

Marin Community Foundation restructures governance with new board



Kindergarten teacher Tom Martin hands out work books Friday at Loma Verde Elementary School in Novato. The school has been a beneficiary of grant money through the Marin Community Foundation. (Alan Dep/Marin Independent Journal)

By [Richard Halstead](#), Marin Independent Journal

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In an effort to attract more philanthropists to its donor-advised funds, the Marin Community Foundation is reconfiguring its organizational structure and creating a new eight-member board of directors to oversee its governance.

About half of the Marin Community Foundation's \$1.7 billion in assets is money from the original Beryl Buck endowment; the rest is donor-advised funds. In addition to managing the Buck Trust's assets, the foundation administers charitable funds for more than 450 people, families and businesses. These giving accounts are known as "donor-advised funds" because the donors consult with the foundation regarding how their money should be spent.

The new board members will act as rainmakers, attracting new money to the donor-advised funds as well as overseeing the foundation's central office staff of 48 and its annual operational costs of approximately \$9 million.

“What we’re doing is forming a new board of directors for the overall foundation,” said Thomas Peters, who will continue as the foundation’s president and chief executive. “There will be a board of directors for Marin Community Foundation and a board of trustees for what is going to be renamed the Buck Family Fund of MCF.”

The move illustrates the burgeoning growth and clout of donor-advised funds in philanthropy nationwide.

“Donor-advised funds have seen extraordinary growth; since 2009 there has been almost a tripling of money going into donor-advised funds,” said Alan Cantor, a New Hampshire-based consultant to nonprofits, who has been critical of this phenomenon.

Donor-advised funds held \$70.7 billion in assets in 2014, an increase of nearly 24 percent over the previous year, according to a study by the National Philanthropic Trust.

Once a year the Chronicle of Philanthropy ranks America’s 400 largest charities. Cantor said that in 2015, six of the 11 largest were donor-advised funds or their sponsors. Ranked No. 5 was the Silicon Valley Community Foundation, which received a \$1 billion addition to its donor-advised funds from Facebook founder Mark Zuckerberg in 2013.

Peters said the new governing structure will not alter in any way the financial support that the Marin Community Foundation supplies to Marin County organizations.

The foundation was created in 1987 after a legal battle over control of a \$435 million charitable fund that grew from a bequest Ross resident Beryl Buck. The San Francisco Foundation, which was managing the Buck Trust at the time, sued to void a stipulation in Buck’s will that proceeds from the fund be spent only in Marin County. An out-of-court settlement resulted in transferring the Buck funds to the newly created Marin Community Foundation.

Once a year the foundation estimates the value of those assets, based on a five-year rolling average, and distributes 5 percent of that amount, \$39 million in fiscal 2015. Eighty percent is distributed as local grants. The other 20 percent is divvied up among the Buck Institute for Research on Aging, the Buck Institute for Education, and Alcohol Justice.

The foundation’s former nine-member governing board will continue to decide who receives the local grants distributed from the Buck Family Fund. Appointments to this board are made by a variety of entities. The Marin Interfaith Council, the president of the University of California, the Center for Volunteer and Nonprofit Leadership, and the Buck family all get to select one board member. The Marin County Board of Supervisors picks two members. And the full board appoints the remaining three seats. Board members serve four-year terms and are limited to two terms. All must be Marin residents.

The members of the new eight-member board were selected by the original board. They will also serve four-year terms with two-term limits, but they do not have to live in Marin. The new board will select its own successors.

“The new board is specifically designed to try and enhance the opportunity to generate funds into the donor-advised fund,” said Mark Buell, a retired real estate developer who will serve as its chairman.

“They want entree and introductions to those who are philanthropic to demonstrate that the Marin Community Foundation fund is a great place to put their money,” said Buell, whose wife — Susie Tompkins Buell, co-founder of the Esprit clothing brand — has a charitable fund managed by the foundation.

Peters said the growth of the foundation's donor-advised funds has benefited Marin County greatly. He said that over the past 20 years the foundation's donor-advised funds have made about \$500 million in grants and roughly half of that money went to Marin organizations.

"It has been a significant augmentation to the Buck Trust to support essential services in Marin," Peters said.

For example, the foundation's donor-advised funds have supplied more than \$15 million over the past six years to finance programs aimed at training preschool teachers and elementary-school teachers in Marin.

"The focus is closing the achievement gap for children of color," said Jan LaTorre-Derby, the project's director.

However, critics of the way that donor-advised funds are regulated assert that rather than increase charitable giving overall, donor-advised funds are siphoning donations away from struggling nonprofits.

Giving to a donor-advised fund offers the givers a number of advantages compared with giving their money to a nonprofit or private foundation. Donors receive their tax deduction immediately, but there is no specified time when they have to distribute the money to needy causes. A higher percentage of total personal income can be given to a donor-advised fund than a private foundation. And unlike donating to a nonprofit, people who put their money in a donor-advised fund get tax deductions for the full fair market value of real estate and other illiquid assets such as artwork.

"Because these entities (donor-advised funds) are public charities as opposed to private foundations, they provide much greater tax benefits to donors, particularly of appreciated property," said Boston College Law School Professor Ray Madoff. "The benefits can be as much as 72 percent of the value of the gift, so if somebody contributes \$1 million to a donor-advised fund, they can save as much as \$720,000 in taxes."

Cantor said there is another reason for the explosive growth of donor-advised funds, particularly since the Internal Revenue Service ruled in 1991 that Fidelity Corp. could operate its own donor-advised fund as a 501(c)(3) public charity.

Madoff said, "Since Fidelity got its tax-exempt status, the community foundations have had to compete with Fidelity, Schwab, Vanguard, Goldman Sachs, all of those financial houses who have created donor-advised funds."

Cantor said, "The commercial gift funds have thrived largely because they pay management fees to financial advisers, so when their clients put money into the commercial gift funds the financial managers continue to draw a management fee."

He said some community funds "trying to fight fire with fire" have adopted the same practice.

Debra Wetherby, chief executive officer of Wetherby Asset Management in San Francisco and a member of Marin Community Foundation's new board, said there are outside advisers who continue to manage assets for Marin Community Foundation donor-advised clients.

"A client can choose to have the assets managed by the Marin Community Foundation investment committee or, depending on the size of the fund, they can have their own adviser continue to manage the assets," said Wetherby, who has headed the foundation's investment committee for a number of years.

Peters said instances where donors retain their personal advisers are “a rare exception, and applies to a small handful out of hundreds of accounts.”

Madoff said, “I’m not critical of donor-advised funds, I’m critical of the lack of rules governing donor-advised funds. Congress gives all of the benefits for the money to be set aside in these donor-advised funds, but they are providing nothing to get the money out, and there are a lot of disincentives with the parties involved to get the money out.”

She says the more money donor-advised funds keep in their coffers the more income is generated to cover their expenses. Marin Community Foundation’s administrative fee for managing donor-advised funds has increased from 0.5 percent of assets in 2007 to 0.65 percent of assets today. According to the foundation’s 2013 tax filing, it paid out \$2.2 million in compensation to officers, directors, trustees and key employees. Peters received total compensation of \$525,826 that year.

Peters says the foundation is hardly hoarding its donor-advised cash. He says the foundation distributes about 17 percent of its donor-advised assets as grants each year.

Madoff said some donor-advised funds have fiddled with the IRS-endorsed formula for calculating their annual charitable distributions to make their payouts seem much larger than they really are. Peters said the Marin Community Foundation sticks to the IRS formula.



Students in Kathy Koford’s first-grade class read aloud Friday at Loma Verde Elementary School in Novato. The Marin Community Foundation’s donor-advised funds have supplied more than \$15 million over the past six years to finance training for preschool teachers and elementary-school teachers in Marin. (Alan Dep/Marin Independent Journal)

Board rosters

The members of the new Marin Community Foundation board:

Mark Buell, board chairman: Retired real estate developer and member of San Francisco Recreation and Parks commission

Mitch Cohen: Principal with Ross Investment Associates

Saul Pena: Vice president with Dodge and Cox, investment managers

Robert Reynolds: Retired investment banker

Roxanne Richard: Retired chairwoman of the YMCA of San Mateo, San Francisco and Marin

Maureen Sedonaen: Chief executive officer of Goodwill Industries of San Mateo, San Francisco and Marin

Daniel Skaff: President and co-chief executive of Beneficial State Bank

Debra Wetherby: Chief executive of Wetherby Asset Management

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Buck Family Fund board (former board of Marin Community Foundation):

Fu Schroeder: Board chairperson, abbess at Green Gulch Farm Zen Center

Marilee Eckert: Chief executive officer of Conservation Corps North Bay

Miguel Gavaldon: Nonprofit leadership coach, trainer and consultant

Andrew Giacomini,: Managing partner, Hanson Bridgett law firm

Peter Hamilton: Director of software engineering, Fair Isaac Corp.

Cleveland Justis: Management consultant at the Potrero Group

Robert Reynolds: Retired investment banker

Dr. Steven Schroeder: Professor and physician at the University of California, San Francisco

Julia Sze: Managing director for impact investing at Arabella Advisors

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