



Rural **RESEARCH REPORT**

Spring 2007
Volume 18, Issue 7

Published by the Illinois Institute for Rural Affairs

Stipes Hall 518
Western Illinois University
1 University Circle
Macomb, IL 61455-1390
309/298-2237

www.IIRA.org

Community Foundations and Potential for Community Development

by Karin Spader

In 1990, researchers estimated that \$10.4 trillion of wealth would pass to the next generation during the 55-year period from 1990 to 2044 (Avery and Rendall 1990). This issue became a commonly cited statistic in the literature on charitable giving, and since then has been researched further with more precise figures presented. Avery and Rendall's initial purpose was to learn about saving behavior and whether or not expected inheritances would lead to decreased saving by heirs; it was not meant as an overall prediction of intergenerational wealth transfer in the United States. In addition, their study calculated only intergenerational wealth for families whose head was age 50 or older and who had living children.

Due to demographic limitations and a general misunderstanding of their original purpose, Havens and Schervish (1999) published another study on intergenerational wealth transfer in the United States. *Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy* used a microsimulation model of wealth accumulation and wealth transfer to predict the intergenerational wealth transfer expected between 1998 and 2052. Results show anywhere from \$41 trillion to \$136 trillion in total wealth transferred by the end of the 55-year period, far more than estimated by Avery and Rendall (1990). The estimates are based on the amount and distribution of wealth from the *Survey of Consumer Finances* (see The Federal Reserve Board 2007), mortality rates, life cycle savings rates, and historical patterns of the distributions of estates based on IRS estate tax data.

The authors determined the low-level figure of \$41 trillion based on a 2 percent annual growth rate in wealth, a mid-level figure of \$73 trillion assuming a 3 percent growth rate, and the high-level figure of \$136 trillion assuming a 4 percent growth rate. Estimates are decomposed to show the underlying dynamics of estates such as fees and taxes, and bequests to charities and heirs. As estates increase in size, the proportion of money donated to charity increases and the proportion going to heirs decreases. As an example, for the small estimate scenarios, potentially more than \$6 trillion will be bequeathed to charities.

This research emphasizes the potential benefits of philanthropy to intergenerational wealth transfer. Clearly, this new estimate of wealth transfer is positive news for philanthropy since there seems to be a general proclivity toward increased charitable giving, especially among the most affluent. While this increase in charitable giving may be somewhat shaped by tax aversion and tax incentives, the authors have reason to believe that it is due at least in part to, "a growing public culture and personal spirituality of care" (Havens and Schervish 1999, 13).

The wealth that is transferred can go to numerous organizations and/or individuals. One option is a community foundation, which is a public charity that allows donations to qualify for the maximum deduction for charitable contributions. When individuals choose to donate assets to a community foundation, they may be able to avoid or reduce their estate tax burdens.

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What Is a Community Foundation?

A community foundation is a tax-exempt, independent, publicly supported philanthropic organization that is established and operated as a permanent collection of endowed funds for the long-term benefit of a defined geographic area, whether it be large or small. Many community foundations exist around the country, all with their unique features, but they all share a common purpose: to serve as bridges between donors in the community and the institutions whose collective mission is to improve the quality of life.

Most community foundations help connect specific donors with the causes that they wish to support. Many also act as innovative charitable solutions to meet area needs. Each community foundation is composed of a collection of funds from multiple donors, which are pooled and invested so that the income provides a steady resource for a community.

A community foundation is both permanent and flexible. Many funds are created to benefit a specific issue, but they can also be set up to respond to a community's or region's changes. The foundation is governed by community leaders and is accountable to the communities served. Therefore, to be successful, leaders of community foundations must understand the region that they serve. Traditionally, community foundations spend funds in the region where they are located; however, they also can direct grants to groups anywhere in the country, and/or internationally, in order to comply with donors' interests.

Contributions to a local foundation can include cash, securities, life insurance, charitable remainder trusts and lead trusts, transfer of charitable trusts, private foundation transfers, corporate giving, bequests, and other donations. Donors have the choice to give outright gifts of cash or securities, called immediate gifts; they can bequest estate gifts; or they may give planned gifts paid over the lifetime of the community foundation or for a set number of years.

Many community foundations have numerous different funds to which donors can contribute, but, in general, six different types of funds are available. First, there are unrestricted endowment funds which are ideal for individuals who know that community needs are continually changing. In an unrestricted endowment fund, the Foundation Board decides which areas of the community need help, then the earnings from this fund are used to provide grants for those specific needs.

Second, there are field of interest funds through which a donor can leave gifts to address a specific need or area of

concern such as child care, education, or environmental issues. For this type of fund, the Board decides which nonprofit organizations will receive grants to best serve the donor's charitable intent.

Third, there are organization endowment funds through which nonprofit organizations create permanent endowment funds. Essentially, when an organization creates an endowment fund through the community foundation, all administrative and investment responsibilities are handled by the foundation, which allows the organization to concentrate on their mission.

The fourth type of fund is scholarship funds to help students at a specific institution or in a certain field of study pay for their education. In most instances, the donor is involved in establishing selection criteria for the scholarship fund.

The fifth type of fund is designated funds, which allow the donor to direct a gift to a specific charity to benefit that charity forever. Finally, there are donor advised funds, which allow donors to remain actively involved in the grant making from their funds. Typically, the donor is allowed to suggest which organizations should benefit from a specific gift.

Community foundations help people make charitable contributions for their community or region that will make a difference. Since community foundations are permanent, public foundations with not-for-profit 501(c)(3) status, all donations are eligible for the maximum available deduction for charitable contributions. Since community foundations are flexible, they offer a unique way for individuals to make a lasting difference in their community. Communities that are interested in starting a community foundation of their own may want to visit the Council on Foundations (COF) website for much useful information.

Still, many communities have tapped into the wealth of residents and offer them opportunities to support local projects through community foundations. The COF, a membership organization of more than 2,000 grantmaking foundations with programs worldwide, provides leadership expertise, legal services, and networking opportunities—among other services—to members and to the general public. The COF's website has information for grantmaking foundations as well as an online directory of members that is conveniently organized by region and by state. Table 1 presents the most recent list of community foundations throughout Illinois along with contact information. Several examples of successful community foundations in Illinois are discussed next.

Illinois Community Foundations as of 3/13/2007

Arcola Community Foundation	Lynn Miller, 217/268-4911
Barrington Area Community Foundation	Norval Stephens, www.barringtonareacommunityfoundation.org , 847/382-1588
Central Illinois, Community Foundation of	Jim Sullivan, jim@communityfoundationci.org
Centralia Foundation	Verle Besant, 618/322-6435
Charleston Area Charitable F	Mike Metzger, 304 Eighth Street, Charleston, IL 61920-0677, 217/345-2128
Chicago Community Trust	Merri Ex or Clint Mable, merriex@cct.org
Decatur/Macon County, The Community Foundation of	Lucy Murphy, www.endowdecatur.org
DeKalb County Community Foundation	Jerry Smith, www.dekalbcountyfoundation.org
DuPage Community Foundation	Dave McGowan, dmm@dcfdn.org
East Central Illinois, Community Foundation of	Joan Dixon, cfeci@soltec.net
Edgar County Community Foundation	Warren Sperry and Chris Eldredge, 110 Court Street, Paris, IL 61944, (Eldredge) 217/465-7641
Effingham County Community Foundation	Joedy Hightower, Macfoundation1@consolidated.net , eccfoundation@consolidated.net
Evanston Community Foundation	Susan Schastok, schastok@evcommfdn.org
Forman Valley Community Foundation	William Heinhorst, 607 East Avenue, Manito, IL 61546, 309/968-6028
Fox River Valley, Community Foundation of the	Sharon Stredde (President/CEO), www.CommunityFoundationFRV.org
Freeport Community Foundation	Melanie Mitchard, 815/232-5184 – NO LONGER A COMMUNITY FOUNDATION—DID NOT MEET PUBLIC SUPPORT TEST.
Galena Community Foundation	Joel Holland, 815/777-6300
Greater Edwardsville Area Community Foundation	Will Shashack (Chair), www.edwardsvillefoundation.org
Greater St. Louis Community Foundation (SW IL)	David Luckes (President/CEO), www.stlcf.org , 314/588-8200
Great River Bend, Community Foundation of the	Susan Skora, www.cfgrb.org
Highland Park Community Foundation	Jack Blane (Chair), www.hpcommunityfoundation.com , P.O. Box 398, Highland Park, IL 60035; 847/432-6816; (Robyn, board member) 847/432-7574
Illinois Prairie Community Foundation	Mike Stillwell, www.ilprairiecf.org , 309/862-1642
Kankakee River Valley Community Foundation	Norm Strasma, www.endowthefuture.org
Lake County Community Foundation	Betsy Dietel, bdietel@lakecountycf.org
Livingston County, Community Foundation of	Cheri Lambert, 815/844-5131
Mattoon Area Community Foundation	www.mattoonfoundation.org , 217/235-2500
Metamora Community Foundation	Kevin Rauh, 309/367-4197
McHenry County Community Foundation	Kate Halma, 815/338-give
Moline Community Foundation	Joy Boruff, molinefoundation@aol.com
Morris Community Foundation	Julie Buck, info@morriscommunityfoundation.com
Morton Community Foundation	Dennis Ewald, 309/671-8700
Northern Illinois, Community Foundation of	Gloria Lundin, www.cfnil.org , 815/962-2110
Oak Park-River Forest Community Foundation	Theresa Amato, www.oprfcommfd.org
Quincy Area, Community Foundation of the	Jill Blickhan, www.mycommunityfoundation.org
Rock Island Community Foundation	David Andich (Chair), Ken Payne, 563/328-3106 or Don Massey, P.O. Box 3331, Rock Island, IL 61204, 309/794-2849
Sangamon County Community Foundation	John Stremsterfer, info@sccf.us
Southern Illinois Community Foundation	Maggie Flanagan, www.sicf.org
Sterling-Rock Falls Community Trust	Linda Perry (Trust Officer), c/o Amcore Bank, Sterling, IL 61081, 815/626-4321
Tuscola Community Foundation	Kathy Rhodes (Board Secretary), P.O. Box 252, Tuscola, IL 61953-3344, 217/493-8321
Will County Community Foundation	Sandra Cowgill, 54 N. Ottawa Street, Suite B20, Joliet, IL 60432, 815/740-6301

Illinois Prairie Community Foundation

The vision of the Illinois Prairie Community Foundation (2007) is “to help people support local solutions to local needs by growing and preserving permanent funds . . . for good . . . for ever.” Their mission is, “to engage and assist individuals in sharing their charitable gifts; to receive, invest and manage contributions, building permanent funds for the needs of our area; to provide donors flexible, convenient giving options; to be a voice in identifying community needs and concerns; and to be a trusted resource and catalyst for positive change.” The Illinois Prairie Community Foundation is a way for people to donate resources for the good of their community.

The Illinois Prairie Community Foundation serves multiple counties, including McLean, Livingston, DeWitt, Logan, and adjacent areas in Tazewell, Woodford, LaSalle, Ford, and Piatt Counties. In 1996, three individuals began building their dream of a community foundation for McLean County. After researching other community foundations, completing relevant paperwork to establish a not-for-profit 501(c)(3) organization, and developing an incorporating board, the Community Foundation of McLean County was established on November 6, 1998. By 2003, assets had grown to almost \$600,000, and the Community Foundation of McLean County served donors and made grants in Livingston and DeWitt Counties as well as surrounding areas. Following the addition of Logan County and assets increasing to \$800,000, the Board of Directors decided to

officially change their name to the Illinois Prairie Community Foundation, Inc. in April 2004.

The Illinois Prairie Community Foundation offers multiple ways to make gifts to several funds, while the staff help donors explore different possibilities and find a suitable approach. They make grants to not-for-profit organizations serving seven fields of interest: Arts and Culture, Community Development, Education, Environment, Health and Wellness, Human Services, and Youth. For example, in Fall 2006, the Marion McDowell Stafford Fund provided grants to The American Heart Association to purchase an automated defibrillator for a first-responder vehicle (\$1,500); the Home Sweet Home Mission to start a new daycare initiative (\$3,328); and the UNITY Community Center to purchase educational computer software for the Future Leaders Technology Program (\$1,700). In Spring 2007, the fund provided grants to Easter Seals to purchase parenting books for the reference library (\$500); the Ecology Action Center to fund children’s activities at the Sustainable Living and Wellness Expo (\$500); to The Children’s Foundation to purchase a laptop computer to make presentations at remote locations (\$1,200); and to The Diversity Project to help fund a seminar at the Highland Education Center in Tennessee for McLean County middle school students (\$1,000). More information about the Illinois Prairie Community Foundation is available at their website (www.ilprairiecf.org).

Mattoon Area Community Foundation

Through integration, leadership, and management, the Mattoon Area Community Foundation’s (MACF) (2004-2007) mission is “to promote the joy of giving and be the obvious choice for those who wish to make a difference through their kindness; create trusting relationships; demonstrate the power of teamwork; and provide opportunities for financial support to enable and enhance the quality of life for Mattoon area residents.”

The MACF was created in 1980 to enhance and support the quality of life in the Greater Mattoon area. It was created to receive gifts, bequests, and donations to benefit Mattoon area residents. The foundation is a collection of funds and resources provided by residents and organizations that are used to provide grants to nonprofit organizations and scholarships to area students. Currently, the MACF has \$941,000 in assets and 11 different funds which have helped establish innovative social welfare funds, aided in

the purchase and construction of capital improvement, financed studies of social problems, and supported programs not at the time supported by existing charitable organizations in the community.

The goal of the MACF is to enable people to give back to their community as well as support issues important to them. The foundation believes that establishing a donor fund should be simple and straightforward. Donors contact the foundation and are guided through three steps: (1) when to give, whether it is during their lifetime or through an estate plan or trust arrangement; (2) what to give—funds can be started with any kind of asset (e.g., cash, stock, real estate, etc.); and (3) select a name so that grants from the specific fund reflect the source. Typically, plans for a donation can be created in one session.

The MACF maintains a variety of funds that benefit a diversity of charities while still meeting the wishes of the donors. Current funds include the Mattoon Foundation for Academic Excellence Fund; Consolidated Communication Fund for Economic Development and Community Leadership; Mattoon Public Library Endowment Fund;

Coles County Council on Aging Endowment Fund; and the Communityworks Endowment Fund, which collaborates with the Effingham County Community Foundation. More information about the Mattoon Area Community Foundation is available at their website (www.mattoonfoundation.org).

Effingham County Community Foundation

The Effingham County Community Foundation (ECCF) (2004-2007) started in 1999 to connect people who care with causes that matter within Effingham County. The mission of the ECCF is “to enhance the quality of life of the citizens of Effingham County by identifying and addressing current and anticipated community needs and raising, managing, and distributing funds for charitable purposes in the area of civic, cultural, health, educational, and social services.”

According to their annual report, total assets of the ECCF in 2006 were more than \$1.3 million. In 2005 alone, the foundation awarded more than \$50,000 in grants to various nonprofit organizations. The ECCF makes awards to 22 funds such as the Heartland Human Services Fund, the Fedders School Technology Programs, the Helen Matthes Library Fund, and the Disaster Relief Fund. These funds have benefited a range of needs such as art fairs, scholarships, the purchase of data collection software for schools, and Hurricane Katrina relief efforts.

Also, Communityworks, a regional grantmaking program, has been organized along with the Mattoon Area Community Foundation. This is a joint project that was created to target significant challenges of the larger area, focusing on child care, workforce development, and land use/protection.

The program provides four opportunities for residents in the Effingham and Mattoon areas: (1) to engage residents in issues that affect their lives, and to connect leaders and partnering organizations that might collaborate in new ways; (2) to learn about and highlight important issues on the local agenda in the areas of child care, workforce development, and land use/protection; (3) to bring a permanent source of funding for projects and nonprofit organizations, addressing the emerging issues in the community; and (4) to have a significant impact on child care, and to promote workforce development and environmental protection.

The Communityworks program has a permanent endowment fund of \$475,000 that was raised through local donations and matching donations from the Grand Victoria Foundation, a private foundation that partners with community foundations around the state. This fund is only the beginning, however; the hope is to increase the permanent endowment fund to \$500,000. This fund would create a permanent source of annual funding for local nonprofits in the three issue areas: (1) child care, (2) workforce development, and (3) land use/protection. More information about both the ECCF and the Communityworks program is available at the ECCF’s website (www.effinghamfoundation.org).

Southern Illinois Community Foundation

Today the Southern Illinois Community Foundation (SICF) (2007) service area includes the 16 southernmost counties in Illinois, plus Jefferson County in the spirit of collaboration. The mission is “to foster and encourage private philanthropic giving to improve the communities of the southern Illinois region by connecting charitable donors with worthy causes and to build endowment funds that support those worthy causes in perpetuity.”

In the late 1990s, the initial research and funding for the SICF came from a Council for Food and Agricultural Research (CFAR) initiative at Southern Illinois University

in Carbondale. Early in the planning stages, a regional group worked with a small, but established, single county community foundation to form a broad-based regional foundation. These initiatives created a regional community foundation to address the charitable needs faced in rural southern Illinois and to foster a tradition of regional philanthropy.

SICF’s 2005 annual report shows total assets of more than \$480,000, with over \$850,000 total cash managed to date. Current SICF funds include The Illinois Workforce Advantage Fund, the Taste of Southern Illinois Fund, the

American College of Healthcare Executives Regents Fund, Boys & Girls Club of Carbondale, Katrina Relief Fund, and the Science Center Fund. The SICF also makes awards to the Communityworks program discussed previously.

People can contribute to the SICF in multiple ways. They can bequest to endowments, designated funds, and

even to undesignated funds and others so that they can create personal legacies that benefit their community in perpetuity. More information about the SICF is available at their website (www.sicf.org).

Community Foundation of Northern Illinois

This community foundation is much larger in scale compared with the foundations presented earlier. Nevertheless, the foundation is a public charity that offers donors flexible, cost-effective ways to give back to the community. The Community Foundation of Northern Illinois (CFNI) (2004-2005) was established in 1953. Many individuals have had a significant impact on the CFNI in the past, and it remains active as shown by the sheer number of funds and the multiple nonprofit organizations it supports. The CFNI was established with a vision of being a philanthropic leader, steward, and servant of charitable resources. Their mission is “to serve as a resource and catalyst for giving and to preserve and grow an endowment for the current and future needs of the people of Northern Illinois.”

According to its 2006 annual report, the total assets under management of the foundation are nearly \$55 billion, and 981 grants have been made to date with many different funds established. Still, the foundation offers the same types of funds and offers many ways to donate. The scholarships offered include the Rockford Athena Scholarship for leadership, the RAMI Music Scholarship for a student pursuing a degree in music, and the In Youth We Trust College Award for students who have demonstrated outstanding commitment to community service. Other “field of interest” funds offer grants to programs such as the Community Arts and Humanities Fund, Family Crisis Fund, and also the In Youth We Trust Fund. More information on the Community Foundation of Northern Illinois is available on their website (www.cfni.org).

Conclusion

A substantial amount of wealth will transfer in the next 50 years (Havens and Schervish 1999). If philanthropic giving continues to follow past patterns, community foundations similar to the ones discussed throughout this report can raise significant support for local projects. From 1998 to 2052, low estimates approximate \$6 trillion of total wealth to be transferred in bequests to charity. Community foundations succeed because they offer tax incentives and allow donors to specify the uses of their donations. For this reason, community foundations are important community and economic development tools that should be seriously examined by local public officials and community leaders.

Recently, the Nebraska Community Foundation (2007) conducted a wealth transfer study for the State of Nebraska based on the study by Havens and Schervish (1999) discussed earlier. They found a potential of \$258 billion in wealth to be transferred during the next 50 years, or roughly \$5.2 billion annually. They also estimated \$94 billion, or \$1.9 billion annually, for rural Nebraska. The foundation

further grouped the wealth transfer in each county and discussed the impact that the wealth transfer could have on that area. The wealth transfer analysis was meant to help identify a unique opportunity for community leaders to engage in charitable giving as a community development and reinvestment strategy. More information about the Nebraska county-based wealth transfer analysis and the Nebraska Community Foundation can be found at their website (www.nebcommfound.org).

Clearly, based on this review, the philanthropy related to intergenerational wealth transfer is currently being harnessed. It is possible that with the increased knowledge about these community foundations throughout Illinois, more funds will be established and more organizations will be able to be supported. With the help of caring citizens who wish to make a lasting impression, communities will be able to thrive and provide opportunities for an improved quality of life for citizens in the future.

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The Rural Research Report is a series published by the Illinois Institute for Rural Affairs to provide brief updates on research projects conducted by the Institute. Rural Research Reports are peer-reviewed and distributed to public officials, libraries, and professional associations involved with specific policy issues.

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