

Common Misconceptions



Community Foundations are only for the rich.

Not so. In fact, the exact opposite is true. Community Foundations were originally created and exist today to give the not-so-rich the same option that the wealthy have always had: namely, to set aside a sum of money that will yield income in perpetuity for charitable purposes.

Community Foundations do the same work as United Way and other charities.

The truth is that Community Foundations support and complement the work of the United Way and other charities. The United Way and most charities depend upon regular income from annual campaigns to fund operations. Community Foundations represent the community savings account that can provide unusual, one-time, or venture capital for the entire nonprofit sector. Their unrestricted assets are not tied to a specific charity/program but rather serve the entire community.

Community Foundations are expensive to operate.

On the contrary - Community Foundations are structured to provide economies of scale. By pooling the gifts of many for management purposes, operating expenses are kept to a minimum. The operating scale is what allows individuals to invest relatively small amounts in a permanent charitable fund.

Community Foundations are controlled by an elite group.

Actually, Community Foundations are "controlled" by community boards of local citizens carefully chosen to represent the community's best interests. These individuals are widely recognized for their service to the community and for their reputations as community leaders. In addition, many Community Foundations organize a number of advisory groups to assist the governing board with its responsibility to recognize broad community interests.

Community Foundations drain away funds that should go to other charities

Community Foundations are not end users of community capital. They are conservators of community capital. Community Foundations normally do not seek annual gifts as do most charities, but focus rather on those special times when community donors can establish permanent Funds from their own capital resources. Such times as when considering a will or an estate plan, the sale of property or a business, at times of an unusual capital gain, or when a perpetual memorial to parents or other loved ones seems in order. As a service to other nonprofits, Community Foundations also frequently hold their designated endowment funds.

Community Foundations are like private foundations.

They are, in fact, quite different from private foundations by law and by governance. Community Foundations are classified by tax law as public charities, as are the Red Cross and the Salvation Army, to name a few. They, therefore, provide donors with the maximum tax advantage for gifts, since they are "owned" by the community, unlike private foundations that are "owned" by the donor or his designees.

Community Foundations spend all their money each year and have to replace it with new gifts annually.

Many gifts to Community Foundations are intended to create permanent Endowment Funds. Community Foundations spend only income from these Endowment Funds each year. The principal amount remains, in perpetuity, as the community's asset. Although new gifts normally are added to the permanent asset base, donors may specify at the time they make the gift that all or a part of the gift is to be distributed for charitable purposes.

Community Foundations only support special interests.

The reverse is actually true. Community Foundations serve a broad range of charitable interests and reflect the wishes, needs and convictions of the entire community. Anyone is welcome to establish a Fund with his or her particular interest in mind. Other Funds may be entirely discretionary. Over time, as Community Foundations grow, these collections of Community Funds reflect the wide variety of interests and needs of donors and the entire community the Community Foundation serves.

Community Foundations are agencies of government.

Community Foundations have no official relationship to government. Many even prohibit elected officials from serving on their boards while holding public office. They are products of community generosity entirely outside the flow of tax-supported agencies. Governments do, however, often call on Community Foundations and their expertise in dealing with community issues and, on occasion, turn to Community Foundations for help in designing programs and disbursing government grants for special community needs.

Community Foundations are inaccessible to most people.

In fact, Community Foundations are "user friendly". They work hard at being approachable to all within their sphere of influence, and they work equally hard at being visible to the public. But doing good work does not necessarily guarantee visibility, especially if the good work itself and not the credit is the focus.