

The Synergos Institute  
Voluntary Sector Financing Program  
Case Studies of Foundation-Building  
in Africa, Asia and Latin America

# The Puerto Rico Community Foundation

Maria del C. Arteta and William Lockwood-Benet

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## **Voluntary Sector Financing Program**

### **Case Studies:**

- The Foundation for the Philippine Environment
- The Esquel Ecuador Foundation (Fundación Esquel-Ecuador)
- Child Relief and You - CRY (India)
- Foundation for Higher Education (Colombia) (Fundación para la Educación Superior - FES)
- Philippine Business for Social Progress
- The Puerto Rico Community Foundation
- The Mexican Foundation for Rural Development
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## Glossary of Acronyms

CENAD	<i>Centro de Adolescentes</i> (Adolescent Center)
CHODOs	Community Housing Development Organizations
GDB	Government Development Bank for Puerto Rico
HUD	US Department of Housing and Urban Development
IDEFI	<i>Instituto para del Desarrollo de la Filantropía</i> (Institute for the Development of Philanthropy)
IREI	<i>Iniciativa para la Renovación de la Escuela Intermedia</i> (Initiative to Reform the Middle School)
NGO	Nongovernmental organization
NPRC	National Puerto Rican Coalition
PFA	Permanent Fund for the Arts
PRCF	Puerto Rico Community Foundation
PRMA	Puerto Rico Manufacturers' Association
936	Corporations operating under the tax benefits of Section 936 of the US Internal Revenue Code

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## Synopsis

### Origins

The idea of establishing the Puerto Rico Community Foundation (PRCF) began at a forum sponsored by the National Puerto Rican Coalition (NPRC), a non profit organization led by mainland (US) Puerto Ricans. Support for the idea grew through extensive discussions involving Puerto Ricans on the island and in the US, as well as among businesses in Puerto Rico and US foundations.

The US foundations — led by the Ford Foundation and the Carnegie Corporation, and the Rockefeller, Charles Stewart Mott, and MacArthur Foundations — supported the creation of an indigenous foundation which would mobilize local and international resources and channel them as grants to community organizations and nonprofit organizations. Susan Berresford of the Ford Foundation explained "...our staff could not spend enough time in Puerto Rico to know the island well enough to make good grants." The US foundations provided technical assistance which helped the PRCF start operations quickly.

The PRCF "started big," with over half a million dollars in grants in its first year. Its board believed that starting big would increase the Foundation's visibility and encourage both donations and inquiries about grants.

### Financing

One of the businesses active in the discussions, Schering-Plough, identified another major source of funding: US corporations that, like Schering-Plough, received tax credits under Section 936 of the US Internal Revenue Code for investing in manufacturing on

the island. These benefits were under attack in the US government. By supporting the community Foundation, these 936 corporations hoped to demonstrate their commitment to Puerto Rico, thus enhancing their standing in Washington.

The founders had hoped that, in addition to support from the 936 corporations and US foundations, significant funding would also be available from local corporate and individual donors, but local donors have lagged behind the other sources. Two reasons for the relatively less successful local fundraising are that large local corporations prefer to give money directly to charities close to their communities, or they are already leading sponsors of United Way (a workplace giving program).

In 1986, the Foundation began accepting earmarked grants that it administers from other donors. It also manages nine donor-designated family funds. Those donors benefit from the PRCF's local expertise in grantmaking.

The Ford Foundation has been the largest donor to the PRCF, contributing \$7.6 million, much in the form of challenge grants. Over \$8 million has been received from 936 corporations. Today the PRCF's endowment stands at \$10 million.

### Governance

The PRCF is governed by a board of directors, which meets four times a year and approves grants over \$5,000. Board members may serve

a maximum of two three-year terms. Much of the discussions among the founders of the PRCF concerned board composition. US foundations and the NPRC wanted large numbers of community representatives, while business leaders stressed the importance of

including recognized businesspeople in order to raise funds. The founding board was mainly composed of business and professional leaders, while grassroots leaders were gradually added.

The staff is led by a president and divided into three areas: administration, development and programs, each with its own director.

### **Program**

The PRCF has five priority areas: economic development, community development, art and culture, and health and education.

The PRCF also manages an autonomous Permanent Fund for the Arts with its own program director and separate grants budget.

In addition to grantmaking and grant intermediation, the PRCF directly administers programs, including the Institute for the Promotion of

Philanthropy that provides training and technical assistance to philanthropic institutions throughout the Caribbean.

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## Preface

### Background

In Africa, Asia and Latin America, citizen participation through a range of civil society organizations has become a growing and vital force. Civil society organizations have brought significant material and human resources from the community level to bear on poverty problems through donations of time, energy, materials and money.

Locally managed and controlled organizations that provide direct financial support to other organizations within their societies have been established over the last decade in many southern countries. A few were established twenty or thirty years ago. These organizations are injecting critical financial as well as technical resources into local civil society and mobilizing resources from a wide variety of sources both domestic and international for this purpose.

Few of them were created with a single large endowment, as was the case with most northern private foundations. Most of them rely on a wide range of strategies to mobilize financial resources including earned income contributions from individuals and corporations and grants from international organizations. Some managed donor-designated or donor-advised funds following the US community foundation experience.

General consensus over terminology has not yet been reached; these new types of organizations are usually referred to as "foundations" or "foundation-like organizations." Though many of these organizations have adopted legal identities as foundations or trusts, others are registered as nongovernmental organizations. In general, they differ in many ways from their

northern counterparts. For example, they are more likely to mix program operation with grantmaking. Many of them act as convenors of civil society groups, as bridging institutions to other sectors of society or as technical assistance and training providers.

To distinguish this type of southern foundation-like organization from northern foundations we can use a term such as "community development foundation" or "southern foundation"

or use a new term. One new term which has been proposed is "civil society resource organization" or CSRO. This term refers to organizations which combine financial assistance to community-based organizations and NGOs with other forms of support for organizations or the civil society sector as a whole. In this series of papers we will use the terms "foundation" and "civil society resource organization"

interchangeably.

This expanding universe of foundations/civil society resource organizations around the world has not been systematically studied. As one of the first steps towards developing an understanding of this sector, Synergos responded to a request from a group of southern foundations. In April 1993, a group of foundations from a dozen southern countries met with northern foundations and official foreign aid agencies to discuss the emerging role of foundations in strengthening civil society in Africa, Asia and Latin America. A major outcome of the discussion was a decision to learn more about how these organizations are created, how they develop and evolve, and how they sustain themselves as philanthropic entities. The group decided on case studies and analysis as the most fruitful approach. The Synergos Institute, which works with local partners to establish and strengthen founda-

tions and other financing organizations, accepted the task of producing case studies on these organizations. These papers are one of the products resulting from this effort.

### **Methodology**

A Global Advisory Committee of southern foundations guided the two-year effort by Synergos. The advisors selected eight geographically diverse cases from over sixty organizations identified through an initial survey. Local researchers were retained in each country and the Synergos research team worked with them and the Advisory Committee to develop a common protocol.

The protocol hypothesized four areas as key to the operational effectiveness and sustainability of southern foundations: origins and genesis of the institution; institutional governance; program evolution and management; and financing. The case researchers studied these issues via multiple data collection methods and sources. The primary method was to conduct direct structured interviews with individuals involved with each case organization, including board members or trustees, the managing director, staff members, grant recipients, and other relevant organizations. In addition to interviews, researchers gathered mission and vision statements, annual reports, operating strategies and plans, internal and external evaluations, financial plans and administrative procedure manuals. Data collected by the different methods were systematically organized into distinct databases which were the basis for each written case study. The case studies were coordinated by the Synergos research team, which then provided the funding to a cross-case analysis team for the preparation of three analytical papers. The two teams prepared condensed versions of the case studies

for publication.

### **Use of the Studies**

The eight case studies bring to light key factors that have led these organizations to be successful, and the studies document the crucial processes they have gone through to respond effectively to the needs of their national civil societies. Across the very different conditions that brought about their formation, the cases reveal that foundations/CSROs can play a central and strategic role in strengthening civil society. Their comparative advantage as resource mobilizers enables them to have a large effect both in stimulating new financing and connecting financial resources to the community-level where they can have the greatest impact. In particular, they have excelled at:

- providing seed resources for the growth of civil society organizations in their countries;
- leveraging diverse sources of financing for the projects and programs of civil society organizations;
- assisting northern foreign aid to be channeled to civil society in more sustainable and effective ways; and
- acting as an interface for public policy dialogue between civil society and the government and business sectors.

The case studies and the related analytical papers are a useful tool for those who wish to build foundations/CSROs around the world. Synergos hopes they will be widely used as a catalyst for the development and strengthening of this important group of institutions that provide financing to the voluntary sector.



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- The cross-case analysis team: Darcy Ashman, L. David Brown and Elizabeth Zwick at the Institute for Development

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## Genesis and Origins

In June 1995, the Puerto Rico Community Foundation (PRCF) marked the ten-year anniversary of its inception, which had occurred during a period of hardening economic realities on the Caribbean island. Through a fortuitous intersection of private sector and community concerns, and the perseverance and commitment of the organization's leaders, supporters, and staff, the PRCF was able to take off in a relatively short period — and now possesses an endowment of \$10 million and an annual program budget of over \$1 million.

While Puerto Rico still faces many develop-

ment challenges — particularly in the areas of education, crime, and drug use — the Foundation is playing a proactive role in supporting community initiatives to tackle these challenges. With 3.6 million people (1990 census) living on 3,435 square miles, Puerto Rico is one of the most densely populated areas in the world.<sup>1</sup> A Spanish colony for four centuries, Puerto Rico was ceded to the US (along with the Philippines and Cuba) after the 1898 Spanish American War. Puerto Ricans became United States citizens in 1917, and the US President appointed a Governor until 1948. In 1952, a new Constitution was adopted to create the Commonwealth of Puerto Rico, with a unique relationship to

**Table 1: Support to the Nonprofit Sector in Puerto Rico 1985 and 1990 (millions of US\$)**

	1985	1990
<b>Private</b>		
Individuals	18.1	51.2
Corporations	55.6	90.3
Foundations	1.0	5.0
<b>Total</b>	<b>74.7</b>	<b>146.5</b>
<b>Public</b>		
Federal	32.6	36.8
Commonwealth of Puerto Rico	8.2	16.1
Municipal	.2	1.0
<b>Total</b>	<b>41.0</b>	<b>53.9</b>
<b>Grand Total</b>	<b>115.7</b>	<b>200.4</b>

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the United States that allowed it greater self-governance.

A substantial economic boom during the 1950s and 1960s — fueled by large inflows of US investment in light manufacturing because of Puerto Rico's low cost of production at the time — proved unworkable in the recessionary 1970s. While a middle class was created within one generation, rural migration to the cities boomed, outpacing labor absorption capacity and resulting in a large migration of Puerto Ricans to US industrial labor markets requiring unskilled labor.

The post 1975 economic development challenges of Puerto Rico have been extremely well analyzed (Weisskoff 1985, Curet 1986, Dietz 1986, Marqués 1993) and include: high structural unemployment; low per capita income while exposed to a US cost of living (most foodstuffs and consumer products are imported from the mainland); a reduced share of investment with a growing share of public participation in it; large external public debt (\$13.8 billion or 58.3% of GNP in 1992); and income support transfer payments from the US government to over half of all families.

To mitigate the impact of the 1974-76 global recession, the US adopted incentives geared to job creation. Section 936 of the US Internal Revenue Service code allowed businesses attractive tax credits, and the island became a leading tax haven for US manufacturing investment. According to 1985 US Treasury and Commerce Department data, Puerto Rican subsidiaries of US pharmaceutical multinationals represented 35% of their global assets and 18% of their global sales — but only 4% of the global employment generated by those firms. The top beneficiaries of Section 936

were able to register 20-30% of their worldwide income in Puerto Rico during peak years, generating a credit in their US tax returns. By 1984, this legislation was threatened with repeal. A lobbying campaign by the Puerto Rico Economic Development Administration, known as Fomento, averted a complete repeal, although substantial reductions were made in the allowed tax benefits.

Meanwhile, on the island, economic stagnation and politicization translated into a growing disillusionment with government as the only agent for solving Puerto Rico's economic and social problems. There was an increased recognition that the government could not provide all the solutions, and that the nonprofit sector — and corporate and individual donations to it — would need to expand. Nonprofit private organizations began to proliferate, most of them the traditional cultural, educational or health type.

But a new kind of non governmental organization also emerged, geared towards organizing and serving its community, or solving the serious and interrelated problems of youth unemployment, drug addiction, school desertion, and crime.<sup>2</sup> While many of these groups remain small, some have grown to have island-wide recognition and run large organizations capable of well organized fundraising campaigns. One of these is the Puerto Rico Community Foundation, which was incorporated in December 1984 and officially started operations on April 1, 1985.

A 1991 report titled Philanthropy in Puerto Rico states that there are eleven major grant-

<sup>2</sup> According to the 1990 Census, only 52% of men and 62% of women graduated from high school. Unemployment exceeds 20% of the labor force. And, according to a 1993 study (by the Consejo General de Educación), income distribution figures point to a large underground economy and an uneven allocation of employment, education, and opportunity.

making institutions in Puerto Rico with assets totaling \$75 million. In 1994, the largest grant making program was Fondos Unidos (United Way), which granted approximately \$6 million, followed by the Angel Ramos Foundation, with the largest assets (\$54 million), which granted approximately \$4 million. The breakdown of the sources of this support is provided in Table 1. Approximately a quarter of this total (\$45.7 million) supported religious institutions.

### Founding Factors<sup>3</sup>

The creation of the PRCF can be traced to the interest of the National Puerto Rican Coalition (NPRC), a Washington, DC-based group, in lobbying for what its members considered Puerto Ricans' fair share of US foundation money.<sup>4</sup> To address this concern, NPRC organized a meeting in June 1983 at which private, nonprofit organizations on the island were represented. More than two dozen companies were invited to attend the forum, but only the President of the Schering-Plough Corporation's Puerto Rican operations, Richard Kinney, came.

Representatives of the Rockefeller Foundation, Carnegie Corporation and the Ford Foundation attended the meeting, at which the idea of a grantmaking intermediary was proposed for the first time. Upon meeting potential Puerto Rican donors and grantees, the US foundations became satisfied that local organizations were sufficiently organized to benefit from a foundation-like organization locally. Further, the US foundations had come to believe that such an organization could make better grants in Puerto Rico than could their own staff. According to the Ford Foundation's Susan Berresford:

We had come to the conclusion that our staff could not spend enough time in Puer-

to Rico to know the island well enough to make good grants.... During a previous visit to Puerto Rico...the Governor of the island...had asked why we only gave grants to one particular political party. I was surprised. We had no idea that the organizations that had received grants had a particular political affiliation.

The Ford Foundation's interest in the project became instrumental to the creation of the PRCF. Ford Program Officer, Dr. William A. Díaz, a Puerto Rican by birth and a life-long resident of New York City recalls: "After the forum in Puerto Rico, the next time the project took a step forward was during a visit to the Ford Foundation of Louis Nuñez and Dick Kinney," who discussed the idea of creating a fund for Puerto Rico similar in concept to the United Negro College Fund, although it would support areas besides higher education. The fund would solicit money from individuals, corporations, and foundations. The Ford Foundation was committed to the concept of community foundations as a vehicle for change in the mainland, and brought into the discussions Homer Wadsworth, recently retired head of the Cleveland Foundation. Wadsworth recommended that Ford commit enough money to the project to make a genuine expression of interest and that it take the initiative in urging other foundations to come on board.

Many people interviewed in Puerto Rico identify the creation of the PRCF as a "Ford project." But Berresford stresses that all the US foundations were equally committed to the idea and Ford's larger contribution was just a function of its relatively larger size. Berresford also says that the creation of the foundation was a group effort involving discussions between US

<sup>3</sup> This study relies heavily for background on Roberto E. Bouret's *The Puerto Rico Community Foundation, A Brief History: Origins and Early Development, 1983-1988*.

<sup>4</sup> According to an NPRC study, between 1979 & 1981, US foundation grants to Puerto Rican organizations represented 0.02% of their total grant budgets, while Puerto Ricans account for 5.5% of the total US population.

<sup>5</sup> "Ayuda Puerto Rico," *Forbes: The Forbes 500, Special Issue*,

foundations, local civic leaders, community organizations, and potential corporate donors. It was perceived as the best alternative for efficient grantmaking and consensus-building. An article in *Forbes* quoted Ford Foundation President Franklin Thomas as viewing the new foundation as far better able than its mainland counterparts “to identify appropriate efforts on the island.”<sup>5</sup>

Díaz became deeply involved in the project, overseeing Berresford’s suggestion for a feasibility study to ascertain the need for support for such an institution on the island. Ford awarded the NPRC a \$30,000 grant for the two-year feasibility study. Alex W. Maldonado, a leading Puerto Rican publisher, public relations executive, and journalist was asked to undertake it, and he conducted over 100 in-depth interviews, familiarizing many individuals with the concept of the foundation and sounding out potential donors.

Berresford describes the creation process of the PRCF as a series of discussions with an expanding number of people. Initially, the conversations were about the possibility of establishing a grant-giving foundation. Quickly the meetings moved to what the mission of the PRCF should be, who should serve on the Board, and how to secure funding. Maldonado and Nuñez recruited the most enthusiastic of the Puerto Ricans interviewed for the feasibility study to become part of the founding team including:

- Héctor Ledesma, President of the largest Puerto Rican bank, the Banco Popular;
- Raymond González, partner in charge of Price Waterhouse in Puerto Rico;
- Roberto Bouret, Vice President for public relations of the pharmaceutical company

Smith Kline Beecham and a veteran fundraiser;

- Manuel Dubón, a lawyer and real estate developer;
- Salvador Casellas, a prominent lawyer and former Secretary of the Treasury of Puerto Rico;
- Jaime Fonalledas, President of a real estate conglomerate; and
- Ethel Ríos de Betancourt, a university professor and administrator.

Ledesma admits to having been skeptical at first, but soon became deeply involved, calling on many Puerto Rican business leaders to present the idea of the PRCF. He later became the President of the first Board of Directors. This was the first time the mainland Puerto Rican community worked with the islanders on a major project. The NPRC identified a major source of funding — US foundations; Kinney of Schering-Plough identified another — 936 corporations.

Kinney’s interest in the development of the PRCF was key to its feasibility. Schering-Plough was a 936 pharmaceutical corporation with three manufacturing plants on the island and headquarters in New Jersey. It had close ties in the US with the NPRC. Kinney invested a tremendous amount of time and effort and involved Schering’s CEO, Robert P. Luciano, in establishing the PRCF. Schering-Plough led other companies in making an early financial commitment and pledged \$100,000 a year for three years. Luciano also volunteered to ask other 936 companies for contributions.

Maldonado and Kinney realized that the PRCF

<sup>6</sup> In the US, a legal difference exists between a foundation and a community foundation. The IRS gives the community foundation more freedom in its activities but it has to pass a public support test and funding must come from a variety of sources. No law governing foundations exists in Puerto Rico, where they are simply

presented an opportunity for US companies to undertake a high profile commitment to Puerto Rico, enhancing their corporate credibility locally and their standing in Washington. Their corporate giving and community relations record in Puerto Rico up until then was minimal. As a result of the Ford Foundation's endorsement, PRCF had become a big-league project capable of rallying support at the CEO, parent-company level. PRCF founders stress that, as pragmatist businessmen, they were "taking advantage of 936's ailing few remaining years." They also all agree that the PRCF was a good cause and that there certainly was need for it in Puerto Rico.

In order to take advantage of the US tax code allowing 936 parent companies to deduct contributions to the PRCF endowment, a non profit community foundation structure was recommended and adopted.<sup>6</sup> The PRCF was incorporated in Puerto Rico and is registered with the US Internal Revenue Service. Since the tax incentives for philanthropy were greater in the US, many 936 corporations contributed through their own US corporate foundations.

In the process of completing the feasibility study, two other groups of people became part of the project — entrepreneurs and executives of Puerto Rican corporations and government leaders. These local groups integrated the traditional elite sectors such as the largest commercial bank on the island, leading private conglomerates, law firms, and senior former government members knowledgeable about US-PR corporate tax affairs. The local group was perceived as sophisticated by US foundations and conveyed the need for the PRCF to the 936 community.

PRCF received a seed grant of \$250,000 from the Ford Foundation, and grant commitments totaling nearly \$4 million from five foundations: Ford, Rockefeller, Carnegie, Mott, and the John D. and Catherine T. MacArthur Foundations. This giving was structured as a "challenge grant" to encourage individual and corporate donations. PRCF had three years, until March 31, 1988, to raise \$8 million in a two-for-one match to receive the \$4 million pledged by the US foundations.

Soliciting contributions or pledges quickly became part of the process of the feasibility study and, by 1985, the PRCF had commitments totaling \$2.5 million from eleven 936 companies, two local banks, and several smaller donors.

Jaime Escalona, present chairman of PRCF's Board, who worked at the time with Eli Lilly in Puerto Rico, recalls how such 936 support was made possible:

I received a call from Héctor Ledesma, who was President of the Banco Popular, asking for support for the PRCF. It was important that such people were involved, people that were credible and respected in the business community. We met and he explained the project and the involvement and commitment of the Ford, Rockefeller, and Carnegie foundations. These were names that people at headquarters would recognize. It also meant that the project would have a chance to succeed. I was able to approach headquarters for support.

Thus, a diverse coalition of interests came together to form the PRCF:

- The US-based Puerto Rican lobby;
- The 936 companies that seized the opportunity to show interest in Puerto



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Rico's development when they were seeking support for continued tax incentives;

- US foundations that saw the opportunity to improve the level and quality of grants to organizations and groups on the island while leveraging their resources locally; and
- A group of Puerto Rican business leaders who had become increasingly committed to the private nonprofit sector as a vehicle for social and economic improvement.

The founders had a profound impact on the Foundation as it exists today, providing and delineating its ideological base, structure, mission statement, and principal program areas; selecting original Board members and its first President; and providing technical assistance in procedural and administrative matters. All the founders who became Board members have retired since the by-laws only permit two consecutive three-year terms. But US foundations that were among the original donors still support PRCF programs, as do many of the initial corporate donors.

## **Governance**

### **Mission**

The PRCF was conceived as a grantmaking institution with a primary aim of addressing the economic challenges of the island.

According to its mission statement:

The Puerto Rican Community Foundation is an instrument to garner the energies and resources of the Puerto Rican people in addressing this society's principal socio-economic problems. It seeks to contribute to the achievement of a healthier economy

and enhance the quality of life in Puerto Rico.

Modeled after community foundations in the United States, the PRCF was intended by its founders to act as a catalytic agent in stimulating innovative solutions for the island's problems. The mission statement listed four major objectives:

- Fostering action on the major social and economic problems;
- Strengthening the sense of community;
- Encouraging private philanthropic activity; and
- Sponsoring research to address important social and economic issues.

### **Governing Structure**

The original by-laws give governing power to the Directors/Trustees, who are the voting members of the corporation and are responsible for supervising, managing, and controlling all its affairs, business activities and policies. The Board meets four times a year and approves all grants awarded by the Foundation. Board members are elected to staggered three year terms and the by-laws establish a maximum of two terms (six years). The by-laws require Directors to disclose affiliations to prevent conflicts of interest.

Board officers — the Chairman, Vice-Chairman, and Treasurer — are elected at the regular annual meeting of the corporation. The by-laws specify the creation of four Board committees:

- The Executive Committee, created by the officers of the Board of Directors, is empowered between Board meetings with

all the powers of the Board;

- The Program Committee is appointed by the chairman to screen staff grant proposals to ensure compliance with programmatic priorities before they are brought to the full Board;
- The Investment Committee is appointed by the chairman to oversee the use of funds and is responsible for procuring the maximum yields for the Foundation's investments.
- The by-laws also created an Ad-hoc Committee, originally created to lobby for changes in tax laws regulating charitable donations. This committee has not been formalized by the chairman.

The Executive Committee meets approximately once a month; the Program Committee meets before Board meetings to review proposals; and the Investment Committee meets regularly, though less frequently, to discuss the financial policies of the PRCF. The by-laws also allow the creation of an Advisory Council of up to fifty members nominated by the Board to serve at the pleasure of the Board.

The history of the PRCF governance is easily distinguished into three phases — development and diversification, consolidation and change for the future.

### **Phase I: 1986-1988 — Development and Diversification**

#### **The First Board of Directors: Assuring Diversity**

When the PRCF began operations in April 1985, its sixteen-member Board was officially

constituted, the advisory council was in place, the mission statement was drafted, and staff were recruited. These decisions had been made by the founders, many of whom became part of the original Board of Directors.

Many of the discussions revolved around who should become members of the Board of Directors and the right balance between corporate leaders and community representatives. US foundations and the NPRC wanted to have a large number of community representatives and encouraged diversity. Local business leaders stressed the importance of including recognized credible business leaders in order to raise funds. "A tacit compromise was reached. The founding Board was essentially composed of the traditional community leaders from the business and professional sectors, but representatives from grassroots community groups were gradually and systematically added." (Bouret)

It was important to the founders that Board members were credibly non-partisan. One way of achieving this was to appoint people with a recognized interest in the nonprofit sector. Although some Board members had well-known political affiliations, the original Board included individuals from all major political parties.

Diversity efforts included recruiting Board members with expertise in several of the interest areas defined for the Foundation: medicine, arts, education, and community organizations. In the business area the group included lawyers, bankers, and public relations executives. To a certain degree, the Board still has the same areas represented as a result of how vacancies are filled. Although the original Board tilted towards business leaders, many of them had been traditionally active in the



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nonprofit sector.

It included mainland Puerto Ricans, community organizers and a number of women. No other grantmaking institution in Puerto Rico had such diversity.

The candidate for President was approved at the first Board meeting and the by-laws were also approved. A Board committee was formed to review the mission statement and it was adopted after some minor wording changes.

An important decision made by the first Board was to start big in order to increase the foundation's visibility and attract grant inquiries and donations. Thus, over half a million US dollars, \$514,187, were approved in grants in the first year.

During this period the Board organized two retreats for Directors. The first one, held when the Board was first instituted, was led by Dwight Allison from the Boston Foundation and examined the role of a Board Directors. The second, in 1988, evaluated the early years of PRCF's operations and discussed future directions.

### **The Advisory Council — A Need for Clarity and Direction**

The original by-laws officially created the Advisory Council, composed of about thirty leaders from a wide range of sectors. It was headed

by Teodoro Moscoso, founder of Puerto Rico's industrial program, former US ambassador

to Venezuela and Director of the Alliance for Progress. His leadership allowed the PRCF to call on large number of business people and community leaders. The council was to meet twice a year to review PRCF's mission,

programs and other activities and make observations and recommendations to the Board. It was formed at the suggestion of Wadsworth, in response to the debate of bringing diversity to the Board. Bouret explains:

These persons...influential members of the community, would not have otherwise been in a position to contribute directly to the shaping of the Foundation and the definition of its priorities...[The council] played an important role of formally bringing to the foundation very important thinking, especially that of Teodoro Moscoso, its chairman.... But the Council had no specific or legal authority over the Board and thus its mission was vague.

The first inkling of adversary relations between the Advisory Council and the Board of Directors was felt...in December 1985. It revolved around the issue of staff responsibilities. That most damaging of internecine struggles, the issue of divided loyalties, was beginning to appear and to have a cooling effect on the personal relationship of the Board chairman, Héctor Ledesma, and the advisory council President, Teodoro Moscoso. (Bouret)

Both men were fiercely loyal to the concept of the PRCF so the conflict was resolved, but the role of the council waned until it was formally dissolved. Other members, including journalist Maldonado and Heidi Calero (who later became a Board member) thought the Advisory Council's failure stemmed from a lack of purpose or a clear role. Nevertheless the council's existence allowed a large number of prominent professionals to become acquainted with the PRCF and serve as its talent bank.

PRCF President Rafael Fábregas and Chair-

man Ledesma resigned from their posts for personal reasons at the end of 1987 and the PRCF lost two of its most active fundraisers. The Board requested and was given a nine-month extension of the deadline, until December 31, 1988, to meet the challenge grant. The funders also recognized an in-kind contribution of media time and space for a public relations campaign worth approximately \$1.3 million that, added to the \$7 million already raised by PRCF, met the challenge grant.

Ethel Riós de Betancourt, who had resigned from the Board to become Vice President of programs under Fábregas, became acting President of the PRCF and very soon was named President by the Board.

### **Phase II: 1989-1993 — Consolidation**

The successful completion of the challenge grant campaign closed the initial chapter in PRCF's history. After that, the new Chairman and President — Manuel Dubón and Riós de Betancourt — led PRCF through a five-year period of operational growth and learning which consolidated and expanded the mission and programmatic direction set by the founders and first Board. The Foundation engaged in direct grantmaking and also began to serve as an intermediary for channeling or administering a range of other foundation grants to local initiatives. It spearheaded research on issues of youth education and employment and technological innovations, with the aim of informing the design of ongoing and future programs. (Details on activities during these years are found in the next chapter.)

The Board, meanwhile, transacted normal

business and was periodically renewed through elections that sought to maintain a balance of business and community organizer involvement. Dubón, viewed as energetic, decisive and committed served as chairman of the board from December 1988 to 1993. He is credited as being key to helping the organization meet its challenge grant targets. The involvement of each of the Chairmen in running the PRCF has always been great although their styles differed. Betancourt explains: "Each of them has his own particular style so I have worked with each one a little differently but always in very close contact."

### **Phase III: 1994 -1995 — Changing Leadership**

Jorge Fuentes, an engineer, entrepreneur and former treasurer of the Board was elected Chairman for 1994, when he had served on the Board for five years and only had a year left in his term. The Board considered reviewing its by-laws to change the six-year term limit but, after some debate, decided that it was wiser to maintain the limits on tenure. Fuentes comments, "It is important to renew the Board, you get new energy and new insights."

Therefore, in 1994, the Board elected Jaime Escalona, a Director since 1990, to serve as chair from 1995 to 1996. At the time of this appointment, Escalona was retiring from Eli Lilly, a 936 corporation. Like Dubón and Fuentes, he had a tradition of nonprofit service serving on the Board of Fondos Unidos and the Ana G. Méndez University System, a leading private university.

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### **Strengthening Governance**

In 1993, the PRCF received a grant from the Mott Foundation's Organizational Development Assistance (ODA) program to strengthen the governance of the institution. The Council on Foundations facilitated a workshop where PRCF Board members and staff analyzed trends and discussed long-term strategic issues. Board member Calero explains why she and her colleagues found the experience positive:

You need time away from the day-to-day business of the Foundation to reflect about what has been done and what needs to be done. There is no time at the regular meetings to critically examine the past or the future. The off-site meeting created an environment where Board members and staff were able to speak their minds.

At the retreat, the Board decided to evaluate and refine the mission statement, and it discussed the need for a strategic planning process. To stress its commitment to community development, one of the retreat resolutions was to officially change the Foundation's name in Spanish from *Fundación de Puerto Rico* to *Fundación Comunitaria de Puerto Rico* — including the word “community” which had always been in the English name but not in the Spanish name.

As Board members analyzed program trends, they noticed that over time the programs administered by PRCF (funded by grants received from US foundations) and pass-through grants had grown in proportion to grant programs funded directly by PRCF resources. The Board began a process of evaluating programs administered by the Foundation to determine the right balance between PRCF funded programs and other programs. Staff

members began to keep time sheets in order to determine the staff cost of the administered programs.

In the ensuing years, Betancourt believes that the PRCF has entered a new phase of reflection and renovation in its development. In June 1995, the PRCF celebrated its first ten years at a luncheon that brought together many of the founding members, past and present Board members, donors and grantees. The gathering provided an additional opportunity for reflection and, subsequently, PRCF submitted a proposal for assistance in strategic planning to the Ford Foundation.

## **Staffing and Organization**

### **Initial Staffing**

The founders of the PRCF spent considerable time debating who should be the President of the Foundation. The Ford Foundation proposed a candidate who was a Puerto Rican with experience in community organizations and foundation experience in Boston. The Puerto Rican members insisted that it was necessary to find someone credible to the Puerto Rican business community. Ultimately the founders reached a compromise appointing a business leader as President to assist in raising funds and creating the position of vice president of programs to provide strong leadership in that area. At its first meeting the Board appointed Rafael Fábregas, a certified public accountant and respected retired business executive who, through his connections in the business world, opened many doors for the PRCF. Fábregas and first Board chair, Ledesma, worked very closely together.

The founders had also identified many of the original staff including Rafael Pagán, a lawyer, as administrative manager and Rafael Torrech, who had worked with the mainland Puerto Rican youth organization ASPIRA, as the first program officer. During most of 1985, the PRCF received technical assistance and training from US foundation programs and administrative officers. Patricia Biggers, a Spanish-speaking program officer, was loaned by the Ford Foundation to work closely with Torrech on program guidelines and procedures. PRCF also obtained the services of Michael Hoffman from the Cleveland Foundation, who assisted in setting up the administrative procedures and helped adapt an operations manual he had devised to PRCF's situation.

Early in 1986, Riós de Betancourt resigned

from the Board of Directors to become Vice President for programs, working to establish the programmatic direction of the Foundation. She has played a decisive role in shaping the Foundation and Board, staff members, and outsiders praise the credibility, commitment and quality of Riós de Betancourt's efforts. PRCF founders interviewed are proud to have her heading the institution and believe she has enhanced PRCF's image and has been excellent in forming alliances with other organizations, both in Puerto Rico and the United States, that have greatly increased the effectiveness of the PRCF.

### **Current Staff**

The permanent staff of the Foundation is divided in three areas: Administration, Development, and Programs. The Directors of these areas report to the President and attend Board meetings. Each of the programs administered by the PRCF has its own staff, including Program Officers with relevant expertise who work relatively independently and report to Dr. Nelson Colón, the Director of Programs. The staff are highly professional with a great amount of experience, expertise and education; staff turnover is low.

Board members stressed the importance of the staff in setting priorities for the organization. To a great degree the staff, given their day-to-day involvement, control the agenda of Board meetings.

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## Program Operation and Evolution

The PRCF programs reflect the mission statement prepared by the founding members. As a grantmaking institution from the very beginning the founders decided the Foundation would sponsor programs island-wide and would not concentrate its efforts in the San Juan metropolitan area.

The types of programs have remained fairly constant since 1985 and can be divided into three main categories:

- The grantmaking program;
- Programs sponsored by the Foundation; and
- Programs administered by the PRCF but funded by other donors.

The PRCF also runs the Permanent Fund for the Arts, the only program with an endowment of its own funded by a combination of resources from the US National Endowment for the Arts, corporate donors and the PRCF itself.

The official priority areas have scarcely changed since they were identified in 1985 as follows:

- Economic Development;
- Community Development;
- Art and Culture;
- Health;
- Education; and
- Crime and Drug Prevention — the only area dropped in 1995, as the Board deemed that

if the Foundation concentrated efforts on the other areas, it would help crime and drug prevention.

The PRCF seeks to maintain a balance among priority areas, but does not attach quotas to them.

### Program Evolution

Riós de Betancourt recalls that during the PRCF's first years there was a lot of discussion over defining priorities. The needs in Puerto Rico were great and there was pressure from different sectors to address them all. Focusing was a challenge. Former President Fábregas notes the importance given in the beginning to science and technology and entrepreneurial development in grantmaking programs: "We started experimenting with industry-university collaborative research in the pharmaceutical industry and business incubators — innovative efforts not taking place elsewhere in Puerto Rico," he says.

The contacts provided by the Cleveland Foundation's Wadsworth, who had an extensive network with US foundations and companies, proved invaluable to the PRCF. Riós de Betancourt recalls that Wadsworth took her to visit the chairman of the Robert Wood Johnson Foundation, Dr. David W. Rogers, which was interested in helping — but only through a designated grant. After Betancourt described the work of PRCF's Adolescent Health Task Force, the Johnson Foundation gave PRCF a planning grant which led to the establishment of the Adolescent Health Center. The Johnson Foundation supported the Center for four years.

Support from the Pew Charitable Trusts for the Adolescent Health Center also came about through personal contacts of PRCF's friends — notably Berresford, who accompanied Betan-

court to Philadelphia to visit the President of the Pew Charitable Trust. The visit resulted in support for the PRCF's Adolescent Health program, which eventually became the Adolescent Health Center.

New program ideas come about in a variety of ways, Riós de Betancourt says. Some are a response to a perceived need by the Board of Directors, others are the result of learning and experience. She recalls that very early on there was a discussion at a Board meeting about crime:

Board member Salvador Casellas said at the meeting, "If we are going to be credible about addressing Puerto Rico's social problems, we have to do something about crime." So we had discussions ... and designed and established a program. The result was the media drug prevention campaign. After [that first effort], we have learned that we need to begin working with youth earlier — before drugs and crime. In a sense, our current program focusing on the self-esteem of youth is a result of what we have learned about the problems of adolescents over time.

Other programs have been brought to the attention of the Foundation by other groups or organizations. The Community Development Housing Organizations program (CHODOs) began when the US Department of Housing and Urban Development (HUD) approached PRCF about submitting a proposal. PRCF evaluated the program, which was geared at training community groups to be able to apply for and administer HUD housing grants and decided it was compatible with its mission. In addition, the PRCF had developed contacts over time with community groups and knew which ones were ready for the program. The PRCF selected the group *Organizadora Nue-*

*stro Barrio* to join them in submitting a proposal to HUD. PRCF had the infrastructure to administer the grant and the expertise in grantmaking and *Organizadora Nuestro Barrio* had the necessary expertise to provide the training component of the program.

Yet other programs were developed as a match between the interests of the PRCF and funders. When the PRCF approached the Carnegie Corporation for additional support, Carnegie was interested only in funding a specific program. The PRCF explained its interests and priorities and a match was found in the Program to Renovate the Middle Schools, a program that Carnegie had supported in several states. Carnegie gave the Foundation a planning grant and has continued to support the program for several years.

On other occasions, the staff and Board have responded to special situations and opportunities. For example, while the Foundation had made it a policy not to fund relief efforts, the destruction of Hurricane Hugo in 1989 was too great to ignore. The staff met and decided PRCF had to respond: They would evaluate on-going projects and help them restore normalcy; all program and grantmaking activity for the balance of the year would be concentrated on the island's hardest-hit areas and contingency plans for dealing with catastrophes would be developed. The PRCF Board approved the staff's plan and voted to create a Disaster Relief Fund to provide help to the communities most severely affected by Hurricane Hugo. The Foundation raised \$235,000 from donors such as the Pew, Angel Ramos, Mott, and UPS foundations and UNICEF. In addition, PRCF contributed \$150,000 for a total of \$385,000 disbursed in grants between 1989 and 1990.

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This response by PRCF's Board and staff illustrates the organization's flexibility to operate effectively even in changed circumstances. The PRCF had an infrastructure in place to evaluate petitions for donations and companies took advantage of this to channel donations through the PRCF. The PRCF made an effort to channel the grants to its own priority areas and, for example, established a program to help rebuild damaged schools.

Over time, the PRCF has emphasized creation of self-sustaining community groups that can help themselves. In addition to focusing its grantmaking on community groups, the PRCF's staff has devoted valuable time to help these community groups organize themselves. These services represent a growing share of unallocated operational expenses. More recently, the PRCF has started a loan program to help community-run enterprises. In 1994 it granted three small loans totaling \$70,000 to help these enterprises buy equipment to become financially self-sufficient.

In addition, PRCF has decided to focus on adolescence as the critical period of intervention in order to have a significant impact on the future of Puerto Rico. As the Foundation has worked to solve the social problems in Puerto Rico, staff have become increasingly convinced that there needs to be intervention in the early teen years. Thus, all PRCF activities emphasize programs and projects addressing adolescents, an area in which the organization has built significant expertise in both funding and administration of programs.

In line with its explicit founding mission of promoting philanthropy, PRCF has expanded this role elsewhere in the Caribbean and Latin America, advising groups on how to incorporate as non profits, how to choose and develop a Board of Directors and how to write grant proposals. Some of the organizations it has assisted, such as the PR Downs Syndrome Foundation, have become sizable and successful.

At present the PRCF is exploring the possibility of collaborative projects and is receiving technical and financial assistance from the Ford Foundation to develop this concept.



Through collaborative projects the PRCF sees itself as a partner with other funders in community development. The PRCF has had discussions with Citibank of Puerto Rico, the Presbyterian Church, and government agencies about the possibility of co-sponsorship. In 1995, with Ford sponsorship, PRCF hosted a group of thirty US collaborative projects implementers who shared their experiences.

The PRCF's programs have changed and adapted as the Foundation has developed. They have changed in response to what has been learned, according to the changing needs of the community organizations, and funding possibilities it has identified.

### **Grantmaking Programs**

PRCF has published its guidelines for grant-making activities since 1985, having established them with assistance from the Ford Foundation. Basically, the grant recipient must be a non profit organization, legally established, and the award must be in the priority areas of the PRCF.

In the first stage of application, interested parties fill out a short form, which is reviewed by the Program Officer and Director of Programs. Organizations that qualify are asked to submit a more detailed proposal and budget, and staff provide the necessary technical assistance to focus and clarify the proposals. Program Director Colón says experience has shown him that one cannot change the goals of an organization soliciting funds, but if the goals are compatible with PRCF program goals, the staff can work on restructuring the project and budget.

Then, the Program Officer, Program Director,

and President of PRCF visit the program site before a grant is recommended for approval to the Board. Riós de Betancourt says she visits the site as early as possible in order for staff's input to be coordinated early in the process of evaluation. All program staff stress the importance of site visits to the evaluation process. They prepare recommendations for the Board

of Directors, which approves the grants at Board meetings. The Board program committee reviews all grant proposals before presenting them to the full Board meetings. Traditionally, grants recommended by staff are approved — and the Director of Programs remembers only one exception to this practice.

The term of the grant usually is for one year, though, occasionally, PRCF makes a grant to the same project for longer. The grant recipient must submit progress reports and a final report including financial reports. The reporting process has recently been simplified.

The grantmaking program has awarded grants to a wide range of organizations and projects, from a maximum award of \$75,000 to a minimum of \$7,500. As a share of total grants awarded, grants from PRCF's own funds have been decreasing. (Refer to Section IV, Finance).

### **Pass-through Grants**

In 1986 the Foundation began to accept earmarked donations in which a donor designates the recipient of the grant, a practice that allowed it to meet its matching grant challenge. In addition, it familiarized a larger number of donors and grant recipients with the PRCF. Some organizations such as the *Misioneras de Cristo Salvador* and the *Nueva Escuela Juan Ponce de León* have received

<sup>7</sup> See Annex 3 for a more detailed description of the programs.



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pass-through grants as well as direct PRCF grants. When PRCF administers the grant, it may charge a small overhead fee. The largest pass-through grant was a \$200,000 award designated by the Ford Foundation for the Saint Croix Foundation in 1992. Both the number and the dollar amount of this type of grant have grown over time, as donors have become increasingly reluctant to make unrestricted donations.

According to a 1994 Financial Accounting Standards Board regulation governing accounting principles in the US and Puerto Rico, pass-through grants can no longer be included as an organizational asset — a requirement that differs from PRCF's first decade of operations, and will reduce its aggregate financial levels.

### **Mini-grants**

Foundation by-laws allow the President, with the concurrence of the Chairman of the Board, to authorize grants up to \$5,000. The limit for these mini-grants is \$50,000 a year in total. From 1985 to November of 1994, the PRCF awarded 86 mini-grants for a total of \$361,340. Because of their flexibility, President Riós de Betancourt and former President Fábregas consider mini-grants to be very important. They allow PRCF to support projects rather quickly given that they are outside the quarterly project review and approval cycle, and to structure the grantmaking conditions with creativity to ensure that the community reaps the full benefits from the mini-grant. In the absence of a discretionary fund, Riós de Betancourt recommends this program as highly successful.

### **Programs Sponsored by the PRCF**

### **Research Projects and Task Forces**

During its first year, the PRCF created and funded two task forces — on Science and Technology and Youth Employment — to advise on policies and recommend appropriate strategies. Since then, the PRCF has continued to bring together experts with different areas of interest to conduct research and/or develop policy and programs in areas such as the technical support needs of community organizations; the state of philanthropy in Puerto Rico; and the design of the Self-Esteem Program aimed at youth. In recent years, many of these task forces and committees have been funded by planning grants from US-based foundations, such as the Commission on Adolescent Education funded by the Carnegie Corporation.

Current and former PRCF staff and Directors identify a critical need for further research efforts to strategize on program priorities for the future.

### **Advocacy Programs**

In order to meet the challenge of making PRCF well-known on the island, the founding Board opted for a high profile project that would help its fundraising efforts. To address this need and to respond to the general concern about drug addiction among Puerto Rican youth, the Board commissioned an anti-drug media campaign directed primarily to teenagers in 1986. One of Puerto Rico's leading advertising firms designed the highly successful campaign, *Las Drogas: el bobo de los bobos* (drugs: the pacifier of fools), to educate young people about the harmful effects of drug use and abuse.

The campaign was a big hit and the PRCF has continued to be associated with it in the pub-

**Table 2: Sources of Funds 1985-1994**  
(in millions of US\$)

Sources	Amount	Percentage
Donations	13.3	46
Grants	8.1	28
Interest Income	4.4	15
Donated Services	3.2	11
<b>Total</b>	<b>29.0</b>	<b>100</b>

lic's mind. It consisted of radio and television spots, bumper stickers and T-shirts as well as educational programs for adolescents. It gained the endorsement of the advertising industry and ran for three years, receiving almost \$2.8 million in free media time and space. The campaign won twenty-four local, US and international advertising industry awards.

The current advocacy program is aimed at increasing the self-esteem of youth, which according to PRCF's considerable experience with teenagers, is a leading cause of widespread narcotic use and other problems. After two years of research and planning, the campaign began in 1993. The new campaign slogan was *Voy a Tí* (I bet you can), which has received over \$2 million in donated time. It will be followed by other educational programs. The educational component of the Self-Esteem educational program, has been presented to several corporations and foundations for

potential funding.

#### **Programs Administered by the PRCF**

At present, the PRCF administers four major programs for which it developed proposals and received funding from donors — CHO-DOs, IREI (the Initiative to Reform Middle Schools), CENAD (the Adolescent Center), and IDEFI (The Institute for the Development of Philanthropy).<sup>7</sup> The origin of these programs can be traced to initiatives by outside groups like the Lions Club, which wanted to implement a US program in Puerto Rico, or to conversations with prospective funders, in response to which PRCF has submitted a grant proposal.

The importance of such programs — through which the PRCF channels funds to grass-roots organizations and specific public schools in Puerto Rico that do not have the sophistication (or English language skills) to apply directly to the US-based donors — has

<sup>8</sup> The largest, as already noted, is the Angel Ramos Foundation.

**Table 3: Uses of Funds 1985-1994**  
(in millions of US\$)

Uses	Amount	Percentage
Transferred to Endowment	9.3	32
Grants Awarded	11.3	39
• Independent and pass-through	7.8	27
• PRCF-administered projects	3.5	12
Special Program Expenses	2.3	8
Operating Expenses	6.1	21
<b>Total</b>	<b>29.0</b>	<b>100</b>

grown in the past three years. Each program is managed independently with its own staff and accounting is operated separately, as required by the funders. All Program Officers report to the Director of Programs. Some programs such as CHODOS and IREI involve some re-granting of funds, but helping these groups with organizational and institutional development and effectiveness is the more common theme.

Some of the programs may become permanent, but the vision of the PRCF is that they ought to become independent organizations. Such is the case with CENAD which is now seeking funding to continue operations independently. The experience with CENAD is cited by PRCF as instructive in showing that the Foundation was more proficient in grantmaking than in administering services directly. Colón comments: “We have expertise in grantmaking and we

can provide training and conduct research...but we should not be in the business of delivering health-care. With CENAD we had doctors, nurses and social workers on the payroll.”

### **Permanent Fund for the Arts**

In 1987, the Foundation decided to spin off programs in the arts by creating an autonomous Permanent Fund for the Arts (PAF) with its own Advisory Board and a separate grants budget. The Fund has a Program Director that manages its programs and a staff assistant. The Permanent Fund for the Arts is a hybrid program. The PRCF provides logistical support and acts as a channel in obtaining grants from national foundations and other corporate donors but the PRCF also supports PAF with its own resources. Its first eight years of operation as a separate fund made the PRCF realize that

artists have training and technical support needs which are greater than their financial needs. Consequently, rather than remaining a small grantmaking entity, the Fund is evolving into a technical support center for artists and artistic organizations. Valuable community professionals in the arts field are involved in PAF's decision making process, also contributing to leverage resources.

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## Financing PRCF

A review of PRCF's sources and use of funds, fundraising experience, and financial management reflects the context and objectives of the organization's creation. Its commitment to rapidly serve the community is confirmed by the fact that 81% of the resources managed during its first decade of operations have been

channeled to the community in grants and educational programs or preserved in its Endowment Fund. During those ten years, PRCF received a total of \$29 million for its endowment, grantmaking programs and operating expenses (see Table 2). With an endowment of \$10 million, the PRCF is today the second largest foundation in Puerto Rico, according to several finance professionals interviewed.<sup>8</sup>

Nevertheless, "Direct grants are only a part, and a relatively small part, of the picture," says Riós de Betancourt. Operating expenses include the work PRCF must do as catalytic agent and counselor for community groups, training professionals and consultants in philanthropy. As the sole professional philanthropic intermediary in Puerto Rico, with limited financial resources, the share of time dedicated to advisory services represents a sizable investment in the NGO community.

The establishment of an endowment was the main financial objective of PRCF's founders, who saw it as essential to sustainability. A rapid increase in available resources for grantmaking and the Endowment Fund was made possible only as a result of strong commitment by 936 corporations and US foundations. As this support — and interest income from the Endowment Fund — have leveled off, PRCF is reviewing its programs and institutional stake-

holders to seek the support of Puerto Rican civil society and increase financial resources for programs.

In recent years, PRCF has been more successful raising money through grant proposals to fund projects administered by the Foundation, than in soliciting funds for the endowment or its own grantmaking to NGOs. Projects administered by PRCF represented 38% of total grants in 1993 and 67% in 1994. PRCF's operations have been externally audited since the beginning and financial statements are widely distributed to the donor community. Annex 4 provides a summary of the PRCF's financial statements from 1985 to 1994.

### Sources of Funds

Interest income, donations, and grants are the three main categories of PRCF revenues.

In aggregate terms, donations were the leading source of PRCF's revenues during its first decade of operations, providing \$13.3 million. However, the level of donations has decreased since 1991 and grants have been the leading source of revenue since 1992. The reasons behind these shifts are discussed below.

Increased access to resources, combined with rising interest rates, increased the income stream from \$157,579 in 1985 to \$551,087 in 1990. The average rate of growth in interest income during this period was 42% a year. During the 1991-1994 period, a slow growth in resources combined with volatility and reduction of interest rates caused the interest income stream to grow by an average rate of only 2%. To the extent that operating expenses have remained fixed, the share of

grantmaking funded by endowment resources has dropped.

- Donations received by the PRCF have been predominantly from corporations rather than individuals. Section 936 corporations account for 56% of corporate donations, with Baxter and Schering-Plough the largest corporate supporters, contributing \$1 million and \$850,000 respectively over the decade. Bristol Myers Squibb, DuPont, Eli Lilly, Johnson & Johnson, Pfizer, Roche, and SmithKline Beecham are other main sponsors.
- Grants have been provided by philanthropic and corporate foundations, both in the United States and Puerto Rico. The Ford Foundation has been the largest individual donor, having contributed a total of \$7.6 million, or 26% of all resources received by the PRCF during its first decade.
- Foundations established by 936 corporations contributed \$1.1 million or 14% of grants. This means that 936 corporations, via corporate foundation grants and direct corporate donations, represent the single most important group of donors, having contributed \$8.6 million or 30% of total resources managed by the PRCF. Local grantmaking foundations, such as Banco Popular's Foundation, the Fonalledas Foundation, *Fundación Buen Samaritano*, and the Angel Ramos Foundation, have also provided grants to the PRCF during this decade.
- Donated services include media campaigns which advertising agencies and

television stations donate professional services and media time. Prior to 1993, media campaigns were counted as donations.

### Uses of Funds

PRCF has channeled 47% of resources received during the decade towards grantmaking and media educational programs (special program expenses) and 32% to its endowment (see Table 3). Operating expenses accounted for 21% of resources received, including direct services to PRCF-administered grants. As a percentage of total expenditures, operating expenses have been reduced during the decade from 45% in 1985 to 21% in 1994.

The grants awarded from endowment earnings during the first decade amounted to \$4.6 million, or 41% of all grants awarded during the first decade.

### Fundraising Methods

PRCF's efforts during the original fundraising period relied on efforts made by Board members rather than on fundraising programs managed by a development officer at staff level. But, as members instrumental to fundraising and the growth of the Endowment Fund retired from the Board, their role in fundraising diminished after 1989. Meanwhile, PRCF appointed its first development officer in 1987.

PRCF has launched two major fundraising campaigns; the first during 1985 and 1986 to meet the terms of the challenge grant, and a subsequent one during the summer of 1990 to create an endowment of \$20 million.

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**Table 4: Donor Taxable Donations (in US\$)**

Gross Taxable Earnings	100,000	200,000
Threshold 3%	= 3,000	= 6,000
donations above the 3% threshold	- 4,000	- 7,000
Amount that can be deducted	1,000	1,000

### Meeting the Challenge Grant

The founders had assumed that support for PRCF would come from three major sources: US foundations, the 936 manufacturing community and local (corporate and individual) donors. The first foundation commitment came from the Ford Foundation, a \$2 million challenge grant requiring a matching \$2 million donation from other US foundations and \$8 million from private donors, to be raised in a three-year period beginning March 1, 1985.

By the end of its second year of operations, PRCF had commitments of \$3.7 million from Rockefeller, Carnegie, Mott and MacArthur. And the response from the 936 companies was very favorable with pledges of \$4.3 million during the first two years. The \$8 million goal required by Ford's challenge was met through an increase in pass-through grants and donated services. Less

than 10% of the money raised from corporate donors by 1987 came from local sources.

Meeting the challenge grant was one of the main responsibilities of the first Board of Directors. Fundraising responsibilities fell on a few Board members, mostly on Chairman Ledesma and Schering-Plough CEO Luciano, with the help of PRCF's first President, Rafael Fábregas. They concentrated on calling on Mr. Luciano's contacts at the parent companies of 936 plants. Mr. Fábregas, the Foundation's first President, stated that: "We made the mistake of not recruiting more Directors with the ability and willingness to work in local fundraising."

PRCF was also assisted by Richard Kinney from Schering-Plough and Marshall Abbey from Baxter who approached fellow 936 corporations and by Wadsworth, who promoted its cause and with US foundations.

### Campaign for an Endowment

Meeting the goals of the second fundraising drive proved to be more difficult. In 1989 the Board approved a plan to design and launch a

five-year campaign to establish a \$20-million endowment by 1996. The original strategy was to have Ford contribute \$5 million, seek \$5 million from other US foundations, and \$10 million from private sector donors.

Ford authorized a second commitment of \$5 million during 1989, without a matching requirement this time. But other donations lagged — due to decreased interest on the part of 936 companies and delays in obtaining local incentives for donations. When Luciano, Kinney, and Wadsworth approached 936 corporations a second time, the companies said they had largely seen their contributions as a “one-shot deal.”

Among the US foundations, many did not want to grant unrestricted donations and, commitment had waned as personnel changed and old relationships languished. According to Díaz, several foundations still viewed PRCF as a “Ford project.”

Consequently, the PRCF sought and obtained restricted donations from US foundations. The Endowment Fund grew from \$5.2 million in 1989 to \$9 million in 1991, including cash and investments, as a result of the fundraising efforts. In 1992, PRCF received \$1.2 million in restricted donations and grants to the Endowment Fund, of which \$1 million were from Ford. As of December 31, 1994, the Endowment Fund’s balance was \$10 million.

### **Other Fundraising Methods**

Since 1987, PRCF has hosted several meetings for funders, attended by grant recipients, donors and the local press. Development Officer Matilde Urrutia also coordinates an effort to launch a Working Group on Planned Giving, geared to wealthy Puerto Ricans residing in the US or other US residents. Since US inheritance taxes can be as high as 55% for estates over \$600,000, estate planning is common. The committee on planned giving has identified strategies for bequests, life insurance beneficiary designations to PRCF and other fundraising methods. The technical advisors to PRCF in this effort include life-insurance agents, certified public accountants, tax lawyers and retail brokers from investment banks in Puerto Rico. Brochures describing a community foundation have been designed and distributed by the PRCF to educate local corporations and individuals.

PRCF launched the Family Funds program in



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1991, in order to attract local individual donors who were not familiar with its efforts and programs. As of December 1994, nine Family Funds were in existence. The sum is added to the Foundation's Endowment Fund, where it produces a yield higher than it would produce as an isolated investment. The donor designates the area of interest where the annual yield will be used, which may require technical assistance from the staff. PRCF staff believes that these families could increase their donations to PRCF, if satisfactory performance is achieved.

The Memorial Funds Program, similar to the Family Funds program, was launched in 1992. In this case, a contribution fund is named after someone whose memory the donor wishes to honor in perpetuity. As in the Family Funds program, the sum is also added to the Endowment Fund.

Since Puerto Rican law regulates how two-thirds of an individual's estate may be bequeathed, another PRCF program arranges for donors to include a bequest or gift to the Foundation in their wills, from the remaining one-third of the estate. A donor may also arrange his current life insurance coverage, or acquire a new life insurance policy, to provide a determined amount to the Foundation, for use in accordance with his designation. This type of donation has the advantage of costing the donor substantially less than the amount that is eventually donated.

### **Financial Management**

The PRCF staff presents its annual budget for the forthcoming year to the last quarterly meeting of the Board. The budget is based on assumptions regarding pledges to be received, grant approvals and other elements. But the reduction in level of donations and interest

income, when combined with an increased effort to secure restricted grants, places additional pressure on effective financial management.

PRCF staff have developed expertise in raising revenues through grant proposals and have increasingly lobbied for changes in local tax incentives for individuals and corporations. From the total in grants awarded in 1994, 67% were for projects administered by the Foundation and funded through proposals rather than by the endowment. Accordingly, 27% of grants awarded in 1993 and 31% of those awarded in 1992 were disbursements for projects administered by the Foundation.

PRCF has also demonstrated its capacity to control expenses. General and administrative expenses, which had peaked in 1989, were reduced by 37% in 1994. Staff time sheets have been introduced, to monitor the amount of time devoted to PRCF-administered projects and other activity categories. Further review of how expenses match stated priorities will be required for future institutional planning.

### **Evolution of Financial Policies**

From the very beginning, the Board of Directors adopted the policy of restricting access to the principal of the Endowment Fund and using only the interest earned from its investments to award grants and for operational expenses. During the first decade of fundraising efforts, unrestricted donations could be designated by the Board of Directors towards grantmaking or the Endowment Fund. The Board did not foresee that the flow of donations to the Endowment Fund could face a reduction and relative high levels of grantmaking were approved to maximize PRCF's presence and 936 corporate contributions within

<sup>9</sup> Except for special designated Endowment Funds which are subject to other requirements.

the community.

In 1990, following the recommendation of the Financial Committee, the Board decided to have the endowment funds professionally managed externally. This possibility had been discussed before, but it was decided that the fund had to be large enough to merit the fees. After receiving proposals from several fund managers, the Board selected Stein, Roe, & Farnham, to carry out the task, with oversight from the Finance Committee. The portfolio includes an investment policy and allocation geared to achieve growth and generate income. Monthly reporting is distributed to the Treasurer and President. The full Board reviews the Endowment Fund investments once a year. The cost of professional management of the Endowment, tied to the volume of assets managed, represents 12% of operating expenses.

According to a 1994 Financial Accounting Standards Board regulation, the PRCF Board will not be able to transfer unrestricted donations to the Endowment Fund, unless the donations are originally granted for that purpose. This requirement differs from the first decade of fundraising efforts, when the Board could designate unrestricted donations towards grantmaking or the Endowment Fund.

In addition, the Board has had long discussions about the difficulty of meeting the \$20 million endowment goal, and the 1995 deadline has been pushed back several times. Escalona believes that Puerto Ricans would rather give directly to those in need than through an intermediary. Fábregas confirms that ever since PRCF's beginnings, the concept of a community foundation in Puerto Rico has been difficult to convey. "A big-league communicator and fund-raiser is need-

ed to educate the community on the benefits of an intermediary, stressing the advantages of PRCF's professionalism in the grantmaking process over direct donations," he says. "If post-grant audits are required to convince donors of the success of programs, they should certainly be undertaken."

In addition to difficulties in raising funds, the PRCF had to confront shrinking revenues from its investments. Financial markets performed poorly in 1993 and 1994, and PRCF's investment portfolio suffered. By 1994, the Foundation did not have sufficient cushioning to be able to continue grantmaking at previous levels. 1994 grants awarded from its endowment income were \$94,000, much lower than in the past. The Board decided to diversify the financial management of the endowment and expects probably to settle on three managers. The Board has also decided to take a more active role in the development of local philanthropy. With *Fondos Unidos*, the Angel Ramos Foundation, and the Carvajal Foundation it is sponsoring a study of the effects of the lack of tax incentives for individual giving.

The Foundation staff is also exploring alternative ways to deal with the difficulty of raising funds. Ideas in their formative stages are the possibility of entering into a loans program and participating in collaborative projects that would allow the PRCF to work and raise funds for specific projects with partner organizations. In 1994, the PRCF gave its first loans to community enterprises. If the loan program works it will be a way to further leverage the PRCF's resources.

## **Sources of Future Funding**

### **Local Donations**

One of the key decisions taken by the

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founders when structuring the PRCF was to avoid soliciting Puerto Rican government support for funding in order to keep the Foundation apolitical. Furthermore, there was little need at that stage in PRCF's development for government support, given that a secure funding source had been identified and prospects seemed encouraging. The decision not to ask government to review tax incentives for local donors was something that the incipient PRCF could perhaps afford, but for the future, PRCF will need to aggressively pursue this avenue.

The table above confirms the lack of incentives for individuals to make donations. An individual or household with \$100,000 in combined gross taxable earnings can only deduct an amount above a level equal to 3% of gross taxable earnings.

As the table demonstrates, to deduct \$1,000, an individual earning \$100,000 is required to donate \$4,000, and one earning \$200,000 is required to donate \$7,000.

Despite tax reforms in 1987 and 1994, the current extension of tax benefits to certain segments and institutions of the nonprofit community provides an impediment to joint lobbying. Contributions to private universities, *Fondo del Quehacer Cultural* (a cultural endowment fund), and the Commission for the Celebration of the 500th Anniversary of the Discovery of Puerto Rico are tax-deductible as a result of legislation. Contributions to the José J. Pierluisi Foundation, created to honor a murdered aide to the Governor of Puerto Rico, were declared tax-deductible through a ruling issued by the Secretary of the Treasury.

Local corporations, on the other hand, can deduct the equivalent of 5% of pre-tax income in donations to nonprofit institutions.

However, staff indicate that most large local corporations already have significant commitments to charitable efforts close to their communities or are leading sponsors of *Fondos Unidos* in Puerto Rico. PRCF staff report that the community foundation concept is hard for many local corporations to understand, and is often perceived as alien to current or previously existing mechanisms to channel charity contributions on the island.

### **Donations by Section 936 Corporations**

Congressional changes to Section 936 in 1993 reduced the tax benefits for all corporations operating under this program, with pharmaceutical and beverage firms particularly affected, given their relatively higher profit margins. Combined with the expiration of patent protection for leading drugs whose production was located in Puerto Rico (e.g. Tagamet, Valium), and proposals for price controls, the stock value of the pharmaceutical industry has been affected by these changes. As companies adjust and restructure amid a more stringent business climate, Puerto Rico's future reliance on pharmaceutical leadership for incremental investment on the island seems set to shrink — as do their potential contributions to PRCF's Endowment Fund. A significant trend is that 936 donations are increasingly managed at the Puerto Rico level, rather than at headquarters, and that grants are being restricted to projects within the manufacturing facility's immediate community.

Development Officer Urrutia and leading 936 and local corporate affairs executives confirm two trends: (1) lower levels of 936 donations and (2) specific sponsor project ideas for their restricted donation. One PRCF founder

referred to these new targeted 936 donations as “going away” gifts.

challenges is to insure that every Board member feels responsible for fundraising and contributes to the extent of his/her abilities,” he says.

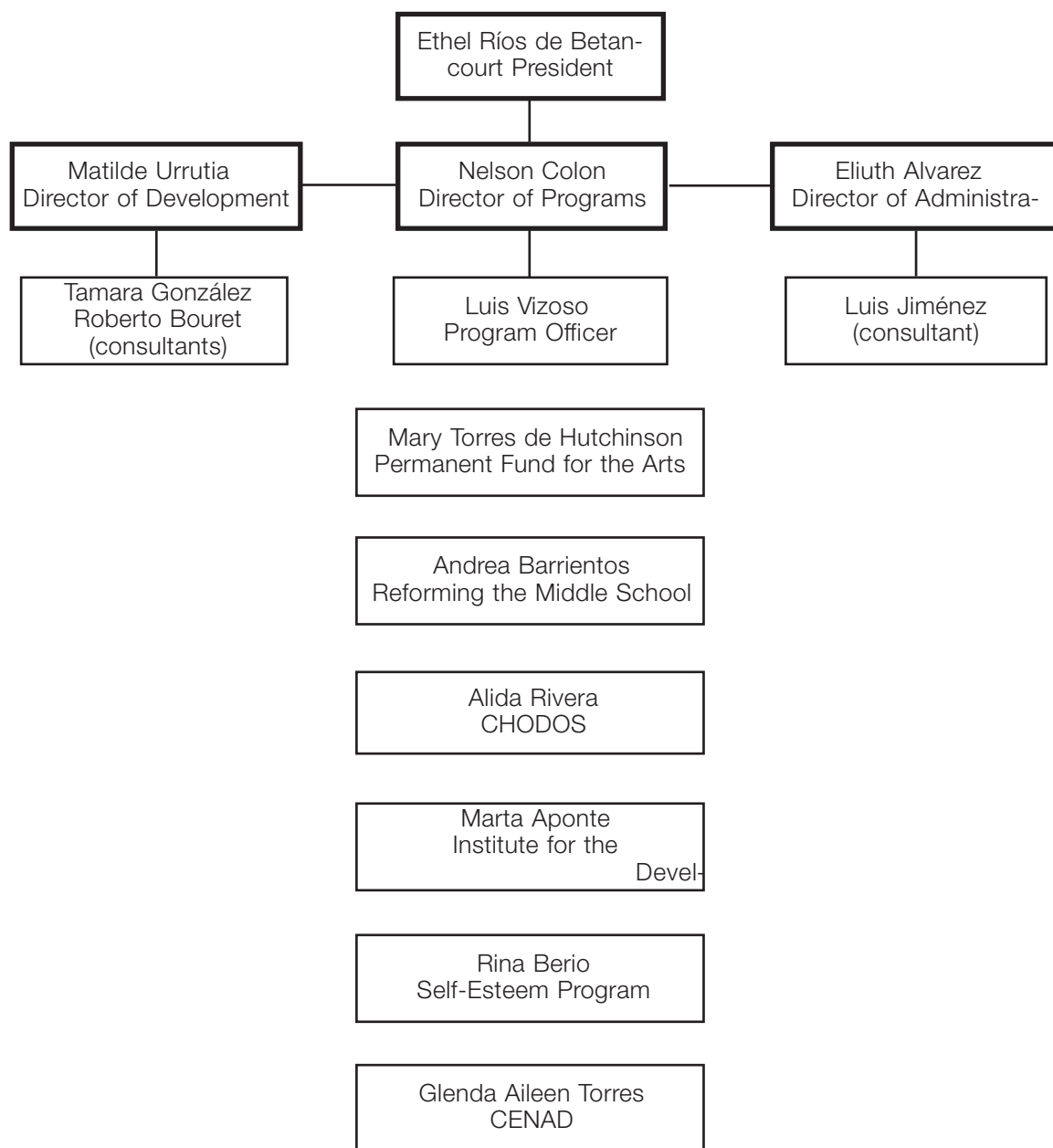
### **US Foundations**

A March 1991 study by the NPRC revealed that in a sample of 260 foundations during 1986-1989, the PRCF was the leading recipient in Puerto Rico of funds from US Foundations, with \$3.2 million. Other Puerto Rico projects received \$3.7 million, for a total of \$6.9 million or 30% of the \$22.8 million given in that period to Puerto Rican organizations in the US mainland and on the island (Henning, 1991: 41).<sup>9</sup> “The establishment of the local community foundation in 1984 focused attention on Puerto Rico and helped give credibility to local non profits who were not sharing in mainland giving,” states the study. “Nonetheless, reluctance to give to Hispanic causes, the false notion that Puerto Rico is international and not national continues to contribute to relatively low participation in these mainland foundation funds.”

In recent years, the PRCF has been more successful raising money through grant proposals than by soliciting funds for the endowment or PRCF's own grantmaking program. For example, the John D. and Catherine T. MacArthur Foundation funded the establishment of IDEFI (the Institute for the Promotion of Philanthropy) through an explicit grant for technical advisory services, research and documentation design throughout the Caribbean and Latin America. PRCF has received money from the Ford Foundation to strengthen the fundraising/development areas. A \$120,000 grant was awarded for the 1994-95 and 1995-96 years to strengthen fundraising programs and procedures. One of Escalona's priorities as Chairman of the PRCF Board is to increase the Board's fundraising efforts. “One of my

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## Annex 1: Organizational Chart 1994



## Conclusion

As noted, the PRCF was created by bringing together a diverse set of interests at a critical moment for US corporate tax policy and community relations in Puerto Rico. The investment incentives of IRS Code Section 936 were threatened in Congress at the same time that there was a growing private nonprofit sector in Puerto Rico.

During its first decade, the Foundation raised over \$29 million dollars in resources, awarded \$13.6 million in grants and educational campaigns, and built an endowment of \$10 million. It developed a leadership role among non profits in the island and is seen as a model by local and foreign non profits and has become a resource for training. Over time, it has focused its program activities on community development, adolescent crime and drug use prevention, education, the arts and the promotion of philanthropy.

The commitment of veteran staff from US foundations gave the PRCF years of experience and contacts to tap. They proved to be valuable ambassadors and guides until the PRCF's staff developed its own contacts and network. The technical assistance provided by the Ford, Cleveland and other foundations helped the PRCF start operations very quickly after incorporation and provided the basis for administrative processes and controls.

Looking back, the PRCF staff and Board say they wish they had received the same type of technical assistance in setting up a diverse fundraising campaign as they did in programs and administration. "Board members have to be educated from the very beginning as to their roles in governance and paramount role as fundraisers," stresses Riós de Betancourt. The Board of Directors of PRCF was the first

genuine attempt to bring local community leaders and businessmen into philanthropy governance. Looking towards the future, Directors will be increasingly required to assist in fundraising efforts.

A strategy to access funds from local individuals and seek favorable tax incentives for individual donations is a recent development. The PRCF has faith in the Family Funds program, but it is a long-term strategy and requires a wide communications and marketing effort to secure a stable flow of small donations from a wide percentage of the population.

PRCF's strategy to start big did use a tremendous amount of resources but it enabled the Foundation to establish a presence quickly. The initial unrestricted grants and large endowment contributions have created a fund that, since 1991, generates approximately half a million dollars a year for operating expenses and programs.

However, the new environment requires that PRCF revisit its priorities and use its resources accordingly. The PRCF is exploring the extent to which its program budget and activity should rely on securing grants from US foundations. More research would be required to determine the hesitancy of US-based foundations to provide unrestricted support.

The role of the PRCF as an intermediary was explicit since its origin. It is clear that the Foundation has helped channel funds to Puerto Rico that otherwise would not have been available to smaller non governmental organizations and community groups. By helping other non-profits strengthen their organizations, the PRCF is also enabling them to tap into US foundation resources on their own.

Over time the PRCF has learned to be more

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selective about the opportunities to which it responds. The experimentation and learning processes that enabled the Foundation to focus its efforts was desirable. Board retreats were useful in helping the PRCF staff and Board members examine where they have been and where they should be going. All Board members emphasized the usefulness of taking time away from the packed agenda of the meetings to have wider discussions about policy and programs.

PRCF will need to identify ways of gathering more local support, by proving the advantages of its professional grantmaking standards, excelling in program design tuned to current social and economic needs, increasing disclosure of sponsored-project benefits, and bringing long-term local stakeholders to leadership positions on its Board. "Promotion and fundraising should stress how the PRCF has contributed to Puerto Rican society during its first decade. PRCF's grantmaking achievements and learning process must be stressed. PRCF must secure leadership through its understanding of future program priorities and seeking effective community support for PRCF's vision," remarks one of the founders.

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Jorge Fuentes

Louis Nuñez

Lourdes Pérez Pont

Luis Vizoso

Mary Torres

Matilde Urrutia

Myrna Rivera

Nelson Colón

Rafael Fábregas

Roberto Bouret

Susan Berresford

William Díaz



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## Annex 2: Mission Statement

“The Puerto Rican Community Foundation is an instrument to garner the energies and resources of the Puerto Rican people in addressing this society’s principal socio-economic problems. It seeks to contribute to the achievement of a healthier economy and enhance the quality of life in Puerto Rico.

In the fulfillment of its mission, The Puerto Rico Community Foundation shall act decisively to identify the pressing needs of Puerto Rican society, so as to be in a better position to deal with these needs. It will endeavor to integrate into this process a wide range of interests from private enterprise, community groups, educational institutions and government.

The Puerto Rico Community Foundation shall act as a catalytic agent in stimulating new and innovative solutions for island problems and other institutions, through research, community programs, pilot projects or other means. The search for innovative approaches will entail the need for risk taking, one which the Foundation is willing to assume.

Aware of the unlimited needs and claims on its limited resources, the focus of the Foundation’s activities will be Puerto Rico and the needs of Puerto Ricans on the island. Nevertheless, it will work closely with Puerto Rican communities in the United States and with the institutions serving these communities.

The major objectives of the Puerto Rico Community Foundation are the following:

1. To bring together the expertise of various sectors to foster action on the major social and economic problems of the island and its people in areas such as economic development, scientific and technological innovation, employment, criminal justice, health, education and the arts.
  2. To strengthen the sense of community as well as the capabilities of local institutions to identify, study and provide solutions for the problems mentioned above. The Foundation recognizes that government by itself will not be able to deal with society’s increasingly complex and difficult problems and challenges.
  3. To encourage philanthropic interest and activity by private persons, industry and other foundations interested in the well-being of the Puerto Rican people.
  4. To sponsor basic studies on important social and economic issues in order to provide the reliable factual information and ideas which will contribute to resolving these.”
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## Annex 4: PRCF Financial Statements 1985 - 1994

	1990	1991	1992	1993	prelim 1994
<b>Assets</b>					
Investments, total	6,397,146	10,041,289	11,470,461	11,456,115	10,920,787
Endowment Fund (restricted)	5,399,535	8,915,918	10,389,312	10,275,815	9,987,424
Principal Fund	997,611	1,125,371	1,081,149	1,180,300	933,363
Cash and Equivalents	844,676	1,635,256	944,704	1,202,501	681,559
Endowment Fund (restricted)				513,045	
Principal Fund			797,801		681,559
Other					
Pledges Receivable	508,096	1,858,696	1,244,395	1,224,176	1,304,754
US Foundations					
PR Foundations					
936 & other US & foreign corps					
PR corporations					
Furniture and Equipment (net)	33,045	14,871	25,269	45,353	91,215
Other Assets	74,460	74,017	132,788	182,690	318,089
<b>Total Assets</b>	<b>7,857,423</b>	<b>13,624,129</b>	<b>13,817,617</b>	<b>14,110,835</b>	<b>13,316,404</b>
<b>Obligations, Deferred Revenues and Fund Balance</b>					
Bank Loan		50,000			
Grants Payable	324,158	275,250	239,283	257,702	95,011
Payables & Liabilities	45,513	328,148	78,174	57,380	229,314
Deferred Revenues	856,100	2,473,595	1,231,898	1,427,317	1,793,385
Due to Operating Fund					82,870
<b>Total Obligations &amp; Revenues</b>	<b>1,225,771</b>	<b>3,126,993</b>	<b>1,549,355</b>	<b>1,742,399</b>	<b>2,200,580</b>
<b>Commitments</b>					
Fund Balance	6,631,602	10,497,136	12,268,262	12,368,436	11,115,824
Appropriated	51,431	84,724	89,879	95,255	46,906
Unappropriated	1,180,636	1,496,494	1,789,071	1,484,321	1,164,364
Endowment	5,399,535	8,975,918	10,389,312	10,788,860	9,904,554
	<b>7,857,373</b>	<b>13,624,129</b>	<b>13,817,617</b>	<b>14,110,835</b>	<b>13,316,404</b>

## Annex 4: PRCF Financial Statements 1985-1994

<b>Revenues</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>
Interest Income	157,579	226,023	336,867	365,806	410,875
Endowment Fund (restricted)			271,105	154,672	278,897
Principal Fund			65,762	211,134	131,897
Donations	928,412	2,506,652	1,300,243	613,232	2,890,899
Restricted for G & A Expenses	250,000	250,000			
Restricted		863,900		141,030	
Unrestricted	678,412	1,392,752		472,202	
Grants			950,200	1,631,779	286,862
Donated Services	52,000	32,000	37,779	192,226	99,036
Total Revenues	1,137,991	2,764,675	2,625,089	2,803,043	3,687,672
<b>Expenditures</b>					
Grants Awarded	308,938	986,559	969,136	1,396,268	1,209,382
Independent Projects Disbursed	296,987	930,849	739,857	935,110	786,604
Projects Operated by PRCF	11,951	55,710	229,279	461,158	422,778
(Grants from Endowment Income)	419,178	735,900	669,497	610,056	472,372
Special Program Expenses					
<b>Operating Expenses</b>					
Salaries & Employee Benefits	124,084	244,806	251,718	219,489	265,502
Staff & Directors Expense	30,386	57,739	87,882	45,392	26,824
Consultants	14,203	9,884	20,651	3,144	1,809
Investment Fees					
Fundraising Expenses					
G & A and Depreciation	91,278	141,073	197,301	339,090	366,556
	259,951	453,502	557,552	607,115	660,691
Total Expenditures	568,889	1,440,061	1,526,688	2,003,383	1,870,073
Excess of Rev. over Exp.					
Before Investments	569,102	1,324,614	1,098,401	799,660	1,817,599
Realized Gains on Investments			-26,143	38,394	
Unrealized Gains on Investments			-173,506	-7,668	136,198
Excess of Rev. over Exp.					
After Investments			898,752	830,086	1,953,797
Fund Balance	8,003,913	9,328,527	2,824,242	4,349,528	6,303,325
Endowment Fund			1,795,250	2,849,141	5,216,982
Principal Fund			1,028,992	1,500,387	1,086,343
Oper Exp./Total Exp.	.45694503	.314918604	.36520363	.3030449	.353296903
Salaries/Operating Exp.	.47733611	.539812393	.45147	.361527882	.401855028
G & A/Operating Exp.	.35113541	.311074703	.35387013	.558526803	.554807013
	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>
Donations	928,412	2,506,652	1,300,243	613,232	2,890,899
Grants			950,200	1,631,779	286,862
	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>
Donations	928,412	3,435,064	4,735,307	5,348,539	7,855,191
Grants			950,200	2,581,979	4,213,758

## Annex 4: PRCF Financial Statements 1985-1994

					prelim
<b>Revenues</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
Interest Income	551,087	510,420	544,168	580,372	545,821
Endowment Fund (restricted)	429,139	397,106	443,438	477,848	
Principal Fund	121,948	113,314	100,730	102,524	
Donations	1,085,787	2,776,378	598,018	409,303	235,025
Restricted for G & A Expenses		31,025	18,975		
Restricted					
Unrestricted					
Grants	678,401	546,378	2,123,724	676,923	1,222,380
Donated Services	96,599	67,430	92,431	1,191,409	1,432,507
Total Revenues	2,411,874	3,931,631	3,377,316	2,858,007	3,435,733
<b>Expenditures</b>					
Grants Awarded	1,316,117	1,058,530	1,098,139	1,245,569	1,604,934
Independent Projects Disbursed	1,066,374	881,627	754,985	770,808	524,995
Projects Operated by PRCF	249,743	176,903	343,154	474,761	1,079,939
(Grants from Endowment Income)	398,956	441,677	436,114	311,812	92,000
Special Program Expenses				1,104,100	1,268,139
<b>Operating Expenses</b>					
Salaries & Employee Benefits	226,443	289,222	351,696	339,663	384,229
Staff & Directors Expense	35,164	36,313	48,870	48,882	67,840
Consultants	22,712	11,622			
Investment Fees			80,925	92,372	91,065
Fundraising Expenses	57,164	23,851	18,975	3,097	
G & A and Depreciation	314,939	302,855	226,732	229,989	231,086
	656,422	663,863	727,198	714,003	774,220
Total Expenditures	1,972,539	1,722,393	1,825,337	3,063,672	3,647,293
Excess of Rev. over Exp.					
Before Investments	439,335	2,209,238	1,551,979	-205,665	-211,560
Realized Gains on Investments	-70,529	-147,418	245,565	613,693	1,474
Unrealized Gains on Investments	-40,479	1,803,664	-26,418	-307,854	-1,042,526
Excess of Rev. over Exp.					
After Investments	328,327	3,865,484	1,771,126	100,174	-1,252,612
Fund Balance	6,631,652	10,497,136	12,268,262	12,368,436	11,115,824
Endowment Fund	5,399,535	8,915,918	10,389,312	10,788,860	9,904,554
Principal Fund	1,232,117	1,581,218	1,878,950	1,579,576	1,211,270
Oper Exp./Total Exp.	.332780239	.385430619	.398391092	.233054648	.212272499
Salaries/Operating Exp.	.344965586	.43566519	.483631693	.475716489	.496278835
G & A/Operating Exp.	.479781299	.456201054	.311788536	.322112092	.298475885
	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
Donations	1,085,787	2,776,378	598,018	409,303	235,025
Grants	678,401	546,378	212,724	676,923	1,222,380
	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
Donations	10,361,843	12,868,495	15,375,147	17,881,799	20,388,451
Grants	5,845,537	7,477,316	9,109,095	10,740,874	12,372,653