

## What is a Community Foundation?

- A nongovernmental, nonprofit 501(c)(3) organization that gives money.
- Funded by many donors.
- Governed by a board of directors that reflects the community.
- Typically focused on making an impact in a specific geographic area.
- Often host donor-advised funds and giving circles.

A community foundation is a grantmaker that serves a specific community or region. Distinct from a private foundation, which is usually funded by a single individual, family or corporation, a community foundation is a public charity that is funded by many donors and governed by a board that reflects the community it serves.

### The lay of the land

There are more than 800 community foundations in the United States, with at least one in every state. They are funded by a mix of individuals, families, businesses and government grants, and they vary widely in size and capacity. Some have assets in the low six figures, and others—like the Silicon Valley Community Foundation—hold billions. Together, community foundations represent about 1% of all foundations and about 10% of foundation giving.

Governed by a board of community leaders, a community foundation generally makes grants to local nonprofits working across many issues, like social services, the environment and the arts. They also often house donor-advised funds (DAFs) and giving circles, which have their own funding priorities.

The classic community foundation has a broad mission to improve the quality of life in a given geographic community—usually no bigger than a state. There are also community-based public foundations with more specific missions, like the Liberty Hill Foundation, which funds social justice organizations in Los Angeles, or the Astraea Foundation, which supports LGBTQI communities and movements around the world.



Community foundations play an important role in funding for women's and girls' issues, with a number of women's foundations and women-focused giving circles housed at community foundations.

Community foundations may not have the assets of large private foundations, but even smaller community foundations can make a big impact in local communities. Since they're rooted in the communities they serve and close to the nonprofits they fund, community foundations often have a good vantage on what is needed in the local community and how to fill gaps and fund solutions. They are also playing a growing role in moving individual donors' gifts via DAFs.

### **So how does it work?**

Unlike private foundations, which have to pay out at least 5% of the value of their assets every year, there is no minimum payout requirement for community foundations.

Community foundations are giving two main categories of grants today. First, there are the grants the community foundation makes as a community foundation—that is, grants that the foundation's staff and community-based board decide to make, and that are paid from the community foundation's general pot of money to the community it's rooted in.

And then there are the grants made by community foundations on behalf of donor-advised funds. In this case, individual donors set up charitable-giving accounts that are hosted by the community foundation, and the individual fund holder tells the community foundation where they'd like donations to be made. The community foundation facilitates the transaction and is technically the grantmaker, but the grant is really directed by the DAF holder. A large, and growing, number of the grants coming out of community foundations today are moving through DAFs.

In addition to hosting DAFs and giving circles, some community foundations also provide other infrastructural services, like managing the endowments of smaller local nonprofits.



**The fine print**

There is no legal definition of a “foundation,” but there are some relevant U.S. tax classifications. All 501(c)(3)s are considered “private foundations” by the IRS unless they qualify as public charities by proving that at least one-third of donations to the organization are given by donors who give less than 2% of the organization’s overall funding. So a community foundation, which is funded by many donors, is classified as a public charity.

**You may also want to check out:**

- [What is a private foundation?](#)
- [What is a philanthropic intermediary?](#)
- [What is a donor-advised fund?](#)

