wealth and Other Timely Essays*. New York: The Century Company, 1900, pp. 1-44. All references are to *The Gospel of Wealth*. Carnegie’s essay is still influential today, encouraging wealthy businessmen, like Bill Gates and George Soros, to become modern-day philanthropists.

¹⁷ *Ibid.*, p. 11.

¹⁸ *Ibid.*, p. 10.

¹⁹ *Ibid.*, p. 43.

²⁰ It is also interesting to note that, in this day and age with the focus in the U.S. on lowering taxes on the rich, Carnegie also looked favorably on the taxing of estates in order to redistribute wealth. *Ibid.*, 10-12.

Community foundation structures also have changed over time. The 100-year history of community foundations in the United States provides a good example of organizations adapting to changing circumstances.

HISTORICAL ORIGINS OF COMMUNITY FOUNDATIONS IN THE UNITED STATES AND HOW THEY GREW

Community foundations in the United States came into existence in the early twentieth century at the same time as the newly emerging private foundations, created from the vast industrial wealth of individuals like Andrew Carnegie, John D. Rockefeller, and Olivia Sage (Mrs. Russell Sage). Community foundations arose in order to solve the same vexing problems which the private foundations were designed to address, namely:

- what to do with excess wealth, and
- how to solve a community’s social and economic problems in a scientific manner by addressing root causes rather than providing charity, which often was seen as ineffective.¹⁵

Andrew Carnegie in his famous essay on “Wealth”¹⁶ stated his belief, based in Social Darwinism, that it was a law of nature that men of superior talents and abilities would and should be rewarded with riches. The question for him was not whether men deserved to be rich. It was: what were the responsibilities of men of wealth to their families, their fellow citizens and their communities?

Carnegie believed that wealth should be redistributed. “The proper use” of a rich man’s fortune was for “public ends” to “work good to the community from which it chiefly came....”¹⁷ He felt leaving large sums to one’s heirs would be destructive for them and for the country; he did not want to see the creation of a hereditary aristocracy, which, he believed, would be inimical to democracy.

Leaving charitable bequests in perpetuity was also problematic. “In many cases the bequests ... become ... monuments to ... folly.”¹⁸ Carnegie’s solution was to use the administrative talents of the rich to manage excess wealth for the benefit of mankind, believing that those who had risen to the top could make better long-term decisions on the use of wealth than ordinary people could for themselves. His often-cited belief that “he who dies rich dies disgraced”¹⁹ led him to use his money to create innovative programs like the Carnegie libraries in the United States and the United Kingdom, which provided those who were willing to help themselves with the tools they needed.²⁰

Frederick Harris Goff, the originator of the community foundation concept, was a Cleveland lawyer and banker, a man who worked his way up from modest



Ballet Folklórico México en la Piel courtesy of Kristin L. Anderson

1949

The National Committee on Foundations and Trusts for Community Welfare is organized by the board chair of the Chicago Community Trust, Edward L. Ryerson. Frank D. Loomis, the retired executive director of the Chicago Community Trust, is named secretary. It is the first national support organization for community foundations that is membership-based.

²¹ Whether or not the Cleveland Foundation was the first community foundation is sometimes debated. In the 19th century U.S. there were several major benefactions by wealthy individuals to their hometowns that some have called community foundations – the gifts of Stephen Girard to Philadelphia, Pennsylvania and Obadiah Brown to Providence, Rhode Island. Even though they make grants in the community, they have only one donor and are static. They do not raise funds from a broad spectrum of donors or change over time; they have more in common with private foundations. Similarities in form also have been noted to other historic charitable institutions in countries around the world, but for the most part these were for the benefit of communities defined by religion, rather than for a geographic area.

²² F.H. Goff to JDR, January 3, 1914, folder 277, box 26, Cleveland Foundation 1913-1956, Welfare Interests – General series, Record Group 2, Office of Messers Rockefeller, Rockefeller Family Archives, Rockefeller Archive Center.

²³ This erroneous idea about the origins of U.S. community foundations first appeared in an article, “Community Foundations Take Off,” written in 1987 by Sidney S. Whelan, Jr., Vice President of Donor Relations at the New York Community Trust. The purpose of the article was to market community foundations to financial advisors. (Trusts and Estates, Vol. 126, No. 8 (August 1987), p 14.) Whelan briefly posited that the Cleveland Trust Company established the Cleveland Foundation because it was having difficulty managing existing charitable trusts. This article became the source for the history section in a 1994 IRS training manual on community foundations and then as the source for the Legal Compendium for Community Foundations, the authoritative legal resource for community foundations, published in 1996 by the Council on Foundations. In 2013 Emmett Carson, President and CEO of the Silicon Valley Community Foundation, extended the argument by stating that the early charitable funds for community foundations came from bank transfers: “endowments given to them by the trust departments of local banks.” (Emmett D. Carson, “The Future of Community Foundations” in Here for Good: Community Foundations

beginnings. He thought deeply about the same issues as Carnegie. He grappled with them daily in his work as a lawyer creating and managing the estates of wealthy Clevelanders. Although he concurred with much of Carnegie’s thinking about the problems of excess wealth, he developed another solution. Instead of relying on the managerial elite to administer charitable funds, Goff devised a plan to marry the professional fiduciary services of trust banks, and their expertise in managing charitable trust funds, with an appointed board of citizens knowledgeable about community needs, who would take responsibility for making grants. As President of the Cleveland Trust Company he established the first community foundation through a Resolution and Declaration of Trust of his bank’s board of directors.²¹

Fred Goff did not think small. He wrote to John D. Rockefeller that his goal for the Cleveland Foundation was “to do for the inhabitants of Cleveland what you have done in a large way through the Rockefeller Foundation for mankind at large.”²²

Community foundations in the United are often said to be a response of “the banks” to difficulties they were having in managing their charitable assets. Research in the archives of the pioneering community foundations shows this not to be the case. The community foundation concept spread first through the trust bank network because Goff, one of the leading trust bankers in the United States, promoted it as a way for trust banks to be of service to their communities – perhaps the first instance of corporate social responsibility for an industry as a whole. In every case, the early community foundations were formed by individual bankers who were some of the most progressive and philanthropically-minded citizens of their communities.²³

Fred Goff is often spoken of as a “local” lawyer and banker, which has led many to see him and the origins of U.S. community foundations as inherently conservative and inward looking. This is not the case. Fred Goff was in heart and deed a reformer. He built the Cleveland Trust Company into one of the largest trust banks in the nation. In the world of banking he was known first as a reformer of banking practices, both locally and nationally. He accepted the presidency of the Cleveland Trust Company not long after the Financial Panic of 1907, a banking crisis so severe that it led to the creation of the Federal Reserve System, the central banking system of the United States. Goff’s goal was to make banks more accountable to the public, accessible to all levels of society, and financially secure. He was active in shaping the legislation creating the Federal Reserve System and helped bring one of the twelve newly-created Federal Reserve banks to Cleveland.

Goff was a social reformer concerned about issues of social justice, who worked in quiet and effective ways to improve the lives of all his fellow residents of Cleveland, no matter their background or station in life. Even when he served as a lawyer for John D. Rockefeller and the business interests of Standard Oil, he had a reputation for absolute integrity. Goff had admirers across the political spectrum. Shortly after his unexpected death in March 1923, Peter Witt, one of Cleveland’s most outspoken labor leaders, gave a radio address praising him and mourning his loss.

The community foundation structure Goff devised was the first of the two major forms of community foundations in the United States – the community trust. The other form, most common today, is corporate form, an independent charitable corporation that gives community foundations the freedom and ability to control their investments and appoint their own boards of directors.

Goff’s original plan for the Cleveland Foundation used a single trust bank to manage the charitable funds, and an appointed non-partisan board of citizens, knowledgeable about community needs, to represent the public. The majority of the board – three out of five in the case of Cleveland – were appointed by public authorities and the remainder by the bank.

The Indianapolis Foundation (1916)²⁴ pioneered the multiple trust bank form for community foundations. Three banks joined to accept funds for a single entity – the community foundation. After the New York Community Trust (1920) was established in multiple-trust bank form with 11 banks, the multiple trust bank form became the dominant organizational structure for community foundations. After Goff’s death in 1923, the Cleveland Foundation also switched over to multiple trust bank form.

Community foundations in trust form had several advantages. They could be established quickly. All that was needed was a Resolution and Declaration of Trust by a bank’s board of directors. In single trust bank form, a charitably-minded bank executive could drive the process of formation and put the resources of his bank behind the new foundation. The primary advantage of multiple trust bank form was that more potential donors would be made aware of community foundations through the banks’ trust officers, acting as financial advisors to the wealthy, and the community foundation would be seen as a community asset rather than controlled by and for one bank.

Goff’s message of community service resonated with many of his fellow bankers. Goff began promoting the community foundation concept to the trust bank network soon after he became President of the Trust Company Section of the American Bankers Association in October 1913. It was largely through his

and the Challenges of the 21st Century, eds. Terry Mazany and David C. Perry. Armonk, NY: M.E. Sharpe, 2013, p. 47.) There is no evidence to support this. The records of the pioneering U.S. community foundations show that their funds came from charitably-minded individuals who wanted to give back to their communities. As a point of law, charitable trusts exist as separate legal entities and could not be transferred by the banks into community foundations, then or now, without the approval of the relevant law courts.

²⁴ The Indianapolis Foundation merged in 1997 with the Legacy Fund, another local community foundation, to form the Central Indiana Community Foundation: www.cicf.org.

1950

The second survey of community foundations is conducted by Loomis and published by the National Committee. It lists 90 community foundations in the United States.

1957

The National Committee is incorporated in New York as the National Council on Community Foundations. It hires its first full-time executive director, Wilmer Shields Rich. A year later it allows private and corporate foundations to become affiliate members.

1964

The National Council opens its membership to all grantmaking foundations and changes its name to the Council on Foundations.

THE LARGEST U.S. CITIES WITH COMMUNITY FOUNDATIONS BY 1920

Just 6 years after the formation of the Cleveland Foundation, only two of the 21 largest U.S. cities, those with populations of 300,000 or higher, did not have community foundations: San Francisco, California, and Kansas City, Missouri. However, not all community foundations established in this era survived or continued as independent and fully functioning community foundations. By 1931 the community foundations in Pittsburgh and Cincinnati were said to have ceased operations. The current Pittsburgh Foundation was formed in 1945; the Greater Cincinnati Community Foundation in 1963. Other cities on this list also had to re-establish their community foundations: Detroit, Baltimore, Washington, D.C., Newark, New Orleans, and Seattle. The San Francisco Foundation was not formed until 1948; the Greater Kansas City Community Foundation in 1978.

1914 1915 1916 1918 1919 1920

CLEVELAND, OH
POP. 796,841

ST. LOUIS, MO
POP. 772,897

CHICAGO, IL
POP. 2,701,705

PHILADELPHIA, PA
POP. 1,823,779

PITTSBURGH, PA
POP. 588,343

NEW YORK, NY
POP. 5,620,048

BOSTON, MA
POP. 748,060

DETROIT, MI
POP. 993,078

NEW ORLEANS, LA
POP. 387,219

WASHINGTON, DC
POP. 437,571

BALTIMORE, MD
POP. 733,826

LOS ANGELES, CA
POP. 576,673

MILWAUKEE, WI
POP. 457,147

NEWARK, NJ
POP. 414,524

BUFFALO, NY
POP. 506,775

MINNEAPOLIS, MN
POP. 380,582

INDIANAPOLIS, IN
POP. 314,194

CINCINNATI, OH
POP. 401,247

SEATTLE, WA
POP. 315,312

²⁵ The 21 largest U.S. cities according to the 1920 U.S. census had populations of 300,000 or greater. The list of community foundations provided in Community Trusts in the United States and Canada, Table VI, p. 20. Trust Company Division, American Bankers Association, New York, 1931 is cross-referenced with census data. Gibson, Campbell, Table 15. 100 Largest Urban Places 1920. Population of the 100 Largest Cities and Urban Places. Population Division Working Paper No. 27, U.S. Census Bureau. Internet release date, June 15, 1998. Available at: www.census.gov/population/www/documentation/twps0027/tab15.txt

²⁶ Community Trusts in the United States and Canada, 1931.

promotional efforts that community foundations were established in 19 of the 21 largest U.S. cities and all across the nation by 1920.²⁵

In 1920 the Trust Company Section established its Committee on Community Trusts to promote the community foundation concept and provide a forum for lessons learned from existing community foundations. The Committee was organized and chaired by Frank J. Parsons, the New York banker who was the driving force behind the establishment of the New York Community Trust. The Committee functioned as the first support organization for community foundations. It held community foundation conferences, published a Community Trust Bulletin, and in 1931 published a survey of community foundations and manual for community foundation operations.²⁶ At the conferences attendees learned from each other how to be a community foundation. Boston taught them how to do grantmaking; Chicago how to do fundraising, and Cleveland the larger picture of why community foundations mattered.

The onset of the Great Depression effectively broke the connection between community foundations and trust banks. Ten years after his death, trust bankers were still remembering Goff's call to service which exemplified the highest duty for trust bankers, and how the lack of bankers with his qualities had brought about this new financial disaster. For U.S. banks, facing an existential crisis, community foundations no longer seemed a high priority. The Committee on Community Trusts shut down. Community foundations struggled to survive the Great Depression. Those that were well established and had money to grant did what they could to deal with the effects of the severe economic downturn. Other community foundations, with diminished support and few resources, did not survive. Some became charitable trusts within their sponsoring banks.

After World War II, community foundations in the United States entered the second stage of their development. In 1949 they established their own national, member-based support organization to continue promoting the community foundation concept, provide technical assistance to emerging community foundations, lobby the federal government for tax advantages, and share lessons learned. Eventually this organization opened up its membership to all grantmaking foundations and changed its name in 1964 to the Council on Foundations.

New community foundations increasingly were being established in corporate form. Even community foundations that were in trust form adopted strategies for opening up their operations, either by establishing a corporate branch or by breaking the trust agreements by going to court. Appointed boards also were seen as too restrictive. The older community foundations dealt with this by amending

their charters to increase the number of board members who were chosen at-large by the boards themselves.

Perhaps the biggest change for U.S. community foundations was in the ways they worked with living donors. Goff's initial idea for the Cleveland Foundation was that it would be endowed and built on deferred giving – bequests, insurance trusts, and charitable remainder trusts. He chose this strategy because Cleveland had a highly developed charitable infrastructure that relied on annual giving. Cleveland's first great innovation in philanthropy – the United Way model – was developed only one year before the Cleveland Foundation. A focus on deferred giving meant that in the early years community foundations grew slowly, even though a number of community foundations, such as Boston and Chicago, did receive large initial gifts from living donors.

One of the major forms of giving to U.S. community foundations today are donor-advised funds. Donor-advised funds are not new. The New York Community Trust established the first one in 1931. With donor-advised funds, donors make the gift to the community foundation which controls the asset. Donors are given the opportunity to recommend grants to established charities. The advantages for community foundations are the increased pool of donors to community foundations and access to more wealth with which to fund operations and make grants; the downside can be that donors fund causes they care about, not necessarily the highest priorities for their communities. Increasingly, U.S. community foundations have become adept at educating donors and making them partners in funding priority needs.

The push towards donor-advised funds was accelerated by the formation of the Fidelity Charitable Gift Fund in 1991, a non-profit arm of the for-profit Fidelity Investments. Since that time numerous gift funds have been established by for-profit entities to accept donor-advised funds. The commercial donor-advised funds were first seen as competition for community foundations. Community foundations had to learn how to market and compete for charitable dollars. It soon became clear that the commercial gift funds did not have expertise on local non-profits and could not advise their clients effectively about charitable giving. If donors know what charities they want to fund, a gift fund like Fidelity, which excels at processing payments, is a good choice. If donors are looking for local expertise and a connection to their communities, community foundations are the better option.

The evolution of community foundations in the United States shows the adaptability of the community foundation concept. Just as U.S. community foundations have changed over time, one can expect that community foundations around the world will grow and change as they respond to new realities.

1969

The Tax Reform Act of 1969 sends shock waves through the foundation community. Serious restrictions and harsh penalties are levied on private foundations. Community foundations are given the preferred status of 501(c)3 public charities and are not subject to these restrictions. As a result the number of community foundations begins to grow, while the number of private foundations stagnant.

1982

The Charles Stewart Mott Foundation, believing that meaningful change comes from engaged communities, partners with the Council on Foundations to deliver technical assistance to new and emerging community foundations, a program that lasts until 1996.

1991

Fidelity Investments is given IRS approval to establish a non-profit arm, the Fidelity Charitable Gift Fund to accept funds for charitable purposes. The creation of a commercial gift fund is a wake-up call for community foundations. For the first time they have serious competition, just as the "intergenerational transfer of wealth" from the World War II to their heirs is taking place. Community foundations organize an effort to "brand" community foundations and define what is their "value added." Community foundations band together to increase their expertise in communications and marketing. They build a set of common tools that individual community foundations can customize and use. The new-found focus on donor-advised funds changes how community foundations operate and brings them significant new assets.

CHALLENGES FOR THE TWENTY-FIRST CENTURY

Questions have risen recently about the relevance of community foundations in an increasingly globalized world: What is the place of community foundations, with their local focus, in an age when the economy is global and concepts of community cross borders? Most community foundations have a defined area of benefit in which they make grants from their own funds, although grants from donor-advised funds usually are not bound by these restrictions. The history of the New York Community Trust (NYCT) provides a point of comparison. New York is one of the most cosmopolitan cities in the world. Recognizing that its donors had interests beyond the city, the NYCT never put any geographic restrictions on its grantmaking. One of the first funds it received (1925) was to benefit the Hebrew University in Jerusalem. The 1931 manual published by the Committee on Community Trusts (almost certainly written by Ralph Hayes, the executive director of the NYCT) recommended that community foundations either place no geographic restrictions on their grantmaking or make their geographic restrictions very broad. He was certain that the assets of community foundations would grow to the point where they would have more money than they could spend locally. The Silicon Valley Community Foundation, situated in the heart of the new economy, has a donor base that is drawn from around the world; the philanthropic interests of its donors are global. It is natural and appropriate that the community foundation and its donors define their community as being worldwide. It is just as appropriate that local communities, such as Cleveland, which are experiencing the downsides of global economic restructuring, focus on the needs in their areas, which have the highest priority for the people who live there.

Community foundations around the globe have structural elements in common and operate in open and accountable ways. They have a number of roles and strategies they can draw on to address community needs. There is, however, no formula, no “right” way to be a community foundation. Community foundations will develop an agenda that best suits the communities they serve. The most important attribute that all community foundations share is their commitment to involving local people in decisions about how to change their communities for the better.

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2014

As community foundations in the U.S. celebrate their 100th anniversary, the Foundation Center identifies 763 community foundations actively making grants.

