Almost $69 million in grants were awarded by Communities Foundation of Texas trustees in the fiscal year ending June 30, 2006, the largest amount ever. It was the second year in a row the foundation has awarded more than $60 million in grants.

The generosity of donors to CFT made possible these grants benefiting education, social services, cultural organizations, health care and other areas.

“We celebrate this record year of grantmaking and the difference our donors are making in the lives of so many people in our community,” said Brent Christopher, CFT president and CEO. “CFT has now distributed more than $785 million in charitable grants since its founding in 1953. And, the new fiscal year—2007—is off to an excellent start, with more than $25 million in grants made as of early November.”

As the year progresses, CFT is joining its counterparts across the nation in interpreting and responding to new legislation affecting charitable giving, which includes the grantmaking operations of community foundations. The Pension Protection Act of 2006, signed into law by President Bush in August, outlines several new provisions for charitable donations and grants that are intended to make sure the tax laws are being used consistently and appropriately. Some of the rules enacted within the legislation govern donor-advised funds, scholarship funds and supporting organizations at community foundations. Other rules relate only to private foundations. Still other rules relate to all charitable giving, such as the new requirement that even small cash contributions must be documented in order for you to claim a charitable deduction. The legislation also creates a special two-year window for making charitable gifts from your IRA under certain circumstances (see related story, page 4).

The primary focus of the new rules is to make sure donors, fund advisors and their families do not receive any money or more than “incidental” benefits from a charitable fund to which they are linked. For example, grants cannot be made to individuals from donor-advised funds. Scholarship funds, which do make grants to individuals, must use a process and a committee approved by the CFT board. And, certain concentrations of business ownership that are held as assets in donor-advised funds now must be liquidated over a specified time period.

In order to ensure compliance with the new legislation, CFT has begun a comprehensive review of fund...
Arts Magnet School Meets CFT Challenge Grant.

With the help of a special $500,000 challenge grant from Communities Foundation of Texas, Booker T. Washington High School for the Performing and Visual Arts is well on its way to celebrating a new campus in the downtown Dallas Arts District.

The community responded to last November’s challenge grant with $554,568 in gifts to the campaign to build new facilities for the highly acclaimed arts magnet school. Among the gifts were $100,000 grants from JPMorgan Chase and the Lowe Foundation.

CFT’s challenge grant provided impetus to an already successful campaign, said I.D. (Nash) Flores III, chairman of the Arts Magnet Building Campaign. The school’s Advisory Board still hopes to raise $6.5 million to complete the $47 million campaign by May 2007.

In September, the arts magnet premiered a new movie about the school at CFT’s Mabel Peters Caruth Center. The movie featured notable Booker T. Washington graduates Norah Jones, Edie Brickell and Erykah Badu.

Continued from page 1

one will fulfill a promise depends on trust—trust that the person has integrity, commitment and ability.

Nonprofits in our community represent a lot of promises about how to make life better. What are the keys to those promises? Financial resources are vitally important, yet not enough on their own. Adam Meyerson, president of The Philanthropy Roundtable, recently pointed out that our government spends over $400 billion a year on education, but 38 percent of fourth graders still cannot read. The other key is human resources: people who have smart ideas, commitment to hand, ethical work, and the ability to combine them with sufficient financial resources to achieve grant results.

We’re fortunate in Dallas to have many outstanding professionals working with our nonprofits. During this season when we stop to be thankful, we need to thank them. Across North Texas, nearly 260,000 people are employed by nonprofits. They enable their respective organizations to fulfill their promises every day: to the person who is cold and homeless, to the student learning about her world, to the frightened child waiting for someone to say, “You’re safe.”

But, according to Tom Tierney, founder of The Bridgespan Group of consultants for nonprofits, change is coming. Largely because of the retirement of baby boomers, he predicts that the nonprofit sector will need 640,000 new leaders in the next decade. That equates to 50 percent of all the MBA graduates in America for each of those years. And, while the talent pool for nonprofit leadership may be shrinking, human needs are not.

So, what should your response be? Don’t shy away from continuing to provide critical charitable gifts. But, also take advantage of every opportunity to encourage capable people to consider roles in the nonprofit community. They are the ones who make the promises of nonprofit organizations into realities.

CFT responds to donor questions about grantmaking

Continued from page 1

agreements and the grantmaking procedures of the foundation. As CFT conducts this review, it will work with donors to keep the processes straightforward, to add value through their relationship with the foundation, and to ensure that their funds fulfill their charitable purposes.

When it comes to charitable giving, collaborating with CFT is still simple and effective. While the review is taking place, here are a couple of answers to common questions:

Q. I’ve been approached by my college and want to make a campaign grant to be paid over several years. What are my first steps if I want to recommend making the grant through my donor-advised fund?

A. Contact CFT early, because a grant actually would need to be a campaign commitment made by the foundation. When we receive your grant recommendation, it goes to the board of trustees for approval and then can become a commitment for payment over several years through your donor-advised fund.

Q. I want to support one of my favorite charities by purchasing a table at their annual gala. Can grants of this type be made through a donor-advised fund?

A. The new law is not clear about the response to this question. CFT continues to adhere to its policy that only the charitable portion of an event sponsorship can be approved and granted through a donor-advised fund. The non-charitable portion (such as the value of a meal or other personal benefits) must be paid directly to the organization by the individual donor. Under the new law, it is important for you to notify CFT if any grant request may result in your receiving benefits. We are happy to answer any other questions you have about this policy, and to help make sure an organization to which you are recommending a grant qualifies as a 501(c)(3). Please contact the grants department at (214) 750-4222.
Event Honors Dallas Legend.
CFT recognizes Ebby Halliday Acers for 30-plus years of service to foundation

This September, when Communities Foundation of Texas hosted a special meeting of its Advisory Council, all eyes were on the guest of honor – a 95-year-old known as much for her energy and service to the community as for her success in real estate.

CFT’s Board of Trustees presented Ebby Halliday Acers a resolution recognizing “the guidance, counsel and boundless energy she gave to the foundation in shaping its future, for which she received no compensation other than the satisfaction of knowing that her efforts would aid countless individuals in Dallas, throughout Texas and across the country by making our world a better place through the power of philanthropy.”

“We pay tribute to one of the most special persons in the life of the foundation,” said Charles J. Wyly, Jr., chairman of the board of trustees. “We celebrate her devotion and service as well as her friendship.”

Ms. Acers served on CFT’s Board of Trustees from 1977 to 1998, including a year as chairman of the Distribution Committee in 1987. From 1988 to 2006, she served as chairman of the Advisory Council. She continues to be recognized as a Trustee Emeritus.

CFT is pleased to announce the establishment of the Ebby Halliday Acers Society. “This society will honor those who have served CFT with distinction for years and have demonstrated the selfless dedication, tireless spirit and boundless enthusiasm embodied by Ebby,” said Brent Christopher, CFT president and CEO. “For the Society’s inaugural inductee, there could be no other choice than its namesake – Ebby Halliday Acers.”

CFT in Top 10 Again Among Community Foundations Nationwide

Communities Foundation of Texas ranks 10th among more than 700 community foundations nationwide in both annual gifts received and grants paid, according to a recent annual survey by the Columbus Foundation. In its annual survey of community foundations, the Columbus Foundation reported that CFT made grants totaling $68.7 million in its last fiscal year (ending June 30, 2006) and received gifts of more than $98 million. CFT was one of only two community foundations in Texas ranked among the top 10 for grants, behind the Greater Houston Community Foundation, which administered grants for Hurricane Katrina relief. CFT also was ranked 13th for the market value of its combined assets with a total of $700 million at the end of the last fiscal year. For its overall size, CFT was the only community foundation in Texas ranked among the top 20 in the nation.

The Columbus Foundation, which has sponsored and prepared the annual survey since 1988, reported donations to community foundations totaling $5.6 billion in 2005, a 34 percent increase over the previous year’s $4.2 billion. Grants totaled $3.2 billion, up from $3 billion in 2005.

In another survey, CFT ranked 198th on the “Philanthropy 400” list of all the nation’s largest charities based on gifts received in 2005, according to The Chronicle of Philanthropy. 

Top 10 Community Foundations by Grants Made Last Year

<table>
<thead>
<tr>
<th>Rank</th>
<th>Foundation</th>
<th>Grants Made</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>New York Community Trust</td>
<td>$142,064,232</td>
</tr>
<tr>
<td>2.</td>
<td>Greater Kansas City Community Foundation</td>
<td>$140,702,000</td>
</tr>
<tr>
<td>3.</td>
<td>Greater Houston Community Foundation</td>
<td>$109,388,008</td>
</tr>
<tr>
<td>4.</td>
<td>Community Foundation of Silicon Valley</td>
<td>$101,055,831</td>
</tr>
<tr>
<td>5.</td>
<td>Peninsula Community Foundation (Calif.)</td>
<td>$94,325,151</td>
</tr>
<tr>
<td>6.</td>
<td>Foundation for the National Capital Region</td>
<td>$93,296,206</td>
</tr>
<tr>
<td>7.</td>
<td>California Community Foundation</td>
<td>$76,404,160</td>
</tr>
<tr>
<td>8.</td>
<td>Chicago Community Trust</td>
<td>$75,988,536</td>
</tr>
<tr>
<td>9.</td>
<td>San Francisco Foundation</td>
<td>$74,803,793</td>
</tr>
<tr>
<td>10.</td>
<td>Communities Foundation of Texas</td>
<td>$68,682,000</td>
</tr>
</tbody>
</table>

Photograph by Kristina Bowman
Gifts of appreciated securities, mutual fund shares and closely held stock can be extremely beneficial – both to you and to the charities supported through Communities Foundation of Texas.

As you evaluate your portfolio, why not consider the benefits of a charitable gift of appreciated securities that have increased in value since they were acquired?

Due to favorable tax provisions and careful planning, a year-end gift of appreciated securities held for more than one year would enable you to claim an income tax deduction on the fair market value and also avoid capital gains tax on the appreciation. By gifting appreciated stock to the foundation, the stock is deductible at the fair market value and no capital gains tax would be due. The federal government encourages charitable giving by allowing you to deduct up to 30 percent of adjusted gross income each year when a gift is made of appreciated securities. In addition, if you are unable to use the entire amount of the allowable deduction in one year, the excess tax deduction can be carried over for five additional years.

To illustrate the benefits of gifting appreciated securities, assume you want to give $50,000 to CFT before year-end, which can be funded either with cash or appreciated stock. You are in the 33 percent income tax bracket, and the stock value is $50,000 with a cost basis of $10,000. Because you have held the stock more than a year, your charitable deduction would be based on the fair market value on the gift date. By using the appreciated stock instead of cash, you save an additional $6,000 (see table). A higher federal tax bracket would further improve your results.

<table>
<thead>
<tr>
<th>Type of Gift</th>
<th>Cash</th>
<th>Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of gift</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Income tax savings (33% tax bracket)</td>
<td>($16,500)</td>
<td>($16,500)</td>
</tr>
<tr>
<td>Capital gains tax savings (15% x $40,000 gain)</td>
<td>0</td>
<td>($6,000)</td>
</tr>
<tr>
<td>Net cost of gift</td>
<td>$33,500</td>
<td>$27,500</td>
</tr>
</tbody>
</table>

Let Us Know When You Give Stock

As noted above, the transfer of appreciated stock to Communities Foundation of Texas is one of the best ways to be charitable and avoid paying capital gains tax. But the foundation does not automatically learn the name of the donor when a stock transfer is made to the foundation’s brokerage account. So, please be sure to give us a call when gifting stock to the foundation. Simply call Steve Orr, vice president, investments, or Kristine Thomas, controller, at (214) 750-4222.

CFT does not provide legal or tax advice and advises you to seek your own legal and tax advice in connection with all charitable and planning matters.
The Junior League of Dallas recently selected Communities Foundation of Texas trustee Linda Pitts Custard as the recipient of its Lifetime Achievement Award, recognition of the organization grants only once every five years.

Mrs. Custard received the award for her “spirit of selfless giving” at the Junior League’s 85th anniversary celebration at the Morton H. Meyerson Symphony Center. “Her advocacy for the arts, education and social services fulfills the goals of the League and inspires so many others to improve the quality of life for our fellow citizens through community service,” said Lynn McBee, president of the JLD.

In her 40 years with the League, Mrs. Custard has served as president and served on the executive committee, the board of directors and on all 16 committees. She also chaired the JLD Ball in 1973 and was the first Junior League president to attend Leadership Dallas.

Mrs. Custard, who joined the CFT board of trustees in 1997, also serves on the boards of Southern Methodist University, the Dallas Center for the Performing Arts, Salvation Army Advisory Board, the Dallas Theater Center, the Hockaday School, Susan G. Komen Breast Cancer Foundation and the Dallas Opera.

Linda Pitts Custard

CFT’s immediate past chairman, Ruth Alshuler, received the first Lifetime Achievement Award in 1996.

In conjunction with its 85th anniversary, the JLD is awarding $85,000 in grants to Texas Scottish Rite Hospital for Children, Friends of the Dallas Public Library and Parkland Foundation. CFT made a gift to the grant fund in honor of Mrs. Custard.

Junior League of Dallas Honors CFT Trustee Linda Pitts Custard.

The Texas High School Project has added three new directors to its management team: Ana Tilton, chief program officer; Todd Foster, finance and administration; and Sylvia Martinez, communications.

“We are fortunate to add such distinguished professionals to the Texas High School Project,” said John Fitzpatrick, executive director of THSP, a partnership involving the Bill & Melinda Gates Foundation, the Michael & Susan Dell Foundation, the Texas Education Agency and Communities Foundation of Texas.

Dr. Tilton most recently served as a partner with New-Schools Venture Fund, a philanthropy firm working to improve public education. Her career in school reform also has included positions with New American Schools and Edison Schools, Inc. Before joining the private sector, Dr. Tilton taught in Denver and served as a school superintendent in California. She received her master’s degree in bilingual/multicultural education from the University of Colorado and a doctorate in educational policy and administration from the University of Southern California.

Before joining CFT, Mr. Foster led a program for clergy recruitment and development for the Episcopal Church. His corporate career included global banking with Citigroup, business development for Travelocity and product development for HG Global Workplaces. Mr. Foster earned a bachelor’s degree at Vanderbilt University and an MBA in finance from Emory University. He is pursuing a master of divinity degree at Southern Methodist University’s Perkins School of Theology.

An award-winning journalist, Ms. Martinez returned to Dallas from New York, where she was head writer and segment producer for the AIM Tell-A-Vision Group’s Maximas Productions. She previously served as editor-in-chief of Latina Magazine and as education editor at the Dallas Morning News. Her journalistic career began with reporting positions at the Austin American-Statesman, Cox Newspapers Washington Bureau, the Baton Rouge Bee-Picayune and Goldilocks Advance-Grant. Ms. Martinez is a graduate of the University of Texas at Austin.
IN MEMORIAM
Some of Our Generous Donors

William “Bill” D. Barrett
John “Jack” W. Bartholow, Jr
George T. Connell
Frank M. Crossen
Kathleen Willie Elliott
Mary Kathryne “Kaki” Wells Hancock
Frank T. Hundley
Edwin B. Jordan
Juanita Miller
Dr. Philip O’Bryan Montgomery, Jr.
Byron Nelson
Elizabeth Ledbetter “Georgie” Phillips
Lois B. Poole
Minnie Susman
C. B. Sutherland, Jr.

CFT Board of Trustees
Charles J. Wyly, Jr., Chairman
Milton P. Levy, Jr., Vice Chairman
Philip O’B. Montgomery III, Treasurer
Linda Pitts Castand, Secretary
Dan W. Cook III, Trustee
Joseph M. “Jody” Grant, Ph.D., Trustee
Jack M. Kinnebrew, Trustee
Linda Brack McFarland, Trustee
Lydia Haggard Novakoff, Trustee
Jere W. Thompson, Trustee
Gifford Touchstone, Trustee
Joel T. Williams III, Trustee
Ruth Sharp Altshuler, Immediate Past Chairman
Ebby Halliday Acers, Trustee Emeritus

Legal Counsel
Kathryn G. Henkel, General Counsel,
Hughes & Luce, LLP
Vester T. Hughes, Jr., Senior Tax Counsel,
Hughes & Luce, LLP

Officers
Brent E. Christopher, President and Chief Executive Officer
J. Michael Reiff, Vice President, Finance and CFO
Dwight D. Clasby, Vice President, External Affairs
Jeverley R. Cook, Ph.D., Vice President, Grants
Marcia Williams Goeheir, Vice President, Administration
J. Maxon Orr, Vice President, Investments