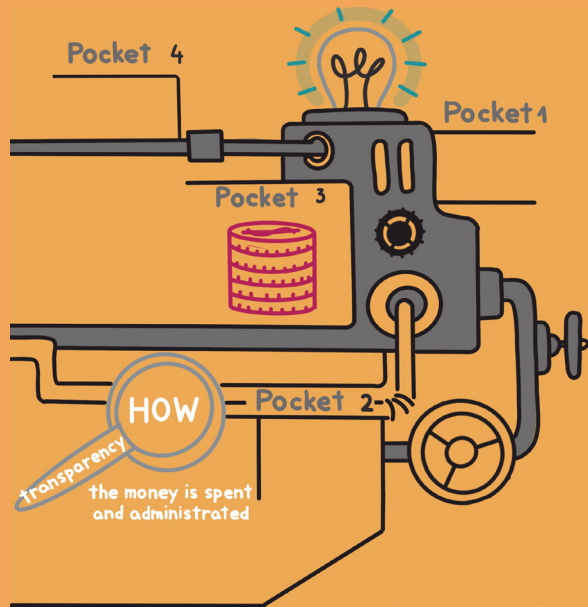


Funds as a key
mechanism



Funds as a key mechanism



WHY FUNDS?

Funds are one of the main ways the community foundations can organize their work.

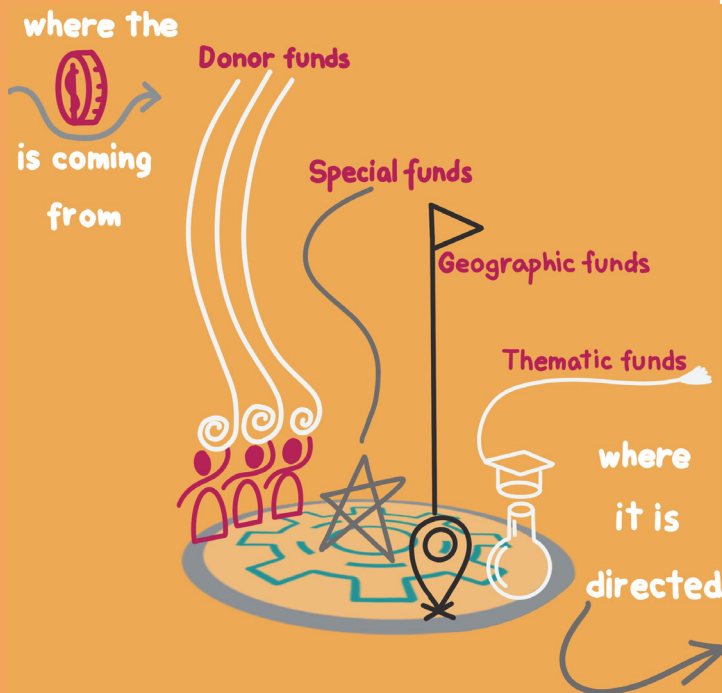


I remember a great aha moment when we learned in Romania about the different types of funds. It really stirred our imagination.

These funds would make it clear for donors how their money is spent and clear for grantees what the program is about. They would also help the foundations administer the money in a transparent way, while also maintaining a high flexibility due to the diversity of funds they operate.

I started to think about them as sort of accounts you would have in a bank, each coming with their own bank statement, showing who contributes and how the money is spent. I also like to envision them as pockets which have a clearly defined purpose.

Funds as a key mechanism



TYPE OF FUNDS

There are different types of funds that community foundations use, depending on where the money is coming from, where it is directed to or a combination of these two.



Donor funds are based on the contributions from one donor who could be an individual, a family, a company or a foundation. They are aligned with the donor's philanthropic goals.

Thematic funds are built to support a certain development need in a community or a specific group of beneficiaries.

Some examples include the fund for youth, for revitalized neighborhoods, or for science education.

Geographic funds are built to support a certain neighborhood, a town or a village in the area covered by the foundation.

Special funds can be created to support a certain philanthropic mechanism of the foundation. For instance, the fund for Swimathon, for a donor circle or for an endowment. They can also be combinations of the funds above.

We can also make a distinction between flow through funds and endowed funds.

In the case of **flow through funds**, money is distributed as grants.

The **endowed funds** are permanent because the capital is invested and only its yield is distributed annually in community.

Funds as a key mechanism



VALUE FOR DONORS

For donors, the value of community foundations is to work within a transparent framework for giving, one that places an emphasis on effective governance and sustainable transformation.



A community foundation helps donors create **giving strategies**, which are responsive to community needs and assets. It also brings value in terms of measuring impact and managing resources well.

A community foundation brings to donors **opportunities for the leveraging of resources** by building donor communities and setting up funds that collect money from multiple contributors.

Through this process, they facilitate the pooling of resources towards important themes or areas of community life that need support. This allows the resources of each donor to build synergies for interventions with a bigger, wider and longer term impact.

Donors can understand better the variety of needs and configuration of local communities through the knowledge generated by the foundations. They can pick the best areas of support also with their advice.

Community foundations are managers of the grant portfolio from the resources of a particular donor or group of donors.

This is done through identifying grantees, managing communication and administrative processes, and evaluating the results and impact of the grants.

Through all these ways of working, a community foundation can act both as a philanthropic advisor and a manager of donor resources, allowing for more effective investments in transformative community interventions.

Funds as a key mechanism

FUNDRAISING VERSUS FUND DEVELOPMENT

It can be helpful to distinguish between fundraising and fund development initiatives of a community foundation.



In the case of fundraising, we are looking at a process that aims to raise resources for a predefined scope – either the broad mission of the organization or a specific issue, program or project.

In the case of fund development, the foundation engages its prospective donors to define the goals of the fund. It is a way to help donors clarify and achieve their philanthropic objectives.

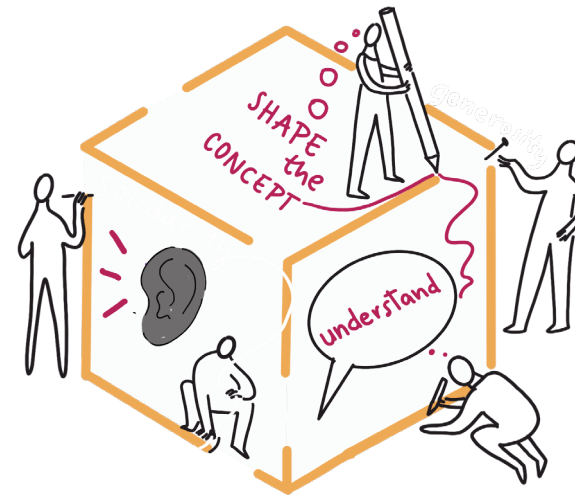
While most of the NGOs fundraise for their mission or programs, community foundations can focus more on fund development and on being a platform for fundraising initiatives of other NGOs and local groups.

At the same time, they may carry some fundraising activities for general purpose or endowment to support the overall mission of the foundation, for specific programs they have or for thematic funds.

Choosing a fundraising or a fund development perspective places the foundation in a different position in the relationship with the donor.

In the **fundraising perspective**, the foundation engages with the prospective donor as a potential supporter to its mission, programs or objectives.

In the **fund development perspective**, the foundation becomes a supporter for the donor mission, goals or objectives.



www.inspire-change.org

Funds as a key mechanism



There are of course plenty of real life situations that fall between these two categories and we can view them as a partnership relation between the donors and the foundation, with contribution to shared goals.

While in many cases we are looking at a **partnership framework**, it can still be helpful to distinguish if this is more rooted in fundraising or fund development practice, with clear implications on how donors and the foundation team view the relationship.

Fund development initiatives offer donors more ownership and choice to direct their philanthropic resources for specific goals, strategies or theories of change.

If you go to a restaurant, there are different experiences you can have. You could go to a restaurant with a fixed menu, you could go to one that has several options for you to pick from, or you could go to a restaurant where you get to create your own meal with the support of the chef.

Which one would you prefer? It is similar in the case of the donor experiences with different mechanisms and tools of the community foundation – they can choose whether to support a certain offer or not, they can pick between different offers or get support to build a personalized fund, based on a shared creative process between the donor and the foundation team.