

Community Foundations: A Treasure in Our Own Backyard
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Oftentimes, it's the personal touch that makes all the difference. Such is the approach practiced by the Long Island Community Foundation (LICF), a division of the New York Community Trust, one of the largest and oldest community foundations in the country. LICF is a community foundation that serves Nassau and Suffolk Counties and provides Long Island residents with a customized, economical, safe, and alternative approach to charitable giving.

“Donors are savvy about who they give their money to,” said David Okorn, Executive Director of LICF. “It's the due diligence we perform regarding each potential recipient organization that sets us apart. At LICF, staff provides research and expertise to educate our donors so they can make informed decisions regarding the issues and nonprofits they are looking to support.”

Put simply, a community foundation is a public charity that connects donors with a variety of non-profit, charitable organizations. A community foundation serves a particular area or geographic location, making grants to local charities, raising philanthropic awareness in the area, and educating the public regarding issues of regional concern.

Community foundations' activities and knowledge of local charities are unique and beneficial assets for communities and donors. Individuals, families, and businesses can create funds, named as they wish, and make grants to thoroughly vetted charitable organizations. The foundation assists donors by serving as a conduit for charitable donations, performing due diligence, and researching proper governance and financing.

LICF, like most community foundations, offers several types of funds, each of which are extremely flexible. Based on the type of fund chosen, donors can specify particular causes or nonprofit groups in which they are interested. The foundation is also able to create field-of-interest funds, which provide grants to the donor's specified interest areas. Alternatively, some donors allow the foundation to award grants on their behalf. Two common funds, and LICF's most popular, are the unrestricted fund and the donor-advised fund.

An unrestricted fund is an endowed fund in which the donor gives LICF discretion to make grants as needed to tackle the region's most pressing problems. This type of fund allows the foundation the flexibility to react quickly to an emergency situation or to make grants to organizations as the community's needs change. The foundation is able to make a more substantial impact, and a more substantial contribution, by “leveraging” the donations of several donors. For instance, if one donor requests that a grant be made directly to the Long Island Volunteer Center, a grant from that donor can be combined with a grant from an unrestricted fund to make an even larger contribution to the organization.

A donor-advised fund functions similarly to an unrestricted fund, but allows the donor to retain influence over the grant-making process. The donor continues to participate by recommending which charities or interest areas should receive grants. Donor-advised funds are flexible and allow children to succeed the initial donor as advisor of the fund. This is an attractive feature of the donor-advised fund, as it allows parents to introduce their children to the significance and importance of charitable giving. Additionally, the ability to appoint children as successor advisors provides longevity and a consistent purpose as the fund grows.

“People like to give to their passions, their causes,” said Marie Smith, Director of Donor Relations and Communications at LICF. “Each fund is really geared toward what the donor wants and we ensure that it’s meaningful, effective, and easy.”

While functioning as a central depository for charitable donations, many community foundations, including LICF, also serve as a safety net. Many donors have inquiries regarding an organization’s best practices and financial integrity. The foundation thoroughly researches an organization before a grant is made. Such research includes performing an analysis of the organization’s finances and inquiring into its governance. Does the organization allow third parties to review its financial statements? Does the charity have independent advisors on the board? Does it comply with best practices? These questions are significant to individual donors and are ones that LICF routinely asks.

LICF staff has working relationships with charities in the area, giving them insight into which organizations best align with the donor’s interests. “We’ve all been working in the industry for some time,” explained Sol Marie Alfonso-Jones, LICF’s Program Officer. “We know which non-profits are meeting the highest standards and which are really making a difference on Long Island. If an organization seems questionable, we know of alternatives to suggest. We know the issues and the players.”

Highlighting other unique benefits of working with LICF, Smith described the personalized services offered to all donors. “We introduce donors to non-profits that match their interests, arrange site visits, handle all grantmaking details, and invite donors to events and briefings on particular issues.” One such event was the donor reception LICF hosted last spring at Cold Spring Harbor Laboratory. While there, donors were given the opportunity to tour the lab and to speak with scientists about the lab’s pioneering research.

Described as “one of the best kept secrets,” LICF performs the due diligence, manages the investment, writes the grant checks, and performs the necessary reporting to the IRS, all without requiring the donor to expend a great deal of time or effort. LICF, like many community foundations, offers investment services for each fund. A professional team assists the donor in selecting an investment strategy that works best for a particular fund. In addition, LICF’s technical expertise and resources allow it to accept a variety of assets as charitable contributions, including cash, publicly traded stocks, restricted stocks, mutual funds, and intangible or intellectual properties. Some donors have even contributed the proceeds from the sale of business as a method of avoiding capital gains.

“LICF offers a complete staff, right at the donor’s fingertips,” Smith said.

Such was the sentiment expressed by Billy Baldwin, one of filmdom’s Baldwin brothers, who wanted to give back to his hometown of Massapequa. Baldwin and his hometown friends established the Massapequa Community Fund through LICF for the purpose of awarding scholarships and funding projects in the Massapequa area. The Fund makes grants to non-profit organizations in the area, such as the local counseling center. It also receives donations from those wishing to participate in and contribute to the Massapequa Community Fund.

“If we had created a Massapequa Community Foundation as a private foundation, we would have needed an office, a paid staff, accountants, and lawyers,” remembers Baldwin. “Starting a fund at LICF was more cost efficient and made more sense — it was the perfect vehicle for what we wanted to do for our hometown.”

Community foundations are not only for the wealthy. A fund can be established by anyone; the donor need only comply with the Foundation’s minimum contribution requirement, an amount that varies among community foundations. LICF, New York Community Trust, and Fidelity Charitable, for instance, each require a minimum contribution of \$5,000. Anonymous gifts may also be made.

Many individuals find that funds are a more efficient method of achieving their annual giving and enjoy the accompanying administrative convenience. Donors no longer need to write several checks throughout the year or maintain an accurate record of each contribution. Charitable giving through a fund relieves the donor of the need to keep detailed records and to obtain confirmation receipts from each recipient organization. Contributors find that, come tax season, the record keeping requirements are much simplified.

“How many times throughout the year do you write a check for a charity? \$100 for my kid’s school campaign, \$50 for a friend’s walk-a-thon,” said Smith. “Why not create a fund and make all your donations from there instead?”

For those interested in the tax implications of a charitable donation to LICF or to a fund created through LICF, community foundations and the funds created under them are treated as public charities. As such, donations to new or pre-existing funds, such as the Massapequa Community Fund, are generally tax-deductible up to fifty percent of adjusted gross income, and there is no excise tax. This stands in stark contrast to donations to private foundations that are tax-deductible only up to thirty percent and may have an additional one to two percent annual excise tax on net investment income. LICF can also receive gifts of appreciated securities and other property, and be named as beneficiary of charitable trusts if more complex planning is desired. There are many tax benefits and requirements of such instruments that are beyond the scope of this article.

Simplicity, flexibility, effectiveness, efficiency, and exceptional concierge service are all elements of the brilliant philanthropic model known as a community foundation.

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