



The Roundtable

on Religion and Social Welfare Policy

Exploring the Funding Relationships Between Community Foundations and Faith-Based Social Service Providers

**A National Survey Assessing the Policies and Giving
Patterns of Community Foundations**

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ABSTRACT

To date, very little research has examined the extent to which community foundations financially support the efforts of faith-based social service providers. In addition, little is known about the variety of restrictions that these foundations may impose on faith-based organizations (FBOs). The Roundtable on Religion and Social Welfare Policy has conducted a national survey of community foundations to address this gap.

Responses to the survey indicated that few community foundations have developed separate initiatives that directly fund faith-based social services. However, the majority of community foundations (70 percent) regularly fund FBOs through more general discretionary funds as well as donor-advised funds (30 percent). Among those community foundations that had funded FBOs within the past year, on average each awarded three grants annually, with a mean grant amount of \$40,314. Community foundations funded child/youth/family services with the most frequency compared to other categories of social services. Within this broad category, grants supporting youth development (e.g., summer camps, after-school activities, and mentoring programs) were most common. Our sample of community foundations also indicated regular support of homeless services and food assistance programs. The majority of the social service grants awarded to FBOs did not support explicitly religious content. However, 22 percent of the grants did support activities that were classified as “explicitly religious” by the community foundations responding to the survey.

The survey also allowed us to capture the extent to which community foundations: exclude FBOs from funding opportunities, restrict explicitly religious activity by FBOs, or require FBOs to adopt certain organizational characteristics in order to meet eligibility requirements. General restrictions that limit funding to FBOs are uncommon. Only 4 percent of the sample indicated that they chose to decline funding of FBOs, regardless of the religious content of the programs offered by these organizations. Far more common are restrictions that limit the funding of religious activity, with 64 percent of the community foundations indicating that they have such policies. Finally, approximately one-third of community foundations require that grant recipients not discriminate in hiring, firing, and promoting employees based on their religious beliefs. However, only about half of those foundations actually provide these non-discrimination requirements to grantees in the form of written guidelines.

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INTRODUCTION

The relationship between philanthropy and faith is as old as the history of this nation itself. Some of this country's first and best known philanthropists were motivated by religious faith and often gave directly to the humanitarian aid and benevolence offered by the early American church.¹ Today, new questions are being asked about how private philanthropy can and should best support the humanitarian activities of faith-based institutions. With the rise of institutional philanthropy, the development of more organized forms of faith-based social service delivery, and the recent encouragement of these collaborative relationships by the White House, this is a topic that is worthy of study.

This report discusses the findings of a national survey of community foundations that assessed the policies and funding activities of these foundations as they relate to faith-based social service providers. It builds on earlier research by the Roundtable on Religion and Social Welfare Policy on the policies and giving patterns of large private and community foundations as they relate to faith-based social service. That previous research suggested community foundations, as a group, tend to have more policy restrictions that limit giving to faith-based institutions compared to private foundations.² Additional research examining these seemingly more restrictive policies and the transparency of community foundations in communicating these restrictions appeared to be warranted. This previous research also suggested that many large private independent and community foundations actively fund the social service activities of faith-based organizations (FBOs). We were interested in exploring the extent to which this funding activity was occurring within a more representative national sample of community foundations, and more specifically, what types of activities were being funded by these foundations. Those are the topics we take up in additional detail in this report.

There are a number of reasons to study the funding of faith-based social services by the private-sector. First, private-sector support may assist FBOs in diversifying funding sources. This can prevent these organizations from becoming over-reliant on support from individual donors or public funding streams. Second, recent actions by the federal government have sought to encourage foundations and corporations to increase funding to charitable organizations, including FBOs. Though often overshadowed by other

components of the effort, George W. Bush's Faith-Based Initiative has promoted foundation and corporate giving to FBOs through grants and in-kind contributions from the private sector. The Executive Order that created the White House Office of Faith-Based and Community Initiatives called for encouraging private giving to faith-based groups. Legislation introduced in the 107th Congress before the U.S. Senate (CARE Act of 2003) and House of Representatives (H.R. 7) proposed incentives that would encourage both individual as well as private-sector giving directed towards charitable organizations. These bills may signal a changing relationship between tax policy and philanthropy that could eventually benefit nonprofit social service providers, including FBOs.

In addition, the Working Group on Human Needs and Faith-Based and Community Initiatives – a diverse group of civic and religious leaders representing a wide range of views on faith-based social services and brought together by Search for Common Ground under the aegis of the Roundtable – has also developed a number of specific recommendations directly aimed at encouraging contributions made by the private-sector. These recommendations include modifying rules limiting corporate contributions as well as encouraging private funders to lift general restrictions on grant applications from FBOs.³

Finally, some have suggested that private-sector institutions may be more willing or better equipped to fund certain religious aspects of FBO social services not eligible for public funds. In *Philanthropy Magazine*, Barbara J. Elliott, founder of the Center for Renewal in Houston, argued that the private sector is well positioned to support FBOs engaged in such efforts. According to Elliott, “Because of the current interpretation of the establishment clause of the First Amendment, Government can only fund the secular part of an FBO’s mission...If it is faith that lets faith-based efforts change lives more deeply than their secular counterparts, only private donors can strategically foster the part of faith-based programs that make them work.”⁴ While this is arguably an assumption that remains to be tested, it is certainly one that is worth exploring.

Narrowing in from the general domain of private funding to FBOs, this report takes a closer look at the policies and giving patterns of community foundations for several reasons. First, community foundations represent the fastest growing segment of institutional philanthropy. The number of community foundations in the U.S. has more than doubled in the past 20 years.⁵ It is currently estimated that there are over 500 community foundations in the United States.⁶ These foundations hold approximately \$10 billion in assets and give approximately \$750 million in grants annually.⁷ While community foundations are underrepresented within institutional philanthropy, making up approximately 1 percent of all grantmaking organizations, on average they appear to be larger and devote a greater number of resources into their grantmaking activities compared to other types of foundations. For example, in 1999, community foundations held approximately 6 percent of all assets owned by grantmaking foundations and awarded more than 7 percent of all grants awarded by these foundations. It is

important to understand how this rapidly expanding sector is partnering with FBOs and the potential for future collaboration.

Second, there is some evidence that community foundations are more involved in funding health and human service activities compared to other grantmaking institutions.⁸ Due to the regular involvement of FBOs in the provision of health and human services, we felt it important to gauge the extent to which there is an intersection between community foundations and faith-based service providers.

Third, some proponents of the expanded involvement of faith-based organizations have argued that this is a positive trend because FBOs are frequently indigenous to the neighborhoods and communities in which they are located. Given their local geographic focus, community foundations would appear to have an excellent opportunity to interact and partner with the local nonprofit community in ways that might be more challenging for national-level philanthropic institutions.⁹

Finally, the charitable tax status of community foundations relative to other private foundations warrants this examination. Community foundations differ from most other private institutions of philanthropy in that they are typically classified as public charities and therefore eligible for tax-deductible contributions from the general public. Unlike private foundations, which are often funded largely from trusts and contributions from an individual or a family, community foundations are more commonly supported by these tax-deductible contributions from the general public. In an earlier report by the Roundtable we speculated that this public charity status may be related to policies that limit the funding of FBOs. This research explores the rationales behind community foundation policies that restrict giving.

This research was initiated with the following research questions in mind:

- What FBO administered social services do community foundations fund? Are community foundations more likely to fund locally based congregations and nonprofit organizations or nationally affiliated FBOs?
- How do community foundations distribute funds to FBOs? Do community foundations rely on competitive unrestricted grants, donor-advised funds, education scholarships, etc.?
- What restrictions do community foundations place on FBO recipients? Are restrictions general, specific to religious activities, or encompass nondiscrimination hiring clauses?
- What was the rationale behind these policies and to what extent do these restrictions represent internal standards versus published guidelines?
- Among those community foundations that do impose restrictions, what activities are considered inherently religious and therefore impermissible?

METHODOLOGY

A detailed discussion of the survey design and administration is included in a methodological appendix. In brief, our sample contained 694 different community foundations, and we received useable responses from a total of 215 community foundations, which represents a 31 percent response rate. This would appear to be a favorable response rate considering other national surveys of community foundations have netted response rates in the range of 23 to 34 percent.¹⁰

In addition to the survey responses, for each foundation in our original sample we also collected financial information from their most recent IRS Form 990.¹¹ This allowed us to draw some general conclusions about the characteristics of the community foundations that responded to the survey. These financial data also allowed us to test for any potential nonresponse bias that may have occurred. We wanted to ensure that those foundations responding to the survey were representative of the community foundations that exist in the United States. Across a number of financial indicators, the foundations that responded to the survey appear to be representative of the original sample. The table below presents the mean values for the annual gifts received, the annual expenses, and the annual grants awarded by those foundations completing the survey compared to those for the overall original sample. Across these three categories, there are no statistically significant differences between those that responded to the survey and those that did not.

TABLE 1: Mean Annual Financial Data

Category	Respondents	Original Sample
Gifts Received	\$ 5,644,155	\$ 5,097,714
Expenditures	\$ 4,293,003	\$ 4,610,786
Grants Awarded	\$ 3,582,110	\$ 3,637,703

Note: Data were taken mostly from FY 2000 or FY 2001 with 80 percent of the foundations reporting financial data during this time frame.

There is also some evidence that those community foundations that responded to the survey were distributed geographically in ways similar to the overall original sample. Community foundations are not equally distributed geographically throughout the country. The Great Lakes and Midwest regions contain more community foundations than any other area of the country.¹² To ensure that our responses conformed to this geographic distribution, we coded each foundation that responded to the survey according to the regional definitions maintained by the U.S. Census Bureau. These definitions include four large regions and nine smaller divisions.¹³ Community foundations that responded to the survey were concentrated in the Midwest and South regions. Approximately 48 percent of the

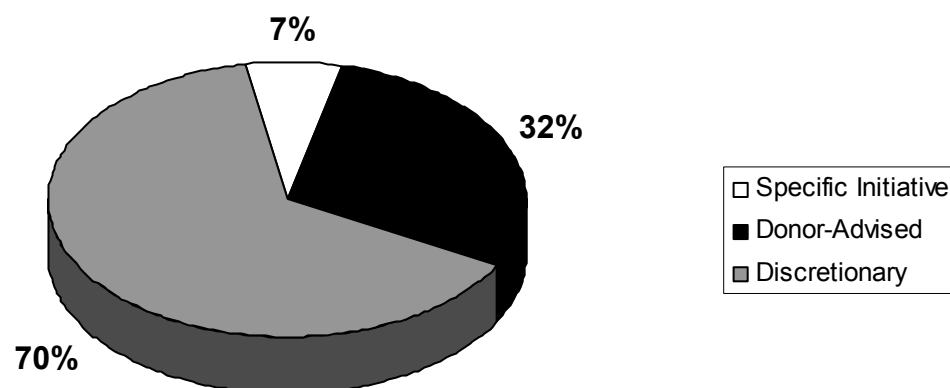
foundations that responded to the survey were located in the Midwest while 24 percent were located in the south. The geographic distribution at the division-level adds further support to the conclusion that the respondents were generally representative of all community foundations. Among those foundations that responded to the survey, by far the most commonly occurring division was the east north central. This division includes community foundations located in the upper Great Lakes and Midwest, areas where community foundations are known to be most highly concentrated. Nearly 40 percent of the community foundations that responded to the survey were located within this division. Therefore, we conclude that our sample is generally representative of the community foundations located in the United States.

FINDINGS

Funding Opportunities

Most community foundations have not developed special initiatives or field of interest funds that are designed specifically to fund the social service activities of faith-based organizations. Community foundations are much more likely to fund FBOs through donor-advised funds or more general discretionary funds and competitive grant programs. Approximately one third of the respondents reported that they managed donor-advised funds that focused exclusively on the social service activities of FBOs. In contrast, 70 percent of the respondents indicated that they had funded FBOs through more general discretionary grant programs. An example would include, for instance, a health or human services grant initiative designed to address services to the homeless that had awarded a grant to a local temporary housing shelter operated by the Salvation Army.

Chart 1: FBO Funding Streams



Some community foundations also reported that they fund faith-based educational institutions indirectly through student scholarship programs. Most community foundations (91 percent) reported some type of education scholarship program. Among those community foundations that have education scholarship programs, approximately 28 percent had at least one scholarship that provided funding exclusively for students attending private religious educational institutions. In addition, very few of the scholarship programs operated by community foundations contain prohibitions which would restrict recipients from using their scholarship to attend private religious educational institutions. In instances where such prohibitions exist (7 percent of all scholarship programs), the restrictions were not restrictions *against* attending religious institutions, but rather scholarships that were specifically designed to be used at a public institution (e.g., a scholarship to attend a state college or university).

Outreach to FBOs

We were also interested in understanding what various outreach efforts community foundations engage in with their local religious communities. This outreach could involve attempts to diversify membership on foundation boards and governing bodies, attempts to diversify sources of funding involving religious communities, or attempts to increase donor knowledge of faith-based nonprofits as eligible recipients of funds. Among the community foundations that responded to our survey, close to one third have attempted to diversify their governing structures and have encouraged more diverse donor support by reaching out to the local religious community. For example, 29 percent of foundations reported that they have included leaders from the religious community on foundation boards and committees. While some of this appears to have been done on an ad hoc basis, a number of these community foundations have made this practice a formal policy. The formal policies that were reported typically represented coordinated efforts between the community foundation and local interfaith councils and local ministerial associations. One respondent indicated, “The Interfaith Council for our county is an appointing authority, meaning that they have one seat on our board of trustees and are responsible for filling this seat every four years.” Another responded, “We have a donor advised field of interest fund that assists individuals with a health-care related emergency. Distribution is recommended by a five person committee; one member is required to be from a faith-based organization.” These examples represent ways in which the collaborations between community foundations and the local faith community have become institutionalized.

Community foundations also appear to be interested in reaching out to the religious community in an attempt to diversify sources of funding and donor support. Nearly one third (32 percent) of the foundations indicated that they had engaged in outreach with the local religious community to diversify their donor support. Approximately half of these respondents indicated that congregations and FBOs were simply included in the larger outreach efforts of their community

foundation. However, for the other half, there appeared to be specific presentations and assistance given to congregations and alliances of faith-based organizations. These presentations and collaborations typically concerned the development of church endowment funds and the education of church members and staff on planned giving opportunities. One respondent noted, “Outreach and presentations to interested congregations have led to donations to the foundation and the creation of a substantial endowed fund to benefit children at-risk.” Other outreach efforts included “a workshop on the Black Church and Philanthropy,” “a county-wide survey of churches to gauge interest in the activities of the foundation,” and “meetings with local ministers to discuss community needs.” Therefore, it appears that a number of community foundations have developed strategic ways to reach out to their local faith community.

Finally, some community foundations have attempted to increase donor knowledge of FBOs as eligible recipients of funding. The practice of developing pre-approved lists of eligible public charities is often a means used by community foundations to assist local donors in allocating their financial gifts. This may represent a form of indirect outreach by informing the donor community that the foundation views FBOs as legitimate service providers alongside other secular nonprofits in the community. Although not common among the community foundations that responded to our survey, approximately 27 percent did report that they maintained lists of eligible public charities in an attempt to assist donors in making funding decisions. Among these foundations, the vast majority (91 percent) reported that they included FBOs in these lists. In conclusion, while the majority of community foundations have not developed formal outreach initiatives aimed at encouraging the participation of FBOs, approximately one third of the respondents reported activities that indicate a concerted effort to involve the faith community in their governing bodies and outreach to donors.

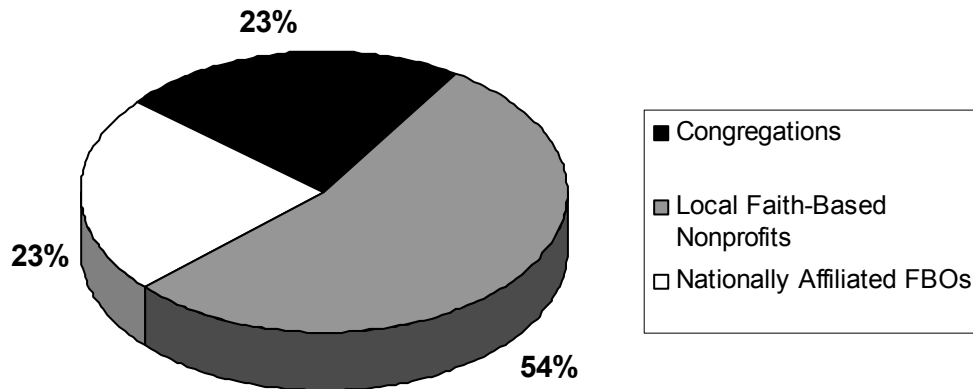
FBO Grant Activity

Our previous research had suggested that large, “faith-friendly” private independent and community foundations were active in funding the social service activities of FBOs.¹⁴ We were interested in exploring the extent to which this funding activity was occurring within a more representative national sample of community foundations, and more specifically, what types of activities were being funded by these foundations. Respondents were asked to report grants awarded to FBOs for the most recent year for which complete data were available. For each grant awarded to an FBO, respondents were also asked to classify the type of recipient,¹⁵ provide a brief description of the grant activity, classify the type of religious content contained in the grant,¹⁶ and record the dollar amount of the grant.

Overall, community foundations appear to be active in funding social services provided by FBOs, with 146 community foundations (68 percent) reporting at least one grant awarded to an FBO in their most recent year.¹⁷ These community

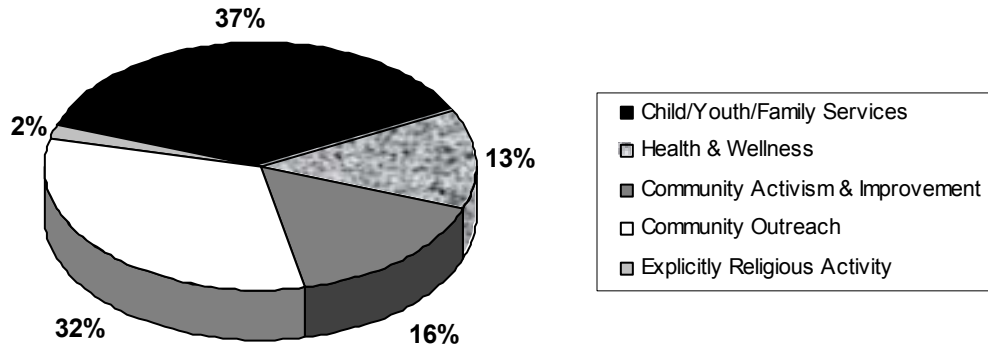
foundations awarded a total of 671 grants and \$8,667,679 to FBOs for social services. On average, each foundation awarded 3 grants annually, with a mean grant amount of \$40,314. Given their local geographic focus, it is possible that community foundations may show funding preference for local faith-affiliated nonprofits and congregations that are indigenous to their communities. While most community foundations only support activities that provide direct benefit to their local communities, it also appears that the community foundations responding to our survey were more likely to fund those organizations that were locally-based compared to organizations with broad, national affiliations. The majority of the grants supported locally-based organizations. Slightly more than half of the grants were awarded to local faith-affiliated nonprofits (54 percent) while local congregation-based providers received close to a quarter of the grants for social service (23 percent).

Chart 2: Types of FBO Grants



The grant descriptions reported by the respondents provided an opportunity to assess the types of social services that community foundations are supporting through their funding of FBOs. The descriptions for 120 (18 percent) of the grants did not contain enough detail to adequately categorize the social service activities being funded. However, we were able to classify the remaining 550 grants according to the social service activity that they supported.¹⁸ Community foundations funded child/youth/family services with more frequency than any other category. Within this broad category, grants supporting youth development (e.g., summer camps, after-school activities, and mentoring programs) were most common. Emergency services and outreach were activities that were also frequently supported by community foundations. Within this broad category, grants supporting homeless services and food assistance were most common. A small number of the grants (2 percent) supported faith-based activity that could not be classified as social service in nature but appeared to be entirely oriented towards religious activity.

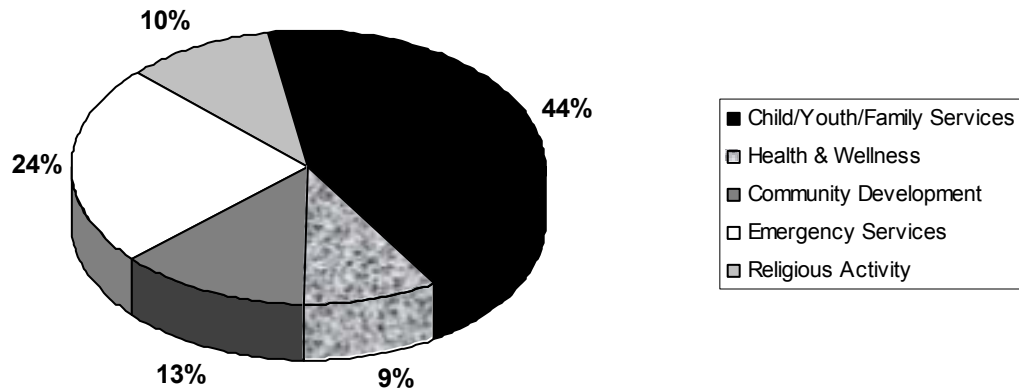
**Chart 3: Breakdown of Social Service Grants
(Undetermined Not Included)**



Some have suggested that because the private sector is not constrained by issues of church-state separation in the way governments are, they may be more likely, or at least better equipped, to fund religious activities carried out by FBOs. We wanted to test this assumption that community foundations are willing to fund explicitly religious activity carried out by faith-based social service providers. We found that the majority of the social service grants awarded to FBOs did not support explicitly religious content. However, 22 percent of the grants did support activities that were classified as “explicitly religious” by the community foundations responding to the survey. We were interested in determining if specific types of FBOs were more likely to receive funding for social service activities containing religious content. Additional analyses revealed that recipients classified as “local FBOs” were the organizations most frequently receiving grants to support explicitly religious content. These local faith-based nonprofits received 44 percent of the grants that contained religious content, while congregations (35 percent) and nationally-affiliated FBOs (21 percent) were somewhat less likely to receive grants supporting explicitly religious content.

We were also interested in determining if certain types of social services were more frequently associated with explicit religious content. We found that, among those grants with religious content, 44 percent supported child/youth/family services, the most frequently occurring category.

Chart 4: Services with Religious Content



These grants supported after-school programs, childcare, private-schools, and general family services. Grants for emergency services, such as food pantries and homeless shelters, were the next most frequently occurring service category with religious content.

Policies Regulating FBO Funding Opportunities

Most philanthropic institutions have developed policies and guidelines that define for potential grantees the types of organizations and activities that they are, and are not, willing to fund. Community foundations are no exception to the rule and have developed a variety of guidelines aimed at educating the public concerning their interests, priorities, and funding limitations. We were interested in understanding what types of guidelines have been developed as well as some of the rationales that support these guidelines. In particular, the survey allowed us to capture the extent to which FBOs were excluded from funding opportunities, the extent to which foundations restricted explicitly religious activity by FBOs, as well as the extent to which community foundations require FBOs to adopt certain organizational characteristics (e.g., non-discrimination clauses, nonprofit status) in order to meet eligibility requirements.

The first observation that can be made regarding these limitations is that general restrictions limiting funding to FBOs are far from common among community foundations. Only 8 community foundations (4 percent of the sample) indicated that they chose to decline funding of FBOs, *regardless* of the religious content of the programs offered by these organizations. Those respondents that did cited concern over legal issues involved in funding an FBO as the most common factor that contributed to this policy. In addition to religious organizations, these policies also typically restrict giving to partisan political organizations.

Restrictions that limit the funding of religious activity are far more common. Approximately 64 percent of the community foundations indicated that they did not fund sectarian or explicitly religious activity. This is a finding that is consistent with previous research conducted by the Roundtable.¹⁹ Among those foundations that had policies that excluded religious activity, the majority (82 percent) communicated these policies to applicants through written guidelines. In general, these written guidelines took one of two forms. In approximately 77 percent of cases, these community foundations simply communicated that they did not fund religious or sectarian activity. The language used to convey these limitations was almost universal and the following examples are generally representative of these guidelines:

- “Grants will not be made for sectarian religious programs.”
- “The Foundation does not make grants to religious organizations for religious purposes.”

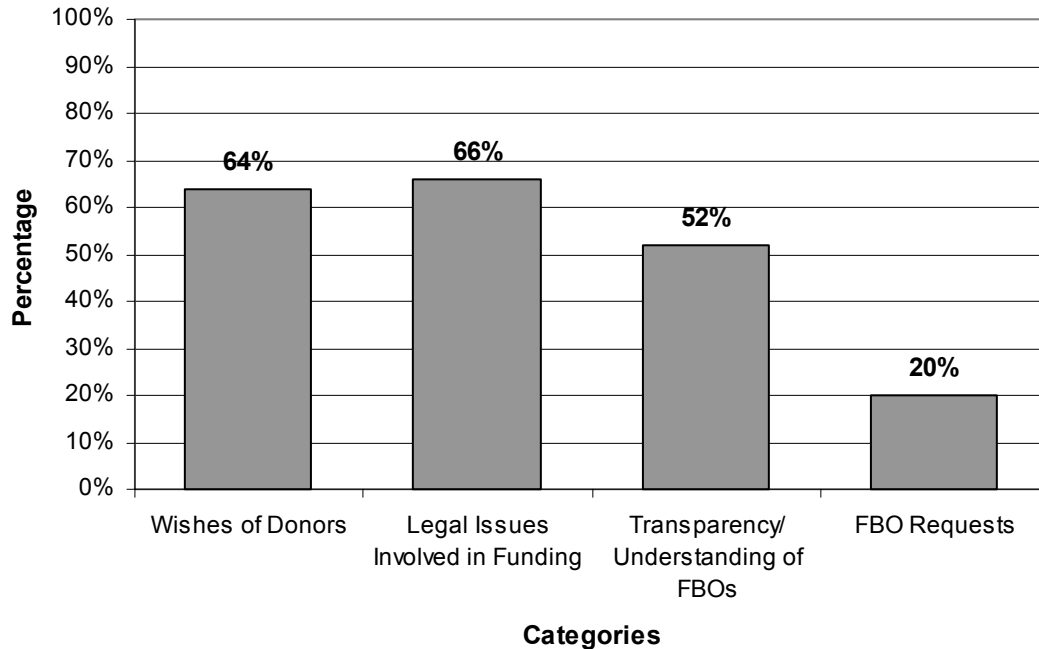
In contrast, the remaining 23 percent of these community foundations communicated these same limitations but added some additional text that provided potential grantees with a clarification of the foundation’s definition of religious activity. These clarifications typically centered around the foundation’s concern that programs have a broad benefit for the entire community, or additionally, their concern that program participants not be denied services based on their religious beliefs or affiliations. The following examples are generally representative of these written guidelines:

- “Proposals from faith-based organizations will only be considered if: (1) the service benefits all, regardless of religion; (2) the service provided is not religious in nature; and (3) there is no proselytizing associated with the service.”
- “The foundation will consider a grant request from a religious congregation, a religion sponsored organization, or a non-affiliated religious organization if: a) the purpose of the program for which the grant is requested is primarily secular or civic in nature, and; b) any religious activity or instruction is incidental to the program for which the grant is requested or is paid for by other sources, and; c) the program for which the grant is requested will serve participants without limitation to religion or creed.”

Among those community foundations that did decline funding for religious activity, we were also interested in understanding the rationale behind this policy and what activities, according to their definitions, they considered impermissible. A variety of factors appear to have contributed to the development of these policies. Community foundations appeared to be most concerned with the legal

issues involved in funding religious activity as well as concern for the wishes of their local donors.

Chart 5: Rationale for Religious Limitations



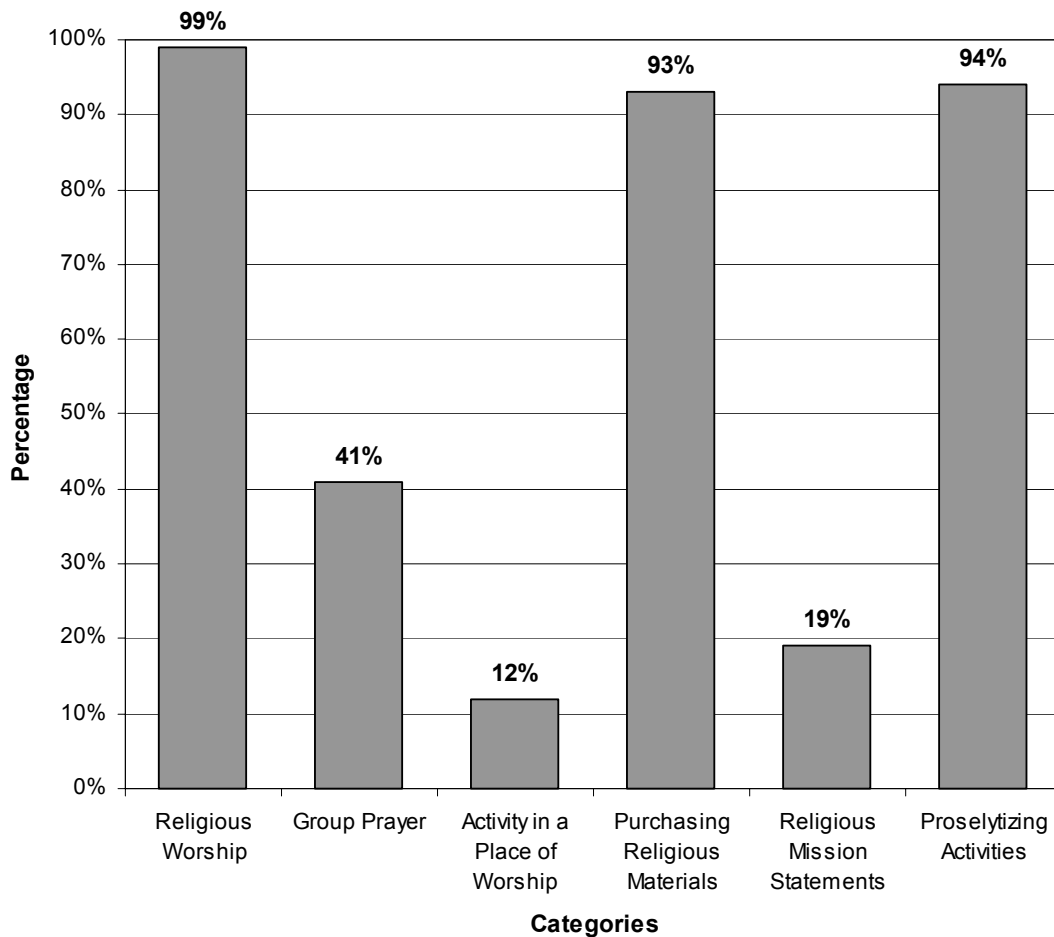
Approximately half of these policies were developed out of a concern for the transparency and understanding of FBOs and their programs. Only 20 percent indicated that policies had been developed because FBOs had asked them for clarification. A small portion of the respondents also noted that they did not fund sectarian activity because they were concerned about appearing to favor one religious group over another.

There appears to be considerable agreement over what constitutes impermissible religious activity. Each respondent was asked to rate a variety of activities as either permissible or impermissible according to their definition of sectarian or religious activity. While the majority of community foundations do not provide detailed definitions of religious activity in their written guidelines, their responses to these questions reflect the more informal and somewhat internal definitions maintained by the foundation. Over 90 percent of community foundations reported that religious worship or instruction, using funds to purchase religious texts or educational material, and activities that proselytize or promote a religious ideology were all considered impermissible according to their policies.

There were two activities that, in general, these community foundations did not view as violations of their policies. These “permissible” activities included activities carried out in places of worship (e.g., churches, synagogues, or

mosques) and the presence of mission statements that reference religious values or motivations. The one activity that created the most disagreement among these community foundations was “group prayer before a meal or at the beginning or ending of activities.” A slight majority of foundations (59 percent) indicated that this activity would be permitted according to their definition of sectarian or religious activity. The remaining 41 percent of foundations reported that this activity would not be permitted according to their definitions, policies, and guidelines.

Chart 6: Definitions of Religious Activity



Finally, we examined the extent to which community foundations require FBOs to adopt certain organizational characteristics in order to be eligible for funding. Community foundations may require that grant recipients adopt non-discrimination clauses, establish a separate 501(c)(3) nonprofit structure, or provide services that benefit the entire community. One of the more contentious topics surrounding the “faith-based initiative” is whether publicly funded FBOs

can favor co-religionists when making employment decisions. It would appear that this debate is far from settled within the private sector as well. Slightly more than one third of community foundations require that grant recipients not discriminate in hiring, firing, and promoting employees based on their religious beliefs. Among those foundations that do require religious non-discrimination in employment, approximately 51 percent actually provide these requirements to grantees in the form of written guidelines. The majority of these guidelines explained that the non-discrimination policies applied to both the community foundation itself, as well as all grant recipients. The following example is generally representative of these written guidelines:

- “The community foundation operates without discrimination as to age, race, religion, sex or national origin, and will award grants only to grant seekers which do not discriminate as to age, race, religion, sex or national origin.”

Within the written guidelines of four of the community foundations, there was a distinction made between competitive discretionary grants awarded by the foundation and grants specified by donors. Two of these foundations indicated that their non-discrimination requirements only applied to grant recipients receiving funding from the discretionary grants of the community foundation and did not apply to funding decisions made by individual donors. The other two foundations also recognized the distinction between discretionary and donor-advised funds but communicated in their written guidelines that they required donors to respect legal requirements in non-discrimination when structuring their funding decisions. However, it is important to note that the majority of foundations were silent on the issue of non-discrimination requirements being applied to donor-advised funds.

Compared to non-discrimination clauses, there appears to be slightly less demand that FBOs have official nonprofit status in order to receive funds from community foundations. Among those community foundations that allow FBOs to apply for funding, the majority (73 percent) do not require that these grantees establish a separate 501(c)(3) structure to manage the grant. However, approximately 40 percent of these foundations indicated that where FBOs have not established separate nonprofits, they do require recipients to apply under the fiscal sponsorship of an established 501(c)(3) organization. Among those foundations (23 percent) that do require nonprofit status, this does not appear to be a limitation that is specific to FBOs. Approximately 95 percent of these community foundations indicated that this was a policy that applied to all eligible grant recipients, not just those that were religiously affiliated.

While the majority of community foundations did not require recipients to adopt policies of non-discrimination in employment, in general they did show reluctance in funding FBO programs that were narrow in their approach to outreach and service delivery. We were interested in determining if community

foundations gave preference to faith-based social services that had a broad benefit for the entire community compared to programs that were more likely to only benefit members of a specific religious organization or community. Among those foundations that had funded FBOs during the most recent year, 82 percent indicated that these preferences did factor into their funding decisions. However, there does not appear to be a universal communication of these preferences as only 52 percent of these community foundations have developed written guidelines expressing these preferences or explaining to FBOs how they can meet compliance.

CONCLUSION

Those who advocate for the increased involvement of FBOs in the provision of social services have argued that the private-sector can represent an important partner and source of financial support for these efforts. This research has demonstrated that community foundations in the United States do in fact actively fund social services provided by FBOs. Although few community foundations have developed specific initiatives or funds directly aimed at supporting faith-based services, the majority of community foundations appear to be allowing FBOs to compete on a “level playing field” with other nonprofit social service providers. The grants awarded by community foundations support a wide variety of social service activity. While these grants did vary in size, the community foundations that responded to our survey did show a preference for smaller, locally-based faith-affiliated nonprofits and congregations compared to large, nationally-affiliated FBOs. In addition, because these grants are smaller in size compared to those offered by larger private foundations,²⁰ the entire process may be well suited to smaller FBOs with less experience in grant writing. In this way, community foundations may be able to play an important role in building the capacity of smaller and less well established FBOs.

As community foundations and FBOs look for ways to collaborate, a number of challenges appear to remain. The first challenge surrounds the assumption that private-sector institutions may be better equipped to fund the religious aspects of some faith-based services because they are not inhibited by the Constitutional concerns surrounding public funding. Our research suggests that community foundations appear to be hesitant to fund activities that are inherently religious. While respondents did classify a small fraction of the grant funded activities as “explicitly religious,” the majority of community foundations have policies that prohibit recipients from using funds to support such activity. These policies appear to have been developed largely out of a concern for the wishes of donors, out of a desire to remain neutral in the area of religion, and because most of the foundations wish to remain open to all members of the communities that they serve, irrespective of religious affiliation. For these reasons it appears community foundations remain reluctant to cross boundaries still debated within government. This finding provides a challenge to the assumptions offered by some proponents

of private-sector funding who have suggested that it might be easier to fund religiously intensive programs through corporations and foundations. This also highlights the importance of transparency as community foundations and FBOs seek mutually beneficial relationships.

An additional challenge facing the prospect of private-sector funding is the lack of shared language used to capture the variety of ways that FBOs can integrate religious characteristics in grant funded programs. In a recent special forum article published in *Nonprofit and Voluntary Sector Quarterly*, Sider and Unruh note that, "...failure to recognize varieties of faith-based organizations can lead to incongruous funding decisions in the private sector. Funding decisions may not reflect accurate assessments of what types of programs are compatible with the donor's vision and priorities." (p.110)²¹ Few community foundations specify their preferences or limitations regarding FBOs beyond simple prohibitions against "sectarian activity." However, there are a myriad of ways that FBOs may engage in activities that could be construed as religious or "sectarian." For example, an FBO may use religious criteria in selecting an Executive Director but not use such criteria when selecting program staff. An FBO may voluntarily offer religious instruction to program participants but not make participation mandatory, or additionally offer such instruction at a separate time and place from other activities. Community foundations that are interested in exploring funding relationships with FBOs should be encouraged to think critically about the compatibility of a variety of these religious characteristics and their funding priorities. In doing so, the recommendations offered by the Working Group on Human Needs and Faith-Based and Community Initiatives should prove to be very useful.²² The typology provided within this document represents a valuable tool that can assist community foundations and FBOs in achieving the transparency necessary to foster successful funding relationships.

APPENDIX

SURVEY ADMINISTRATION

Roundtable staff began by compiling a national sample of all known community foundations in the United States. We relied on databases maintained by the Foundation Center and the Council on Foundations. The information collected from these two sources was generally consistent, but each database produced several unique foundations not contained in the other. For each foundation, we attempted to verify and, where necessary, update mailing and contact information through internet searches and telephone calls. We began by pretesting a draft of the survey with 7 community foundations. The response to the pretest was generally favorable and yielded several suggestions for additional survey items and responses. These revisions helped form the final draft of the survey. This final draft asked respondents about special initiatives that they have for FBOs, discretionary funds that are awarded to FBOs, a variety of questions about their policies that govern these funding opportunities, as well as the rationales for these policies.

Each community foundation received a cover letter describing the purpose of the survey, a hardcopy of the questionnaire, instructions describing the availability of an online version of the survey, and a separate postage paid postcard for a request of the final report. Where possible, letters were addressed directly to a staff member responsible for programs and grantmaking. This was typically the Vice President or Director of Programs/Grantmaking. If this contact information was not available, letters were addressed to the Executive Director or President of the community foundation. A follow-up mailing was sent approximately one month after the initial request. This follow-up mailing reiterated the importance of the research, contained a second copy of the questionnaire, additional instructions regarding the online version of the survey, and a second report request postcard. The procedure we used to verify addresses and contact information appears to have helped, as only 6 surveys were returned because they contained an incorrect address. There appeared to be some interest in the online version of the survey that was made available as an alternative. While 143 community foundations returned their surveys through the mail, 72 community foundations (approximately 33 percent) completed the online version of the survey.

SURVEY

Because we believe that it is important to have a common definition of what we mean by “faith-based social services,” we have provided the following working definitions.

Working definition of “faith-based organization”

A “faith-based organization” is an organization that has some degree of connection to an organized faith community. These connections may include an organization’s: founding; mission statement; a shared religious ideology among staff, volunteers and/or leadership; conviction that motivates or guides actions and decisions by staff; and reliance on financial sources of a religious nature.

Faith-based organizations (FBOs) may or may not have explicit religious content in the programming of the social services they provide. Faith-based organizations can, in general, be identified as congregation-based, religiously-affiliated nonprofits, and large national faith-affiliated social service providers.

A **congregation-based FBO** is a house of worship (e.g. church, synagogue, or mosque) that directly provides social services, without doing so through a distinct and separate organization. The distinguishing feature of FBOs in this category is that they do not have an institutional separation between the entity providing the social service and the house of worship itself.

Local, **religiously-affiliated nonprofits** are those with 501(c)(3) status. A religiously-affiliated nonprofit may be local, if it is affiliated with an individual congregation, for example, or regional in its geographical service area.

Multi-state or national FBOs include groups that number among the largest providers of social services in the nation. Examples include Catholic Charities, Jewish Family Services, Lutheran Social Services, Salvation Army, Habitat for Humanity, and Volunteers of America.

Working definition of “faith-based social services”

FBOs provide a wide array of social services. These services can roughly be categorized as short term emergency assistance, long-term assistance, and community and housing development.

Short-term Assistance: Food assistance, housing assistance for the homeless, mental health/crisis intervention, etc.

Long-term Assistance: Substance abuse treatment, community-based offender re-entry services, employment training, hospice services, etc.

Community & Housing Development: Small business development, housing construction, low-income housing loans through community development financial institutions, etc.

1. Does your foundation have a specific grant initiative or field of interest fund that focuses *exclusively* on funding the social service activities of faith-based organizations (FBOs)?

[] No

[] Yes → go to #1(a)

- a. Please provide a brief description of the initiative/fund(s).

2. Does your foundation manage any *donor-advised funds* or *designated beneficiary funds* that focus ***exclusively*** on funding the social service activities of FBOs?

NO

Yes → go to #2(a)

a. Please provide a brief description of the fund(s).

3. Does your foundation have other discretionary funds or grant initiatives that, while ***not*** focusing ***exclusively*** on religious service providers, have funded FBOs? For example, an initiative to address homeless services that has funded a temporary housing shelter operated by the Salvation Army.

No

Yes → go to #3(a)

a. Please provide a brief description of the initiative(s).

4. Some foundations develop lists of eligible public charities to assist donors in making funding decisions. Does your foundation maintain a rolling list of pre-approved local public charities to assist in allocating donor-advised or directed funds?

No

Yes → go to #4(a)

a. Are FBOs included in this list of pre-approved public charities?

No

Yes

5. Some community foundations seek to ensure that their governing body is broadly representative of the community they serve. Has your foundation included leaders from the religious community in an attempt to diversify your governing body?

No

Yes (Please briefly describe these efforts.)

6. Some community foundations seek broad support from donors with diverse charitable interests. Has your foundation engaged in outreach with the local religious community in an attempt to diversify your donor support?

No

Yes (Please briefly describe these efforts.)

The following questions are designed to capture your foundation's policies concerning the funding of FBOs. We are only interested in the policies that govern the discretionary grants/funds awarded by your foundation and not separate policies governing donor-advised funds.

7. Does your foundation choose to decline the funding of FBOs in general, *regardless* of the religious content of programs?

No → go to #8

Yes → please complete #7(a) & (b)

- a. Are these restrictions included in written guidelines made available to applicants?

No

Yes (Please provide the actual text from the guidelines.)

- b. Which of the following factors contributed to this policy?

- Concern for the wishes of donors?

No Yes

- Concern over legal issues involved in funding an FBO?

No Yes

- Concern over the transparency/understanding of FBOs and their programs?

No Yes

- FBOs asked for a clarification of your policies?

[] No [] Yes

- Other? (Please Specify)

8. Does your foundation choose to decline the funding of *sectarian* or *religious activity* carried out by FBOs?

[] No → go to #9

[] Yes → please complete #8(a), (b) & (c)

- a. Are these restrictions included in written guidelines made available to applicants?

[] No

[] Yes (Please provide the actual text from the guidelines.)

- b. Which of the following factors contributed to this policy?

- Concern for the wishes of donors?

[] No [] Yes

- Concern over legal issues involved in funding sectarian or religious activity?

[] No [] Yes

- Concern over the transparency/understanding of FBOs and their programs?

[] No [] Yes

- FBOs asked for a clarification of your policies?

[] No [] Yes

- Other? (Please Specify)

c. Which of the following activities would generally be considered impermissible according to your foundation's definition of sectarian or religious activity?

- Religious worship or religious instruction?

No Yes

- Group prayer before a meal or at the beginning or ending of activities?

No Yes

- Activity carried out in places of worship (e.g. churches, synagogues, or mosque)?

No Yes

- Using funds to purchase religious texts or religious educational material?

No Yes

- Mission statements that reference religious values or motivation?

No Yes

- Activity that proselytizes or promotes a religious ideology?

No Yes

- Other? (Please Specify)

9. Does your foundation have education scholarship programs?

No → go to #10

Yes → go to #9(a)

a. Do any of these scholarship programs provide funding *exclusively* for students attending private religious educational institutions (e.g., – a seminary or a Christian university)?

No → go to #9(b)

Yes → go to #9(b)

- b. Do any of the scholarship programs restrict students from using their scholarships to attend private religious educational institutions?

No → go to #10

Yes → go to #9(c)

- c. Are these restrictions included in written guidelines made available to applicants?

No

Yes (Please provide the actual text from the guidelines.)

10. Does your foundation require that grant recipients not discriminate in hiring, firing, and promoting employees based on their religious beliefs?

No → go to #11

Yes → go to #10(a)

- a. Is this requirement included in written guidelines made available to applicants?

No → go to #11

Yes (Please provide the actual text from the guidelines.)

11. Do you require that eligible faith-based organizations establish a separate 501(c)(3) structure?

Not Applicable (FBOs are not eligible) → go to #12

No → go to #11(b)

Yes → go to #11(a)

- a. Is this a policy that applies to all eligible recipients regardless of religious affiliation?

No → go to #12

Yes → go to #12

- b. Do you require those applicants lacking nonprofit status to apply under the separate fiscal sponsorship of an established 501(c)(3) organization?

No

Yes

- 12. We are also interested in the actual grants and gifts that your foundation has awarded to faith-based organizations for social services. In completing the chart on the following page, please use the most recent year for which you have complete data and indicate that year above the chart in the space provided. If your foundation has not funded FBOs, please leave the chart blank.**

We provide the following definitions to assist you in classifying the content of FBO administered programs.

No Religious Content: The program is religious in name, mission, or location (e.g., house of worship), however, the services offered by the organization do not contain any religious activities or content (e.g., religious worship, religious instruction, etc.).

Explicit Religious Content: The program is religious in name, mission, or location (e.g., house of worship) **and** some of the services offered by the organization contain religious activities or content that is a central component to the program (e.g., religious worship, religious instruction, etc.).

FUNDING YEAR _____

Type of Recipient (Please check one)	Grant Description (e.g., type of activity, nature of the problems addressed, services provided, religious affiliation, etc.)	Religious Content (Please check one)	Dollar Amount
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	

Funding Relationships Between Community Foundations and Faith-Based Social Service Providers

Type of Recipient (Please circle one)	Grant Description (e.g., type of activity, nature of the problems addressed, services provided, religious affiliation, etc.)	Religious Content (Please circle one)	Dollar Amount
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	
<input type="checkbox"/> Congregation <input type="checkbox"/> Local FBO <input type="checkbox"/> Nationally affiliated FBO		<input type="checkbox"/> None <input type="checkbox"/> Explicit	

If your foundation made any awards for faith-based social service listed in the chart above, please complete the remaining questions. These questions are designed to capture the funding policies and practices that guided the decisions of your foundation in making these awards.

13. Did your foundation give preference to faith-based social services that had a benefit for the entire community compared to programs that were more likely to only benefit members of a specific religious organization or community?

No → go to #14

Yes → go to #13(a)

- a. Were these preferences contained in written guidelines made available to applicants?

No

Yes (Please provide the actual text from the guidelines.)

14. Did your foundation give preference to FBOs that were able to demonstrate a governing body (i.e., board of directors) that was broadly representative of the community and diverse in their religious beliefs, background, and affiliations?

No → go to #15

Yes → go to #14(a)

- a. Were these preferences contained in written guidelines made available to applicants?

No → go to #15

Yes (Please provide the actual text from the guidelines.)

15. Which of the following steps did your foundation take to follow-up with these FBOs in an attempt to ensure that they were complying with foundation guidelines?

- a. Site visits?

No

Yes

b. Review of financial records?

No

Yes

c. Third party/key informant interviews?

No

Yes

d. Other? (Please specify)

NOTES

¹ A detailed discussion of the historic relationship between faith and philanthropy is beyond the scope of this report. However, the following sources provide an excellent overview: Gross, Robert A. (2003). "Giving in America: From Charity to Philanthropy." In *Charity, Philanthropy, and Civility in American History*, edited by L.J. Friedman and M.D. McGarvie. New York, Cambridge University Press: 29-38. and Hall, Peter Dobkin. (1990). "The History of Religious Philanthropy in America." In *Faith and Philanthropy in America*, edited by R. Wuthnow and V.A. Hodgkinson, San Francisco, Jossey-Bass Publishers: 38-62.

² Scott, Jason D. (2003). *Private Sector Contributions to Faith-Based Social Service: The Policies and Giving Patterns of Private Foundations*, (Albany: The Roundtable on Religion and Social Welfare Policy).

³ Working Group on Human Needs and Faith-Based and Community Initiatives (2002). *Finding Common Ground: 29 Recommendations of the Working Group on Human Needs and Faith-Based and Community Initiatives* (Washington, DC: Search for Common Ground) see www.sfcg.org/programmes/us/us_faith.html

⁴ Elliott, Barbara J. (2002). "Equipping the Street Saints: How to Build Capacity with Struggling Social Entrepreneurs Who are Changing Lives for the Better," *Philanthropy Magazine*, September/October.

⁵ Lenkowsky, Leslie (2002). "Foundations and Corporate Philanthropy." In *The State of Nonprofit America*, edited by L.M. Salamon, Washington, Brookings Institution Press: 355-386.

⁶ Foundation Center (2000), *Foundation Yearbook of Facts and Figures on Private, Corporate, and Community Foundations, 2000*, Foundations Today Series, New York: Foundation Center.

⁷ Bothwell, Robert, *Community Foundations and the Disenfranchised*, Philanthropy, Charitable Giving and Foundations Newsletter, (Washington, DC: Nonprofit Research Fund, The Aspen Institute) see www.nonprofitresearch.org/newsletter1531/newsletter_show.htm?doc_id=16027

⁸ Lenkowsky, Leslie (2002). "Foundations and Corporate Philanthropy." In *The State of Nonprofit America*, edited by L.M. Salamon, Washington, Brookings Institution Press: 355-386.

⁹ Mayer, Steven E. (1994). *Building Community Capacity: The Potential of Community Foundations*, (Minneapolis: Rainbow Research, Inc.).

¹⁰ Surveys conducted by the Council on Foundations achieved response rates of 23 percent and 34 percent for the respective years 1992 and 1996. see Council on Foundations (1998). *Community Foundations in the United States: 1996 Status Report*, Washington, D.C.

¹¹ Data were taken mostly from FY 2000 or FY 2001 with 80 percent of the foundations having most recently reported data from this time frame.

¹² Council on Foundations (1998). *Community Foundations in the United States: 1996 Status Report*, Washington, D.C.

¹³ The U.S. Census Bureau defines the four regions as follows:

Northeast – CT, ME, MA, NH, RI, VT, NJ, NY, PA

Midwest – IN, IL, MI, OH, WI, IA, KS, MN, MO, NE, ND, SD

South – DE, DC, FL, GA, MD, NC, SC, VA, WV, AL, KY, MS, TN, AR, LA, OK, TX

West – AZ, CO, ID, NM, MT, UT, NV, WY, AK, CA, HI, OR, WA

The U.S. Census Bureau defines the nine regions as follows:

New England – CT, ME, MA, NH, RI, VT

Middle Atlantic – NJ, NY, PA
East North Central – IN, IL, MI, OH, WI
West North Central – IA, KS, MN, MO, NE, ND, SD
South Atlantic – DE, DC, FL, GA, MD, NC, SC, VA, WV
East South Central – AL, KY, MS, TN
West South Central – AR, LA, OK, TX
Mountain – AZ, CO, ID, NM, MT, UT, NV, WY
Pacific – AK, CA, HI, OR, WA

¹⁴ Scott, Jason D. (2003). *Private Sector Contributions to Faith-Based Social Service: The Policies and Giving Patterns of Private Foundations*, (Albany: The Roundtable on Religion and Social Welfare Policy).

¹⁵ The following definitions were provided to respondents:

A “faith-based organization” is an organization that has some degree of connection to an organized faith community. These connections may include an organization’s: founding; mission statement; a shared religious ideology among staff, volunteers and/or leadership; conviction that motivates or guides actions and decisions by staff; and reliance on financial sources of a religious nature.

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¹⁷ 94 percent of the foundations reported grant data from FY 2002 or FY 2003.

¹⁸ The grant descriptions were coded according to the following classifications:

Child/Youth/Family Service – youth development, childcare, education, general family services.

Health & Wellness – community healthcare, mental health services, drug rehabilitation, senior citizen services, AIDS outreach.

Community Improvement – civil rights/advocacy, community organizing, community development, housing development.

Emergency Assistance – homeless services, food assistance, general human services.

Religious – worship, proselytizing, religious instruction.

¹⁹ In an earlier analysis of the policies of the 50 largest community foundations in the United States, we found that 60 percent restricted funding for sectarian activities and activities with an explicitly religious purpose (Scott, 2003).

²⁰ Among these community foundations, the average grant amount was \$40,314. In an earlier study we found that average grant amounts were nearly twice that amount (\$75,462) among large independent foundations (Scott, 2003).

²¹ Sider, Ronald J. and Unruh, Heidi Rolland (2004). "Typology of Religious Characteristics of Social Service and Educational Organizations and Programs," *Nonprofit and Voluntary Sector Quarterly*, 33(1): 109-134.

²² Working Group on Human Needs and Faith-Based and Community Initiatives (2003). *Statement of Common Principles and Standards for Private Funders and Faith-Based Service Providers*. (Washington, DC: Search for Common Ground) see www.sfcg.org/programmes/us/us_faith.html