

PROS AND CONS OF ESTABLISHING A PARALLEL FOUNDATION

Prepared for CVFM 201 -
The Operations of
Fundraising

A green logo consisting of a continuous, flowing ribbon that forms a stylized infinity symbol or a loop.
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No Parallel Foundation

Governance models - No parallel foundation

- the board adds fundraising to its other responsibilities
- A committee of volunteers can be recruited to participate in and oversee the fund development program

No Parallel Foundation

No parallel foundation - Advantages

- fewer costs than having two distinct organizations: insurance, financial audit, keeping two sets of financials and tax returns, legal, separate meetings, travel for more volunteers
- need to recruit only one corps of senior volunteers as board members
- operating organization has full control (limited by donor wishes) of all funds raised

No Parallel Foundation

No parallel foundation - Advantages

- simpler governance/staffing/reporting structure: one CEO/ED is ultimately responsible for all areas of the organization and reports to one board
- If the board is engaged, you can benefit from a much more involved senior volunteer corps, with an appreciation for all aspects of the organization
- No distinction between fundraising organization and operational organization, therefore it may be easier to develop a culture of philanthropy throughout an organization

Parallel Foundation

Governance Model - Parallel foundation

- A separate legal entity is created with the purpose of raising funds for the operating or parent organization
- Board members are recruited with the express purpose of supporting the cause by raising funds

Parallel Foundation

Parallel foundation - Advantages

- Board members recruited expressly to raise funds are freed from the time consuming matters related to the operations of the organization
- Organizations can raise more money when senior volunteers are dedicated to raising funds
- This kind of board member may feel like they are within a “circle of peers” on this type of board therefore you can recruit a different kind of volunteer

Parallel Foundation

Parallel foundation - Advantages

- A parallel foundation provides a measure of additional protection of assets should there be a legal suit involving the parent organization
- A parallel foundation can remove the appearance of assets on the parent organization financial statements (but following best practice around transparency means any sophisticated funder will quickly be aware of the situation.)

Things to Consider

The reporting/staffing relationships can be complex:

- one CEO reporting to two boards?
- two separate CEO's reporting to their respective boards with dotted line relationship to each other?

Advantages and disadvantages:

- they can act as a check and balance
- If leadership (staff) don't work together, culture clashes can be difficult to manage between two organizations

Things to Consider

- Letters patent and objects must be clear related to purpose so foundation cannot “go rogue”. (This is a delicate balance b/c it is difficult to recruit board members to a board that feels it has no real control.)
- Dispute resolution process should be formally articulated and documented to deal with the prospect of future challenges
- Parent organization may want to consider “leasing” the rights to branding to ensure foundation stays within its bounds

Things to Consider

- Optics to external constituents – fundraising must always be about the parent organization and must be seamless to donors
- Establishing a foundation will not magically produce results. The decision must be made based on the circumstances, characteristics and growth goals of each organization



THANK YOU!



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