



# ENGAGING THE COMMUNITY IN THE CONVERSATION OF PHILANTHROPY

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## ENGAGING THE COMMUNITY IN THE CONVERSATION OF PHILANTHROPY

The Greater Manhattan Community Foundation has the opportunity to put permanent resources in place that will change the face of the community for generations. Building the assets of the Foundation does not happen by magic. To be successful, you must not only have a vision for the community of the future, but you must engage the community in that vision. This conversation can be daunting, especially for those without experience. It becomes much easier when you understand the key role you play as board members, how donors perceive charitable giving (especially bequest giving), the advantages of a community foundation, and how to have the conversation.

Each of you represents many contacts and connections in the community. Adding these together, you cover a broad swath that encompasses individuals, businesses, and charities representing a variety of interests and with a range of capacity to give. Tapping into this network and helping the community understand the role of the Foundation is essential. You can open those doors.

### I. The Opportunities for the Greater Manhattan Community Foundation

#### A. The GROW II Opportunity

Grow II provides a wonderful platform to engage in conversations with the community. It not only provides an incentive in terms of matching dollars, it also provides expertise and support in building funds and a specific timetable to motivate donors to step forward.

##### 1. Immediate Benefits

- New donor relationships
- New funds for the Foundation
- Increased visibility
- New community partnerships
- Increased visibility of community needs
- Educated donors

##### 2. Long-term Benefits

- Increasing funds for the community - a growing community endowment
- Higher level of interest in and discussion about charitable solutions
- Engagement of the community - and engagement of donor assets
- Increasing number of gifts to other charities directly and through the Foundation
- Increasing stability for quality of life charitable services for community

#### B. The Opportunity With Donors - What We Know

##### 1. Giving USA Foundation *Giving USA 2012*

On June 19, 2012, Giving USA Foundation released *Giving USA 2012* reporting charitable gifts of \$298.42 billion in 2011. As in years past, individuals accounted for most (81%) of the gifts. Table 1 shows the sources of 2011 charitable gifts, while Table 2 shows the charitable sectors who were the largest recipients of funds.

**TABLE 1  
SOURCES OF CHARITABLE GIVING, GIVING USA 2012**

<i>Source</i>	<i>Amount in Billions</i>	<i>Percentage of Total</i>
Individuals	\$217.79	73%
Foundations	\$41.67	14%
Bequests	\$24.41	8%
Corporations	\$14.55	5%
Total	\$298.42	100%

**TABLE 2  
RECIPIENTS OF CHARITABLE GIFTS, GIVING USA 2012**

<i>Sector</i>	<i>Amount in Billions</i>	<i>Percentage of Total</i>
Religion	\$95.88	32%
Education	\$38.87	13%
Human Services	\$35.39	12%
Health	\$24.75	8%
International Affairs	\$22.68	8%
Public Society/Benefit	\$21.37	7%
Arts, Culture, and Humanities	\$13.12	4%
Environment/Animals	\$7.81	3%

**2. While You May Think There is Little Money in Kansas, You Would Be Incorrect**

The IRS publishes an annual *Statistics of Income Bulletin* that includes a state-by-state extraction of data on charitable giving drawn from income tax returns of taxpayers who itemize. The most current report, published in Spring 2012, provides data from the 2010 tax year. Americans who claimed itemized charitable deductions (32.81 percent of those who filed returns) gave \$170.23 billion to charity in 2010. Table 3 provides figures specific to Kansas compared to national averages.

**TABLE 3**  
**2010 STATISTICS FROM KANSAS**

	<i>Number of Returns</i>	<i>Number of Taxpayers who Itemized</i>	<i>Number of Itemizers with Charitable Deductions</i>	<i>Total Value Charitable Deductions (in thousands)</i>
Kansas	1,308,115	408,893 (31.26% of all taxpayers)	332,852 (81.40% of all itemizers)	\$1,657,178
United States	144,002,309	47,247,942 (32.81% of all taxpayers)	38,391,990 (81.26% of all who itemized)	\$170,230,133

### 3. Donors Are Willing to Invest

Researchers at the Boston College Social Welfare Research Institute published a study projecting the intergenerational transfer of wealth expected to occur between 1998 and 2052.<sup>1</sup> That study estimates the transfer will range from a low of \$41 trillion to a high of \$136 trillion, figures substantially higher than the frequently used \$10.4 trillion figure developed in the 1990's by Robert Avery and Michael Rendall of Cornell.

Couple this data with a bequest study conducted by the Center on Philanthropy at Indiana University. This study, which involved both high net worth and non-high net worth survey participants found a strong willingness to consider a bequest to charity. Overall, 7.5% of the *Bequest Study* respondents reported a gift to charity under will, slightly lower than the 8% reported in the 2000 NCPG survey and substantially lower than the 41.2% found among the *High Net Worth Study*<sup>2</sup> respondents. The biggest surprise was the age of the donors who had made bequest commitments. Individuals age 40-50 reported the highest frequency of bequest commitments (28.1%) followed by individuals age 50-60 (21.9%) and age 60-70 (20.6%). By comparison, only 11% of the 70-80-year-old group and 8.9% of the 80+-year-old group reported a bequest under will.

When the same question was put to the respondents in the High Net Worth Study group (a 2006 study involving individuals with assets of more than \$1 million, and income more than \$200,000), individuals reporting bequests were more likely to be older, with the greatest concentration in the 50+ age group.<sup>3</sup> Both findings direct gift planners to younger donors than traditionally targeted by bequest programs which generally focus on donors age 65 and older. Results for the *Bequest Study* and the *High Net Worth Study* are reported and compared in Table 4

<sup>1</sup> A summary of the study can be found at <[www.bc.edu/bc\\_org/avp/gsas/swri](http://www.bc.edu/bc_org/avp/gsas/swri)> in the article entitled "Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy."

<sup>2</sup> [http://www.philanthropy.iupui.edu/Research/giving\\_volunteering\\_research.aspx](http://www.philanthropy.iupui.edu/Research/giving_volunteering_research.aspx).

<sup>3</sup> Bank of America Study of High Net Worth Philanthropy, Initial Report, [http://newsroom.bankofamerica.com/index.php?s=press\\_kit&item=63](http://newsroom.bankofamerica.com/index.php?s=press_kit&item=63). This group, which comprises 3.1% of the population, is estimated give 2/3's of all household gifts in the United States.

**TABLE 4**  
**BEQUEST COMMITMENTS IN PLACE, BEQUEST STUDY AND HIGH NET WORTH PHILANTHROPY STUDY**

	<i>Bequest Study(March)</i>	<i>High Net Worth Philanthropy Study (October 2006)</i>
30-40	8.9%	1.4%
40-50	28.1%	9.4%
50-60	21.9%	19.3%
60-70	20.6%	27.5%
70-80	11.0%	25.1%
80+	8.9%	17.3%

One of the greatest opportunities for charities is the large percentage of the survey group - 31% - who would be willing to consider a bequest. The largest concentrations of these potential bequest donors are ages 40-50 (28%) and 50-60 (24%), as shown in Table 5. The data again suggests bequest marketing and solicitation will be more effective when focused on younger donors.

**TABLE 5**  
**INDIVIDUALS WHO WOULD CONSIDER NAMING A CHARITY UNDER WILL**

<i>Age Band</i>	<i>Bequest Study</i>	<i>Percentage of Sample</i>
30-40	18%	18.2%
40-50	28%	28.8%
50-60	24%	18.3%
60-70	5%	10.9%
70-80	3%	7.8%
80+	1%	3.7%

Finally, the study analyzed the likelihood of a bequest inclusion or consideration of a bequest inclusion by income level. The researchers found bequest giving – and the potential for new bequests – was strong across all income levels reminding gift planners bequest giving is not exclusive to major gift donors and is not driven by taxes alone. Table 6 reflects incidences of bequest intentions, and the potential for bequest creation among five income levels.

**TABLE 6**  
**BEQUEST INTENTIONS AND POTENTIAL FOR BEQUESTS AMONG VARIOUS INCOME LEVELS<sup>4</sup>**

	<i>&lt;\$25,000</i>	<i>\$25,000 - \$49,999</i>	<i>\$50,000 - \$74,999</i>	<i>\$75,000 - \$99,000</i>	<i>\$100,000+</i>
Bequest in place	6.6%	7%	7.6%	6.5%	10%
Would consider bequest	28.4%	34.6%	28.8%	25.99%	35.63%

<sup>4</sup> *Bequest Study*, Figure 6.

## **II. The Role of the Greater Manhattan Community Foundation and its Board**

### **A. The Unique Role of Community Foundations**

#### **1. Ensuring Donor Intent**

Community foundations have an advantage over individual charities in achieving donor intent.

- *The community foundation's cy pres power ( a French term meaning "as close as possible") gives it the ability to make adjustments to the gift terms when the organization designated no longer exists or no longer provides the program or services designated by the donor.* Sometimes, the purpose set out by the donor becomes obsolete because of social or economic changes.. Consider the example of a gift to a home for unwed mothers (Birmingham Community Foundation/Katherine Inn) made by a donor in the 1950's; in 2009, there are few homes for unwed mothers remaining, because society now accepts mothers having children out of wedlock.
- *The community foundation knows the community nonprofits.* Donors can set up a gift for a specific purpose, and then direct the foundation to make grants for that purpose to the charity with the greatest effectiveness and outcomes. The community foundation can make a more objective review of effectiveness than the charity providing the service.
- *The community foundation can hold grant recipients responsible,* requiring an annual reporting or accounting on use of the funds, providing protection for the donor long after his or her death.

#### **2. Inspiring and Encouraging Philanthropy**

The Greater Manhattan Community Foundation can be the voice of philanthropy in the counties it serves - teaching residents, corporations, and foundations how to give effectively and how to give to create impact.

#### **3. Identifying Critical Community Needs**

The Community Foundation knows the community better than any other entity in the area - use that knowledge to convene research, identification, and planning surrounding the community's greatest needs. These needs will drive interest in philanthropy, and giving to the Foundation.

#### **4. Encouraging Collaboration to Meet Needs**

The Community Foundation should step up as a community leader, and provide the platform to bring funders in the community together to solve problems, and to leverage their contributions through focused, accountable giving.

#### **5. Creating a Community "Endowment" for Philanthropy**

In many respects, the Community Foundation represents the community's endowment - its resource pool for meeting critical needs, effecting change and improving critical community services, sparking initiatives in the community, funding assessments of need and condition, and reserves for

emergencies. This is a resource needed by every community - but there are few resources other than a community foundation to create that resource.

## **B. The Role of the Board**

### **1. Setting the Vision for the Community and the Role of the Foundation**

One of the most critical roles of the board is to set an engaging, compelling, urgent vision that identifies the community's needs and goals. The community will not give to the Foundation because the Foundation "needs" more assets. Rather, they will give to results. Identify the community's needs, identify individuals who are passionate about addressing those needs, and the conversation becomes very focused and engaging in a hurry.

### **2. Becoming Fluent in the Language of the Foundation**

As a board member, you must truly understand the role of the Community Foundation and the possibilities for giving it creates for the Community. A Community Foundation and its benefits is not easily understood.

Community foundations have many benefits to donors.

- It offers the most *flexible platform* for planning available. Donors may chose specific entities, fields of charitable interest, allow the foundation to make choices to select the most effective charities, and use one fund to provide support for multiple charities.
- It offers *accountability*. As a public charity, the foundation reports to the community and has a sound accounting, investment management, and oversight platform.
- It offers *continuity*. While donors can not anticipate the changes that will occur in the community's needs, the array of charities, or the charities that are most effective, the Foundation will always know. Its board is broadly representative, its staff monitors community needs, and its grantmaking process involves due diligence before funding.
- It offers *support* for donors in making decisions about charitable gifts.

### **3. Serving as Ambassadors in the Community**

Board members serve as critical ambassadors in the counties and communities they represent. Community Foundations are a difficult concept. Help your communities understand the role of a community, its value in philanthropic planning, and the strength it brings to those communities.

### **4. Opening the Door and Beginning Conversations**

Board members serve a critical role in connecting donors to the Community Foundation. Board members have visibility, credibility, and relationships. The Foundation staff needs your help to identify prospects, open doors, and make calls. The more contacts you can make, the more successful the Foundation will be in building assets. As you move forward, these contacts will make a significant difference in the Foundation's success.

## **5. Ensuring Solid Policies - for Gift Acceptance and Foundation Operations**

Effective, growing foundations have solid policies. Gift acceptance policies allow a consistent, careful review of non-cash assets and protect both the donor and the Foundation in creating gifts that create problems. Investment management policies ensure integrity in the management of the Foundation's asset. Financial policies ensure careful and strategic budgeting and reporting. Stewardship policies ensure donors are properly cared for.

## **6. Lead the Way with a Personal Gift**

Development success and campaign success begin with the board. If you have not personally considered a non-cash gift to augment your giving, a gift that pays income, a deferred gift, or a blended gift, try those options in creating your own gift. Once you have had the conversation and planned your own gift, you will have a far better understanding of how the options work to expand and open giving and will be far more comfortable in conversations with donors. You will also gain a better understanding of how the Foundation furthers donor goals.

## **7. Support Stewardship**

Look for ways to support stewardship. This may involve taking a donor to lunch to say thank you, making a call to express thanks for a gift a donor has committed, writing a note, or hosting an event to honor donors. There are many ways to help the Foundation express appreciation to its donors for their investment in the future of the Community.

## **8. Celebrate Success**

Celebrate the Foundation's grantmaking, growth, and outcomes. It is exciting for donors to make a significant impact and invest in the Community's future. Nurture that excitement. As you do, recognize gifts at all levels, grants of all sizes, and changes large and small. As you celebrate the transformational nature of those gifts, you will allow donors to connect with the joy of helping others and open doors to new gifts as the community understands the role of the Foundation.

### **III. How to Have the Conversation**

#### **A. Start with the Right Prospects**

##### **1. Avoid the Pitfalls**

The three biggest mistakes boards can make in identifying major and planned gift prospects are these:

- 1) *Chasing the individuals with publicized high net-worth.* These individuals may be earmarked because "everyone knows" they are wealthy perhaps because they're on the front page of the paper as the largest stockholder in a local company, or come from a wealthy family. Having wealth does not predispose someone to giving that wealth to your charity. And if they are highly publicized, there is likely a long line around the block of individuals trying to get that money.
- 2) *Focusing all your attention on individuals who have made the "big gifts" to your charity.* First, your charity relies on this small, inner circle to make the big contributions. More and more often I'm finding donors who make a substantial contribution during life, may make a lesser contribution through their estate.



- 3) *Assuming donors who make small gifts are not capable of making larger or estate gifts.* Look at the history of bequest gifts received to date, and you will find many generous gifts from unexpected, smaller donors. These may be donors who would have made larger contributions during life if they had had a closer relationship with your charity.

## **B. Identify Those Active in the Community**

Since community foundations represent all charitable interests in the community and can serve all interests, identify prospects that are already actively engaged in philanthropic giving. These may be friends, neighbors, associates you work with, family, or simply people you have observed actively making a difference. Consider these points of connection:

- Individuals who actively give to one or more schools, healthcare organizations, human services organizations, arts organizations, or even religious organizations;
- Individuals who are active volunteers to a specific charity or to a number of charities;
- Civic leaders who are active on nonprofit boards;
- Company leaders whose companies are active donors;
- Faithful givers at any dollar level; and
- Nonprofit leaders who are active in the community.

Since 89% of all families give to charity every year, this should be a large group of potential prospects. If you do not know who is active on boards or giving in the community, begin to collect annual reports of local charities so that you can see who is involved.<sup>5</sup>

## **C. Ask Questions That Help You Understand the Donor and Opens the Door**

The goal in talking with donors is to listen and identify their interests in the community. Once you understand their priorities, it is then possible to show them how the Foundation can advance those priorities. Consider these questions that make help that conversation easier.

- 1) As a long-term member of this community, what are your favorite charities?
- 2) Why are these important?
- 3) Do you fund one charity in this charitable sector, or many?
- 4) How do you make your decisions about your charitable gifts?
- 5) As you think back, what was the first charitable gift you made in this community? Tell me the story, how that came about.
- 6) Over the years, have you changed the way you think about your charitable giving? What are the most important factors in making decisions?

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<sup>5</sup> You would be surprised at the number of annual reports you will collect if every board and staff member holds onto to those they receive in the mail and brings them to the Foundation offices. At all events you conduct for charities, ask to be included on their mailing list - this will allow you to see who is active, who is giving, and who is serving in a leadership role.

- 7) As you think about the gifts you have made over the years, what is the gift you believe was the “best” gift you have ever made? Why?
- 8) Have you included a gift to charity through your estate plan?
- 9) You have been a part of this community for many years. What do you believe the greatest needs are today?
- 10) Would you be interested in joining with other donors who also have an interest in that area to address that need?

#### **D. Follow Through**

Once you’ve learned about a donor’s interest, be sure to follow through with information on how the Foundation can help further that interest. If they are ready to work with the Foundation to set up a fund, follow through with a document. If they are ready to follow through to set up a bequest, send them a follow up with contact information and the name of the Foundation - and offer to work with their attorney to create a fund document that will receive the funds. If they are not ready to move forward but they have a specific interest in the community, send them information about the grants the Foundation is making in that area. It may take time for the donor to truly understand the Community Foundation platform and take the next step.

#### **IV. Questions and Answers**