

# Annual Message



# A simple yet enduring idea

Focusing on the community foundation movement felt like a natural topic for this year's annual report, what with our hometown community foundation celebrating its 25th anniversary in early 2013 and the U.S. field poised to celebrate its 100th anniversary in 2014.

Both of these milestones have given us plenty of opportunities over the course of this year to reflect on the value of community foundations: why they have endured; how they tap a natural charitable impulse in people; the benefits they bring to the communities they serve; and how and why the Mott Foundation has maintained its support for the field for some 33 years — even longer if you factor in our experiences in Flint.

Given that long-term involvement, we feel we have much to share on the subject. Through the years, we've implemented a number of different grantmaking strategies and approaches to fortifying both individual community foundations and the broader field. And we've learned some important lessons from those experiences that we think are worth sharing.

In writing this, I feel as though I may be preaching to the choir. Some readers surely are very familiar with community foundations, having funded or worked with them in some capacity over time. But others, who are new to the field or considering whether to venture into it, hopefully will find some value in reading about our experiences in the pages that follow.

We at Mott have long been impressed by the simplicity and the power that underlies the community foundation concept, which is to create a local vehicle that can empower the residents of a community to support causes close to home and close to the heart.

I first became acquainted with the community foundation idea in the 1970s when I was asked to join the board of the Flint Public Trust, which was created in 1950. In those days, the Trust had assets of less than \$1 million and, as a result, a very small giving program.

Not long after I joined, I began thinking about ways to possibly honor Dr. Arthur L. Tuuri, then head of the Flint-based Mott Children's Health Center. Among the options was to establish a special, local health fund, but, ultimately,

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the Mott Foundation decided to make a \$1.5 million challenge grant in 1978 to help establish the Flint Area Health Foundation.

A decade later, it was apparent that Flint actually had two small community foundations — the Trust and the health foundation — which, if combined, could be better positioned for growth and could have greater impact on the community through its grantmaking. In 1988, the two organizations merged, resulting in the creation of the Community Foundation of Greater Flint, which remains a vital entity in our community today, as well as a Mott grantee.

**R**ecognizing that many communities around the country had the population base and the wealth to support a dynamic community foundation — yet for various reasons did not have one — in 1979, Mott launched the first of what would become several grantmaking efforts over time to support the field’s development, first nationally and, later, internationally.

Initially, our grantmaking was designed to help a limited number of struggling community foundations in the U.S. with administrative funds, support for specific projects and endowment challenge grants.

At roughly the same time, Eugene C. Struckhoff, who had played a lead role in creating the New Hampshire Charitable Foundation in 1962, was gaining a substantial reputation as an expert in community foundations. His publication, “The Handbook for Community Foundations: Their Formation, Development and Operation,” further established his expertise and became an important resource for those working in the field.

By the early 1980s, Struckhoff — or “Struck” as he was affectionately known — began working as a technical assistance provider to community foundations through the Council on Foundations (COF), while also running the Community Foundation of the Greater Baltimore Area.

And so our second program to support community foundations was launched in 1982 when we joined forces with COF to develop a technical assistance program for about 75 community foundations initially that provided one-on-one consulting with Struckhoff and other trained professionals.<sup>1</sup>

Through the COF/Mott technical assistance program, community foundations learned how to develop staff, boards, donors, endowments, grantmaking programs and marketing strategies. That program, as well as Struckhoff’s ongoing work in

<sup>1</sup> Among the consultants who provided technical assistance at various times were: Helen Monroe, Bill Somerville, David Huntington, R. Malcolm Salter, Jack Shakely, Stephen D. Mittenthal, Douglas Jansson and Paul Verret.

the field, led to his becoming known as the “Johnny Appleseed of community foundations.”

His work also led him to develop a theory that community foundations just starting out or with assets under \$5 million needed to conduct aggressive fundraising campaigns to attract \$5 million in unrestricted funds within five years. To Struckhoff, \$5 million represented the “take-off point” after which assets typically would soar.

To me, that “take-off point” seemed valid and a shorthand way of saying: Locally based institutions will be able to attract sufficient financial support if they are representative of the community; have a strong board; are knowledgeable about the community’s challenges; and are perceived as good stewards of resources. Simply put: Developing a track record of success — and trust — enables an organization to take off.

And, once it does, there are many important roles a community foundation can play. The Mott Foundation, for instance, found itself teaming up with community foundations on something called the “Neighborhood Small Grants Program” between 1984 and 1994. (Ultimately, we supported similar partnerships with other community foundations focused on the environment, violence prevention and race relations. One such example is featured later in this publication.)

Through the Neighborhood Small Grants Program, a select group of community foundations received relatively small grants from the Mott Foundation that they matched and then used for mini-grants to support resident-generated projects in low-income neighborhoods. In addition, participating foundations took part in a national

network that provided a common evaluation plan, technical assistance and periodic meetings on neighborhood issues.

For Mott, the program had the benefit of allowing us to marry two of our internal interests: support for community foundations and support for neighborhood development. For the participating community foundations, it was often their first foray — and an enriching one — into working intensely with grassroots groups in their backyard.

As I look back today on the lessons from that program, it seems to me that you can end up with a really rich experience when you create a collaboration in which a national funder provides some resources — research, technical assistance, evaluation tools and so forth — and the community foundation brings its own unique perspective and skills to the table. Moreover, the odds are that if the problem being addressed continues to exist, the local funder will continue the work well into the future, even without ongoing national funding and support.

And, to me, that underscores another strength of the community foundation: It’s a permanent fixture in the community that can address local problems with local resources. I know the Mott Foundation, like a lot of other foundations, from time to time has parachuted into local communities, funded programs for a while, and departed. But, the beauty of the community foundation is that it remains.

We’ve long appreciated the “staying power” of community foundations, which is just one of the reasons we’ve embraced certain opportunities through the years to help the concept spread, including internationally.



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I am reminded, for instance, of a request we received in 1988 from Michael Brophy, then-chief executive of the Charities Aid Foundation (CAF) in the United Kingdom, to join other U.S. funders in bolstering the U.K. field with technical assistance grants.

That venture — which involved using some of the same technical assistance providers that had helped the U.S. field grow — was so successful that Mott offered a challenge to CAF in late 1990. The Foundation would provide 1 million pounds to support the development of U.K. community trusts and foundations with the expectation that CAF would match it. The resulting 2 million pounds would then be used to create a second pool of challenge funds to be divided into three grants and awarded on a competitive basis to three British community foundations. Those recipients were expected to match the award on a 2:1 basis to establish permanent endowments.

Ultimately, 10 community foundations submitted proposals and three were chosen: Tyne & Wear Foundation, Greater Bristol Foundation and the Cleveland Community (Middlesbrough) Foundation. I'm pleased to say that the Tyne & Wear Foundation, one of the first community foundations in the U.K., today has an endowment of 53 million pounds; the Greater Bristol Foundation, now known as the Quartet Foundation, has a permanent endowment of 19.5 million pounds; and the Cleveland foundation, which became the Tees Valley Community Foundation about a decade ago, has a 12 million pound endowment with expectations to reach more than 15 million pounds in the coming months.

Interestingly, one of the foundations that participated in the rigorous application process, but was not awarded a grant, found that the extensive planning and technical assistance required to apply had been so useful that leaders were emboldened to take up the endowment challenge on their own.



■ Learning about philanthropy and how to be of service are part of what young people gain through participation in the Grand Rapids Community Foundation's Youth Grant Committee.

In a sense, one might say that we began our community foundation work in the U.K. in response to a unique window of opportunity. Similarly, when such seismic global events as the fall of the Berlin Wall and the legal end of apartheid in South Africa were occurring, it struck us that community foundations could be important vehicles for civic engagement and community improvement.

Endowment challenge grants, technical assistance, partnering with community foundations — these are only a few of the ways we've helped strengthen the field. Through the years, we've also provided grants designed to: develop and strengthen support organizations in the U.S. and around the world; conduct and share research and lessons learned; provide international fellowships and exchanges; and strengthen and expand youth grantmaking programs.

In the pages that follow — as well as on our Web site — you'll find more about the Mott Foundation's involvement with community foundations, including more lessons we've learned, and examples from around the world of exemplary work undertaken by both individual community foundations and support organizations working to bolster the field.

Clearly, support for community foundations has been one of our enduring funding interests. All told, we have made 781 grants totaling \$150.4 million to the field through 2012. But we certainly haven't gone it alone. Over time, there have been some outstanding foundations working with us in this effort.

Furthermore, we've noted with interest that the work we and others have supported across the globe is resulting in new approaches and models that are broadening the concept of a community foundation. While, historically, the Mott Foundation's lens has

been on place-based, community foundations, we recognize that there are other viable forms of community philanthropy, including giving circles, United Ways, social venture funds, online giving, religious institutions and others — many of which we have funded. The bottom line is to generate local resources for local needs.

Inevitably, there will be more changes ahead as new players enter the field in new places around the globe. And, hopefully, even more young people will take an interest in this work. After all, engaging young people in philanthropy is how we pass a dream on from one generation to the next.

Strong community foundations are much more than fiscal agents — as important as that function may be. They are an ideal place for diverse interests and different voices to come together, a place where hope can bloom.

## Governance and Administration

In 2012, we realized a modest increase in assets, which totaled \$2.3 billion on Dec. 31, 2012, compared with \$2.16 billion the year before. On the following page, we have included a chart labeled "Total assets at market value & 2012 dollars," which tracks our asset performance since 1963.

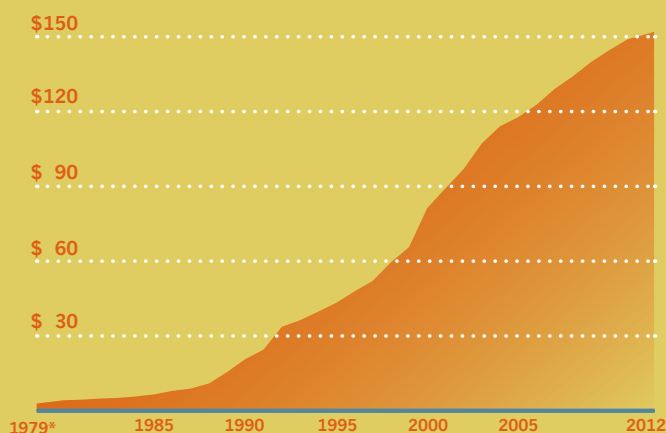
On Jan. 1, 2013, Douglas X. Patiño rejoined the Foundation's Board of Trustees, although one could argue that his emeritus status the previous two years meant he never truly left our organization. Douglas was a trustee from 1995 through 2010 before he was elected Trustee Emeritus beginning in 2011.

Douglas brings to the board not only his wise counsel, thoughtful opinions and genial manner, but also decades of much valued experience in the public, private and nonprofit sectors, including serving as the founding President and Chief Executive Officer of the Marin County Community Foundation in his home state of California. We are delighted that Douglas is once again able to regularly participate in our meetings and deliberations.

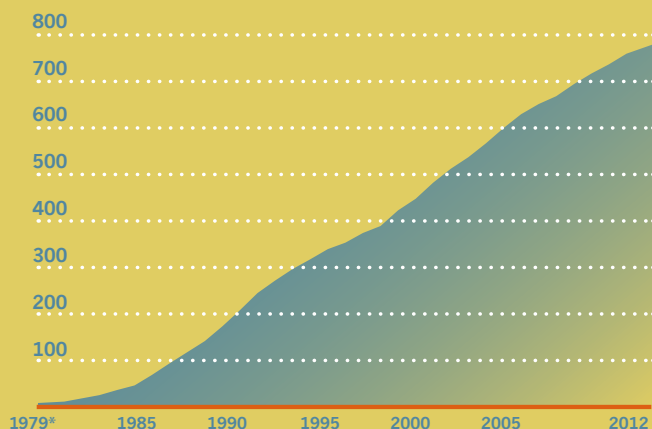
We also have seen the retirements of three long-time employees. Eve C. Brown, our librarian of 38 years, retired on Sept. 30, 2012; Michael J. Smith, vice president of investments and chief investment

## CHARLES STEWART MOTT FOUNDATION SUPPORT FOR COMMUNITY FOUNDATIONS

### CUMULATIVE GRANT DOLLARS 1979-2012 (in millions)



### CUMULATIVE NUMBER OF GRANTS 1979-2012



\*Includes five Flint area grants made prior to 1979.

officer, retired on Dec. 31, 2012, after 35 years with the Foundation; and Lesle Berent retired from her position as senior accountant on Feb. 15, 2013, after 33 years on our staff.

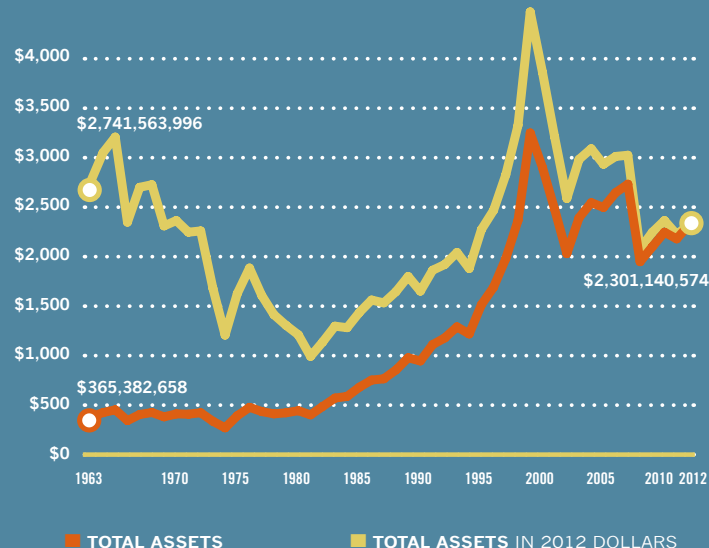
Eve, the typical quiet librarian, amazed her colleagues by routinely finding exactly the right information, despite being given the vaguest of references to go on. She had an encyclopedic knowledge of the Foundation — and the many books, papers, clippings, reports and assorted other materials contained in both our library and our archives. Hired in 1974, she was responsible for creating the Foundation's original library and our centralized filing system. With her retirement, Glen A. Birdsall, who worked with Eve for 14 years, was promoted from Associate Librarian to Librarian.

Mike Smith joined the Foundation's Detroit-based investment office in 1978 as an investment manager and was promoted several times over the years before assuming the top position in our investment office in 2006. Mike was responsible for helping us transition to a broadly diversified portfolio. Although his long career meant he would experience some nerve-wracking highs and lows in the financial markets, Mike maintained a quiet, calm demeanor through it all. Much appreciated for his willingness to listen and delegate, Mike was a team builder who created a supportive and collegial working environment for his staff.

Succeeding Mike as Vice President-Investments and Chief Investment Officer is Jay C. Flaherty, who joined our investment office in 2007. He was named an assistant vice president in March 2012.

We were fortunate to have an outstanding internal candidate to step into such an important leadership position. Jay was able to bring with him not only an impressive financial background, but also a

## Total assets at market value & 2012 dollars (in millions)



valuable familiarity with the general operation of the investment office.

Finally, early in 2013, Lesle Berent left our accounting department after a long career. Lesle was one of a number of quiet, behind-the-scenes Mott employees who ensure that things run smoothly — and know how to competently put them right when they don't.

The institutional memory that left our organization with these three employees will be impossible to replace. Still, we wish them all the best in their retirements and thank them again for their dedication and hard work through the years.

**William S. White, President**