

Are Community Foundations Living Up to Their Promise?

A Conversation with Terry Mazany

Editors' note: In this conversation with Terry Mazany, senior vice president for philanthropy at the Community Foundation for Greater Atlanta, we talk about community foundations and their role as intermediaries for individual donors. Although these foundations exist in many of our communities, their current construct and the core purpose they are meant to serve vary and may sometimes be lost in their many faces or aspects, especially vis-à-vis their attempts to distinguish themselves from commercial funds. Our intention with this interview is to refocus readers on what that core purpose is and what may be needed to help these foundations and their communities thrive more substantively together. In the course of the discussion we also talk about donor-advised funds and community foundations' stance—or lack thereof—in advocating for their regulation.

Nonprofit Quarterly: Terry, in that our future is informed by our understanding of the past, can you start with your own introduction to the historic role of community foundations?

Terry Mazany: I was CEO of record, taking The Chicago Community Trust, one of that group of second oldest community foundations, through its one hundredth anniversary, and was pretty steeped in its history and the founding. So, I have a pretty good sense that community foundations were established as civic leadership institutions





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that had a dual mission to serve the contributors of capital funds and recipients of those funds.

The origins of community foundations can be traced to the inspiration provided by a little book published in 1911, *Seven Great Foundations*.¹ The community foundations rising up at a point when there's clear recognition that what were called the seven big philanthropies at the time—Carnegie and Rockefeller and all the others—were a means for others to act more philanthropically and generously in their communities, but with an important distinction: that the directors of these foundations were drawn from the community, albeit the equivalent of the top 1 percent or 10 percent.² And that holds today. But still, there is an accountability, outside of a closed-board composition or a family, that I think is an important distinction for the role of community philanthropy, and that's guided by the issues of the community and the sense of accountability to that community.

And early on—at least in Chicago, and clearly in Cleveland (i.e., the Cleveland Education Survey, which came out of the Cleveland Foundation), and other places—there were no funds available, so these foundations spent their time and attention on community surveys and identifying community needs to bring to the attention of the residents and civic leaders. And they got great traction. A big Americanization survey produced by The Chicago Community Trust in 1920 identified that more than half of the residents in Chicago were not English-language speakers, because of the influx of the new waves of immigrants, for instance³—and, very helpful, the pioneering 1922 Cook County Jail Survey looked at the deplorable conditions of the jail—both of which led to reform efforts.⁴ So, there was a good recognition of the role of civic leadership and government—and, I think, an accountability there.

NPQ: *You referenced this just now, and we think it's important to recognize that while this new wave of community foundations may not have been a single family or a single rich human being, they were the elite of the community trying to figure out what the rest of the community needed—and that has some*

relatively negative connotations these days. We're still seeing some diversity statistics—even among the community foundations—in terms of leadership and boards that are of concern. Can you talk a little bit about if and how that is moving along?

TM: Yes, and that's an important aspect of this. My view as CEO is that a community foundation needs to reflect and represent the diversity of the communities it serves, and it has to lead that commitment to diversity and inclusion by example. I'm very proud of the fact that during my tenure we moved from a predominantly white male board to a board that was majority people of color, people with disabilities, and female—and with a female chair. This level of diversity was unmatched by any large nonprofit in the Chicago region, and I think that's part of a faithful reflection of a community foundation.

Another feature concurrent with that is an adherence to principles of diversity and inclusion reflected in the uses of all of the assets of the foundation—be it the staffing, the grant distributions, the contracting and purchasing, the donor engagement. Diversity and inclusion principles applied across the board, in other words. This ethos led to the establishment of a wide range of giving circles: African American Legacy; Nuestro Futuro; LGBT Community Fund; Pillars Fund (which was one of the country's first American Muslim funds, and which has grown to a point that it spun off and is national in its reach); Disabilities Fund; and so on—so that people could see themselves reflected as being philanthropists and leaders in their community.

In *Here for Good*, a book I coedited with David Perry in 2014, we were making the case that community foundations are the quintessential anchor institution, because our mission *is* the community we serve—unlike the traditional designated anchor institutions of higher education and medicine, which ultimately have missions that diverge from the interests of the community.⁵

NPQ: *So, let us make a little bit of a pivot here. There are a lot of community foundations—or there were—which, if you asked them who their primary customer was, would say “the donor.”*

TM: Yes.

NPQ: *Often, community foundations lead with their asset size, and it's all about growth, growth, growth. So, how do you resolve that contradiction—or evident contradiction?*

TM: This goes to the heart of the concern that I'm raising: that a community foundation has a dual mission to serve the community, where the needs are expressed, and the contributors of the capital, the donors. And when it becomes narrowed to only one, the community foundation, I think, loses its ability to be maximally impactful to add the greatest value to the community. I think it feeds into the issue that Anand Giridharadas called out in *Winners Take All*, and that community foundations have the ability to be an honest broker of interests.⁶ I think that's a vital role, and the priority that community foundations should lead with.

To me, where the confusion grows is when you start from the growth angle, the asset

accumulation. You sacrifice the original purpose of a community foundation as a civic leadership institution. In my experience, few donors actually care about a community foundation or want to give money to it, per se. They're either looking for transactional benefits or they see it as a means of moving dollars to the causes they do care about—but they don't give to the community foundation for its own sake. It's all about claiming the identity of the community foundation, and the only way to change that perception is for the community foundation to live up to the identity of a civic leadership institution that brings demonstrated value improving the community that it serves. And my contention is that if you lead, the money will follow, because then you can demonstrate the value add.

NPQ: *But you're not really asking everyone to believe that these are the principles by which all community foundations function, right?*

TM: No, they don't. There's a wide continuum.

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In my opinion, every community foundation has a responsibility to try to reach into that swirling mass of trillions of dollars of wealth transfer circling the globe, and try to grab and pin to their locale those resources that most likely originated from that community and that become available for present and future needs.

NPQ: *Can you describe the parameters of that continuum?*

TM: The continuum spans those that are organized as financial services institutions for donors to those that are vital, indispensable civic leaders in their community. I'll give you one of my favorite examples: the Incourage Community Foundation, in southern Wood County, Wisconsin, led by Kelly Ryan.⁷ It has modest assets and a limited capacity to grow assets; and yet that county's resurgence and revitalization is so much in the debt of a courageous community foundation leader and staff, who saw the big-picture problem of a community abandoned by its one industry, and have revitalized the economy and the lives of the residents in a very caring, compassionate way. It is an extraordinary story that defines the essence of an anchor institution. The point being, they're doing what they need to do, irrespective of asset level and number of DAFs.

NPQ: *Let's turn for a minute to the whole donor-advised-funds discussion. As you know, NPQ has some recommendations around reforms, but we don't consider DAFs to be the devil's work, by any means. One of the things we hear about at NPQ is the attempt by community foundations to distinguish themselves as significantly different from the so-called commercial funds in their legitimacy to hold and manage DAFs. Can you talk a little bit about that? We feel that rather than saying, "Look at them, don't look at us," it would be more useful to folks to say, "The whole field does need certain kinds of reform." We think a lot of people are confused about DAFs, and the approach of trying to distinguish community foundations from so-called commercial funds may be one more obfuscating tactic.*

TM: Let me put it into the broader context of the questions that are emerging around capitalism, and seeing that in its present form it's leading to this accelerating disparity of incomes, for instance, and that the free-market principles are leaving populations and communities behind.

One of the hallmarks of capitalism has been its extractive nature, be it minerals and wealth

from the land or the extraction of capital from low-income neighborhoods through rents and basic services. For example, this is the circumstance confronted by the Incourage Community Foundation—rallying the community after it had been abandoned by the extractive business. And, to me, the commercial gift funds are an example of that extraction of a community's philanthropic wealth from the community, from the hands of residents or leaders in that community. A community foundation serves to root that philanthropic capital deeply into the community for the needs of that community.

This has implications for how we think about the transfer-of-wealth phenomena. In my opinion, every community foundation has a responsibility to try to reach into that swirling mass of trillions of dollars of wealth transfer circling the globe, and try to grab and pin to their locale those resources that most likely originated from that community and that become available for present and future needs. In my mind, community foundations are the stewards of a city's or a region's philanthropic endowments; and to this point, I had the benefit of a hundred-year-old institution that was a demonstration—indeed, proof—of the value of those endowments that were created well before I was even born, and stewarded by my predecessors. But I had the great benefit of resources to apply to the contemporary needs that we faced.

NPQ: *Understanding that that's at one end of the continuum, and that there are other community foundations elsewhere on the continuum, we're pretty clear about the fact that many donor-advised funds don't want advice from where they give; they want a place to put their money and give from it. And that's certainly been true almost since the inception of DAFs. There are some who do want advice and would like to meet with other donors who are interested in, say, substance abuse or women's health or whatever, but there are many who really do use the donor-advised fund just as a pass-through—and that's true for community foundations as well as for the commercial funds. So, what's the sharp distinction?*

TM: I agree. You have a similar continuum of individual donors in that regard. For a community foundation, it's an opportunity to grow and evolve that relationship—with the hope and intent, for instance, that donors who actively use their donor-advised fund may evolve their giving into a planned gift left in perpetuity for the community. That's proof of a satisfied customer, in a sense. And where we're our own worst enemy is in having unlimited successor advisors to these funds. That was changed in Chicago to no more than two generations, but that's still seventy to ninety years—way longer than I would like.

But I think that part of the reasoning here is that it creates the basis for a relationship to deepen education around the importance and impact of philanthropy, and a future contribution to the region or city's endowment. But I've seen people use it for a specific purpose and then empty out the fund when it's run its course, and either move or become disconnected from the foundation. So, there's no guarantee.

I think with the commercial gift funds, because they're national platforms, they're predicated on a model of giving that is unmoored from place, and I think that it reinforces that it is solely about the individual's philanthropic inclinations. And to me, the most troubling part is that those dollars are extracted from the community. This is further compounded upon the passing of the donor. Those dollars may end up getting aggregated into a national philanthropic pool that is now administered by individuals who have no connection to the place that was maybe near and dear to the donor or where the donor was able to create his or her wealth.

NPQ: *Are you now talking about the Fidelity Charitable Trustees' Initiative?*

TM: Yes, as one example.

NPQ: *This segues right into one of our major questions about this whole thing, which is that we really don't know if there is a significant difference between those national funds and*

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community foundations in terms of people giving to their own locality. There are some community foundations where there's a lot of international giving—Silicon Valley Community Foundation, for one, and the Hawaii Community Foundation. This makes some sense; we can understand why that would be, because people may be connected to multiple places. But because there's so little transparency from both the community foundations and the charitable gift funds, we can't actually look at whatever contrasts there may be. And we don't understand the resistance to at least the pieces of the reform that might give us a little bit more information about how money moves through those funds. And that would include a number of things, obviously, like payout rates—but it might also include some information about who people give to, from what platforms, and if there is a significant difference in the end recipient of grants based on whether they come from a community foundation or a commercial fund.

TM: If we're looking at what it would take for this to actually happen, it would require leadership by the larger community foundation group, which would need to accept and own this issue and try to drive it. But even then, there is not a representative structure for community foundations. Action by the larger community foundations would probably alienate a number of foundations in the field—so that's hard to do.

And I think it will also run aground on just some technicalities, where the vast majority of community foundations are dependent upon antiquated software that simply doesn't have the data and reporting horsepower that would be required to do what you've proposed. The commercial gift fund, that's their business, operating at a massive scale with large data systems—and they would have the resources to reprogram. Some of the larger community foundations could do that; but if the IRS were to require this, then technical-assistance funding would need to be provided for the field—say, \$25 million—for a data consortium to create the standards, reporting, and software options out there for community foundations to adopt in order to be able to conform to those regulations.

NPQ: So, that's what it would cost, \$25 million? That was a shot in the dark, right?

TM: Yeah, it was a reasonable order of magnitude. I know that \$1 million would be too small and \$100 million would be outrageous.

NPQ: Maybe the charitable gifts fund should pay for this for everybody.

TM: You're absolutely right. And that could help to broker peace in the land.

NPQ: Barely! What do you think is the likelihood that the IRS will require—or that Congress will ask the IRS to require—something more of donor-advised-fund sponsors sometime within the next five years?

TM: Here's how I would see the path to that eventuality. The federal government is increasingly hungry for money for its own requirements, particularly with the continued growth in the deficit. So, wherever you can draw a line between revenue required for the government and a source for that revenue, chances are that connection will be made. When we look at the last bastions of tax deductions being charitable giving and the mortgage deduction, and just a few other things, I would say there's a high likelihood that charitable activity will come under scrutiny. And should there be a senator or congressional representative who takes particular interest in it, like Senator Chuck Grassley [of Iowa], it will only take one person to be able to make it a cause and direct substantial attention to the issue—and I would think that could happen. It could be from a conservative position, a liberal position, or a libertarian position.

NPQ: Right. Yeah, we don't necessarily see partisan-based positioning around this right now. And, you know, very likely DAFs are lucky. . . . And we say this with a lot of pain, but the hospitals have been acting so badly lately.

TM: And then you have the higher ed endowments, and things like that.

The last piece that I would add to this brings us back, I think, to the starting point. When I visit and work with other community foundations—primarily through the Community Foundation

Opportunity Network—what I find invaluable, particularly for community foundation boards of directors and staff, is for them to think deeply about their identity and how they frame and communicate that identity, their intrinsic value to the community they serve.

If you review community foundation websites, for instance, typically you're greeted immediately by language for professional advisors about setting up a fund or for donors to make a contribution. And what of the leadership the community foundation has been providing to the place it serves? It's rare to see that as the lead story on a community foundation website. It's as if the pendulum is swinging toward singularly serving half of their mission, and that is the donor side of it—and it's reflected in their marketing messaging and collateral.

But the good news is that when that is pointed out to community foundations, and when they consider that, we see an amazing metamorphosis, where that leadership reconnects with the essence of their community.

In Chicago, for instance, I had the magical gift of the *Plan of Chicago*, in which Daniel Burnham and Edward Bennett write about the spirit of Chicago. It's an incredible statement. To quote: "This same spirit which carried out the Exposition in such a manner as to make it a lasting credit to the city is still the soul of Chicago, vital and dominant; . . . it makes the occasion; it attracts the sincere and unselfish; it vitalizes the organization, and impels it to reach heights not believed possible of attainment. This spirit still exists. It is present today among us. Indeed, it seems to gather force with the years and the opportunities. It is even now impelling us to larger and better achievements for the public good. It conceals no private purpose, no hidden ends. This spirit—the spirit of Chicago—is our greatest asset. It is not merely civic pride: it is rather the constant, steady determination to bring about the very best conditions of city life for all the people, with full knowledge that what we as a people decide to do in the public interest we can and surely will bring to pass."⁸

I couldn't have had a better gift than that language as the wellspring for the founding, just six years later, of The Chicago Community

Trust—founded on that spirit. That's what we stood for, and that's what we championed—this public interest, this public good—and everything followed. That became our standard and the mirror we held up to ourselves. And when I encourage community foundations to think about rediscovering those impulses that led to their founding, magic happens.

NOTES

1. Leonard P. Ayres, *Seven Great Foundations* (New York: Russell Sage Foundation, 1911).
2. These were: Peabody Education Fund, John F. Slater Fund for the Education of Freedmen, Carnegie Institution of Washington, General Education Board (John D. Rockefeller), Carnegie Foundation for the Advancement of Teaching, Russell Sage Foundation, and Anna T. Jeanes Foundation.
3. Frank D. Loomis, *Americanization in Chicago: The Report of a Survey* (Chicago: The Chicago Community Trust, 1920).
4. The Chicago Community Trust produced another study in its series of social surveys, that of the Cook County Jail; see George Washington Kirchwey and Frank D. Loomis, *The Cook County Jail Survey* (Chicago: The Chicago Community Trust, 1922).
5. Terry Mazany and David C. Perry, eds., *Here for Good: Community Foundations and the Challenges of the 21st Century* (New York: Routledge, 2014).
6. Anand Giridharadas, *Winners Take All: The Elite Charade of Changing the World* (New York: Alfred A. Knopf, 2018).
7. Kelly Ryan stepped down as CEO after more than twenty years on October 31, 2019. Incentive Community Foundation, "Incentive honors departing CEO," press release, October 24, 2019.
8. Daniel H. Burnham and Edward H. Bennett, *Plan of Chicago* (Chicago: Commercial Club of Chicago, 1908), 8.

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