

# Quick Guide to.....Foundations

## What are Foundations?

All charitable foundations are trusts! The words 'trust' and 'foundation' are synonymous.

There are approximately 8,800 grant making trusts and foundations in the United Kingdom, providing around £2 billion in grants for charitable causes each year. The income from these trusts and foundations to the voluntary and community sector is crucial to growth and the continued development of a thriving third sector and society.

Foundations are managed by trustees, who may or may not be supported by paid staff and their income derives from an endowment of land or capital given to them by an individual, family or company.

Whilst grant making is the predominant activity of these foundations, some are exploring other ways of addressing the social, economic and environmental challenges of the 21st century.

## Where is the money spent?

As foundations are often privately endowed and therefore are not reliant on short term popularity or government funding, they are able to be creative, flexible and sometimes unorthodox in the use of their funds and to take risks that other funders, in particularly statutory bodies, are constrained from taking. Despite being a relatively modest proportion of the total volunteering sector income, the contribution of foundations is highly significant.

Trusts like to concentrate their funding on

- ◆ New methods of tackling problems
- ◆ Disadvantaged and minority groups which have trouble using ordinary services or are inadequately served by them.
- ◆ Responses to new or newly discovered needs and problems
- ◆ Work which is hard to finance through conventional fundraising
- ◆ One-off purchases or projects, including research
- ◆ Short and medium-term work which is likely to bring a long term benefit and/or to attract long term funding from elsewhere.

### **Where does the money come from?**

Most grant making trusts and foundations derive their income from an endowment i.e. A capital sum given to them by an individual, family or company.

This can take the form of cash, stocks & shares or land. It provides tax exemption on income which funds the grant giving.

Some trusts and foundations receive their income from other sources e.g. Gifts from company profits or a regular appeal on TV and Radio.

Some trusts act as brokers for donors and collectors of endowments either in a local area (a community foundation) or a specialist field (an intermediary trust).

### **For further information on Foundations contact:**

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### **Foundation Scotland**

Established in 1996 the Scottish Community Foundation has been distributing funds effectively on behalf of charitable trusts ever since. With a wide knowledge of the voluntary sector and experience in community development the foundation offers a tailored grant making service to other charitable trusts and foundations, effectively managing and administering the distribution of their funds to charitable causes.

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