

Hong Kong Community Foundation

What is a Community Foundation?

- A community foundation is a tax-exempt, independent, and publicly-supported charitable organization organized and operated as a permanent collection of endowed funds for the long-term benefit of a defined geographic area.
- It seeks new, typically large, contributions of permanent endowment from a wide range of donors who are generally indigenous to the area, and provides services to assist those donors in fulfilling their personal philanthropic interests.

How does it work?

- Using interest income from invested assets, a community foundation functions primarily as a grantmaking institution supporting a broad range of charitable activities that address emerging and changing community needs. A community foundation may also serve as a facilitator, convener or mediator around significant community issues, and provides technical advice to donors and nonprofits.
- A community foundation has an independent governing body representing the broad interests of the community, and adheres to a sense of "community" that overrides interests and objects of any particular individuals and groups.

Donor's options - types of funds built by a Community Foundation

1. **Unrestricted Fund**
The donor allows the community foundation the discretion on the use of annual income for a broad range of community issues. This provides the foundation the opportunity to respond to changing community needs.
2. **Limited Period Project Funds**
Working closely with donors, the community foundation identifies an unmet charitable need and establishes a fund to meet that need. Over time, the fund is expended in order to meet the community need.
3. **Field-of-Interest Funds**
The donor directs the community foundation to use the annual income in a certain program area such as education, youth or the environment, with the foundation determining the specific recipient from time to time.
4. **Donor-Advised Funds**
The donor actively participates in grantmaking by recommending to the community foundation the purpose and/or organization(s) that might receive the annual income.
5. **Designated Funds**
The donor directs the community foundation to pay the annual income to a specific named organization in perpetuity.
6. **Agency Endowment Funds**
Other charities in the community place their endowment funds with the community foundation for management and investment purposes. The

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community foundation regularly distributes the annual income back to these agencies for their general purposes.

7. Supporting Foundations

Another charitable organization, a supporting foundation can attach itself to the community foundation and achieve public charity status.

What are the major benefits brought about by a Community Foundation?

1. For potential donors, existing private, family and corporate foundations
Using the common platform provided by a community foundation, assistance could be offered to donors with different backgrounds and wealth to help them set up their own trust funds or other philanthropic vehicles, which is flexible enough to fulfill the individual donors' own charity goals. At the same time, a wide range of donor services will be provided including donor education, community needs assessment, professional grantmaking services, service monitoring and assessment, etc. Potential donors could thus save the legal and professional costs for establishing and running their own foundations. Existing private, family and corporate foundations could also benefit from partnerships with the community foundation.
2. For other nonprofits and community groups
Nonprofit organizations and community groups could gain access to additional funding opportunities, build their own endowments, or solicit their philanthropic supporters to establish "designated funds" for funding their services, all of which could be structured using the platform of the community foundation. Small community groups lacking fundraising capacity could also benefit since "field-of-interest funds" could be established for supporting the activities of a specific service sector or over certain service domains. The community foundation will also serve the function of a charity bank helping other charities to save the troubles of dealing with difficult investment decisions.
3. For Government bodies and other existing funding organizations
In addition to forming funders' collaborative for leveraging resources and expertise, a community foundation could also serve as an important source of information in channeling the voices from the grassroots to various funding bodies. By undertaking the community convening function - yet another core function of a well-developed community foundation - it aims to achieve the desired goal of enhancing participatory and inclusive governance in indigenous philanthropy and community development.

For further information, contact **community connectors** at connectors@netigator.com.

March 2003

Please pass this flyer to other parties who may be interested in promoting the idea of setting up a community foundation in Hong Kong.