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Nonprofit CFO Looks for Assets With Potential

Community Foundation Different Than a Business

■ By PETER J. BRENNAN

On a recent weekday in December, **Tracy Branson** visited a home in Huntington Beach to prep it for sale and look for a real estate agent. She estimated the house would fetch between $600,000 and $700,000.

"We're going to sell that home, and the net proceeds will help students in Orange County," she said.

It's not the typical job of a chief financial officer.

Branson is CFO of the **Orange County Community Foundation**, the second-largest nonprofit organization based in OC. The Newport Beach-based foundation's revenue climbed 30% to $106.1 million in the fiscal year ended last June, second only to **Goodwill of Orange County**, according to Business Journal research. It awarded $59 million in grants and scholarships in fiscal 2017 and has made almost a half-billion dollars in grants since 2000, according to President **Shelley Hoss**.

Unsophisticated Accounting

Branson, who with husband, Doug, has three children and one grandchild, has been involved with the foundation for 27 years, starting as a part-time consultant. She switched to full time in 2004 and became its first CFO in 2006.

She's seen firsthand how accounting has changed at nonprofit foundations.

"When I started in 1991, it was very unsophisticated," Branson recalled, explaining that nonprofits didn't even have statements of cash flows, which are required today.

When she joined the foundation, she implemented rules typical for businesses that she said help donors better understand their giving. Branson, who holds an economics degree from the **University of California-Los Angeles**, had learned how business works during a nearly 10-year stint at the Arthur Young accounting firm.


Branson: 'A lot of people like giving away money.'

"I wanted us to do the best accounting we could," she said. "Ultimately, those rules became effective for nonprofits. We were on the early side."

The foundation, begun in 1989 by **Judy Swayne**, works with individuals, families and businesses to match their charitable interests with nonprofits.

People who start their own foundations soon realize they're more difficult than they may seem, Branson said.

"It's a lot of work to actually manage your own foundation," she said. "There are lots of regulatory rules and tax regulations to follow, or you could get in trouble."

The Community Foundation pools funds to get the best possible returns, then vets potential recipients to make sure they're worthy and aren't scams. The vetting can include reviews of tax returns and other public documents.

"A lot of people like giving away money," she said. "We help determine if recipients are wisely using the donor's money."

15.6% Return

The foundation oversees about $325 million in assets. The biggest portion is a $200 million investment pool that returned about 15.6% in the trailing 12 months ended in November. A second pool is $60 million in cash that's about to be distributed to charitable groups.

It has an investment committee and an independent adviser, Boston-based **Cambridge Associates LLC**.

A big difference between nonprofits and for-profit businesses is that nonprofits "celebrate" expenditures, such as grants.

"When you're in a business, every decision you make depends on how it will impact your bottom line," she said.

"That's not how we look at it. We look at it as how this will help improve the lives of the citizens of Orange County.

"You're not looking for a profit motive."

Gift Valuing

Nowadays, donors ask the foundation to accept a wide variety of gifts. It's Branson's job to determine if it can and the value it would give them.

Stocks and bonds are easy to trade and are sold immediately, she said. Homes, rental properties and an interest in a business are harder to value. It might hold onto certain properties, like Section 8 housing in Oakland, for instance, if the timing isn't optimal.

"We try to move it to cash as quickly as possible, but we don't want to take a big discount," she said. "I feel like we do a good job evaluating."

The foundation has turned down gifts, including interest in a business in Asia.

"It would be very difficult to manage a gift like that," she said. "There is a lot of due diligence needed to accept illiquid gifts."

She said it's still too early to comment on the recently approved federal tax reform's impact on charitable giving.

"A lot of the people we deal with don't do it for the deduction. A lot want to do good for the community. We'll have to wait and see how this plays out over time."

Growing Donations

She said she works to make the original donation much larger so as to help more people.

For example, she cites the story of **Margaret** and **Alex Oser**, who made a small fortune running a junkyard that bought used military airplanes after World War II and resold the platinum inside. When they died childless more than 30 years ago, the couple left a $5 million charitable foundation, but the trustees believed it could be better managed by the Community Foundation, which took over the funds in 2000. Nearly $6 million in grants and scholarships have since been awarded from the fund to 85 organizations, and its permanent assets have grown to more than $9 million.

"It's a great story," Branson said.

The house in Huntington Beach is an example of a gift that could eventually generate grants of two to three times its selling price. The fund, called Students With Vision Foundation, will provide scholarships to graduating Latinas at Huntington Beach and Ocean View high schools. The criteria includes students' grade point averages, community service and financial need.

"It's not such a small donation. It could become bigger," Branson said.

"Where we provide a lot of value is if you have an estate and you want to make sure it goes to the homeless or arts programs in Orange County or anywhere, one of the values of the Community Foundation is we make sure your wishes are carried out for however long.

"We play a really important role in realizing their dreams of making sure their community is stronger." ■