



Community Foundation Definition

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Community foundations (CFs) are instruments of [civil society](#) designed to pool donations into a coordinated investment and grant making facility dedicated primarily to the social improvement of a given place. Community foundations are a global phenomenon with 1700 existing around the world of which over 700 are in the United States.

Community foundations are independent registered philanthropic institutions serving geographically **defined** territory, typically a city or administrative area (county, region and the like). The six main characteristics of the CFs are:

1. Act as grant-making foundations – e.g. give grants to support development projects
2. Their mission broadly defined (e.g. to improve quality of life in a community)
3. Serve geographically defined communities – a city, state, region, district or province
4. Are supported by a broad range of private as well as public donors and seek philanthropic contributions primarily from inside the community
5. Are governed by multi-sectoral local boards reflecting the community
6. Build capital endowment, which is an important element of sustainability

It is a combination of all these basic characteristics what makes a true CF, although there are many other types of community organizations that have some of these characteristics.

Families, individuals, businesses, and nonprofit groups establish funds within community foundations into which they can contribute a variety of assets to be used for charitable purposes. The people or organizations that establish the funds can then recommend that grants be distributed, in the name of the fund or anonymously, to qualified nonprofit groups and schools. In the USA the donor receives a charitable deduction in the year that gifts are made into their funds, but not all countries where community foundations currently operate provide such incentives for donors. Increasingly, community foundations are hosting [giving circles](#) as a way to further support giving in their communities.

The assets of community foundations are pooled and invested, with donors typically having a choice of investment products.

The funds established at community foundations can be non-endowed or expendable funds (i.e., the corpus of the fund can be spent in its entirety) or they can be endowed, which limit distributions to the interest earned on the assets and/or the amount granted by the foundation as long as the corpus is not spent. Endowments last in perpetuity due to the corpus never being able to be spent.