



Council on Foundations

“Think About” Resource for Family Foundations

About this resource

This resource provides a comprehensive list of issues that family foundations confront. Most boards discuss and decide on these questions as they arise, when faced with particular dilemmas. Discussing these issues in advance may allow the board to thoughtfully explore measured responses to circumstances BEFORE they arise.

The questions raised rarely have a single, correct answer. The very act of addressing these issues should result in a family foundation that is better equipped to conduct its core functions of grantmaking, management and governance. In addition, advance, collective agreement by the board on policies and practices may mitigate family tension that could arise in discussing specific situations under time pressure.

These discussions may not be quick. Yet they are often rewarding. Responses to one question may raise additional questions or inform other responses. Talking about the questions will illuminate where board members values align and where they do not. Family members may find that some beliefs they assumed were shared are not and a respectful airing of differences can ensue.

The Council’s Family Foundation Services department is happy to discuss the variety of possible responses to these questions and provide sample documents where available. Contact us at 202/467-0407 or family@cof.org

Choice of Vehicle

Motivation:

What prompted your family to engage in philanthropy?

To support a particular cause?

To promote family unity?

For estate planning purposes?

To return something to the community?

To maintain control over the assets?

Sizable assets?

To memorialize/honor someone?

Intrinsic or extrinsic reward?

What factors weighed into the choice of vehicle? How important is each?

Control over the assets?

Family unity/involvement (and over how long a period?)

Administrative costs?

Ease of administration?

Expertise in the grantmaking focus area?

Donor's Legacy:

What is or was the donor's intent for his charitable giving?

Is the donor's intent clear and well-defined?

Does it have a geographic focus?

A funding focus?

Is it documented and preserved so later generations can find it? (In writing or on tape?)

If not, can the donor's intent be reconstructed?

Is it important to maintain the donor's intent over time?

To the donor (whether living or dead)?

To the current board?

To the broader family?

Why or why not?

How is donor legacy considered along with changing societal and community needs?

How is donor legacy balanced against the foundation's need for renewal?

Defining Family

In the foundation context:

Is your private foundation an "independent foundation" or a "family foundation"?

Are family members actively involved in the governance of the foundation?

What is unique about a family foundation? Our family foundation?

In the individual context:

Who constitutes family for purposes of appointment to the board?

Just lineal descendants?

Are spouses family? What happens in the event of divorce?

Are domestic partners family?

Are adopted children family?

Are step-children family? Their descendants?

For example, it is easier to determine whether adopted children should be eligible for board service in the abstract than when staring into little Chandra's eyes (or those of her parents.)

Lifespan of the Foundation:

Should the foundation exist forever or is a limited timeframe more appropriate?

Is it legally set up to exist in perpetuity?

Is the asset size of the foundation large enough to justify the administrative costs associated with a private foundation? Would a different vehicle be more cost-effective and/or less burdensome?

Are we concerned about donor intent being maintained over time? Would it be desirable to “sunset” or close down after a fixed period of years or after the last child or grandchild dies?

If terminating the foundation should prove desirable, is the board aware of the options available:

Rolling the endowment into a community foundation or other charity?

Splitting the foundation’s assets into multiple foundations (e.g. by branch)?

Spending out the assets by accelerating grantmaking?

Creating a supporting organization at a favorite non-profit?

Board Service

Eligibility:

Are there criteria for who is eligible for board service?

What are the criteria for board service?

Would non-family members be a good addition to the board? Why or why not?

If we fund locally, how do we bring community perspectives to the board?

How do we bring expertise from the subject areas that we fund?

How do we select from among those eligible for board service?

Do we want minimum or maximum ages for board service?

Should we have term limits?

Should we limit the number of terms? The number of consecutive terms?

Responsibilities:

Has the foundation clearly defined the role of board members?

What are the requirements for board service? (e.g. attendance, committee or volunteer service, knowledge of or experience in the areas funded)

Do board members have a position description?

How do board members relate to staff (if any)?

Does the board engage in long-term planning?

Preparation:

Are board members informed about the foundation's origin? Its history, mission and donor intent?

Do board members know their fiduciary responsibilities?

Do board members understand their legal responsibilities?

Self-dealing?

Pay-out requirements?

The 990PF?

Excise tax calculation?

Are board members taught about grantmaking skills (see grantmaking below)?

Are board members encouraged to pursue educational opportunities (e.g. regional and national conferences on philanthropy)?

Grantmaking**Focus:**

What motivates the foundation's giving? What are/were the founders' values?

Are these values been expressed through vision and mission statements?

Types of Support:

Have we considered each of the following funding options (partial list)? Do we fully understand the pros and cons of each for grantees; for the foundation?

General operating support?

Capital campaigns?

Research support?

Scholarships?

Endowments?

Technical assistance?

Challenge grants?

Program evaluation?

Program related investments/loans?

Capacity building?

Does the foundation allow discretionary and/or matching grants? For board members? For staff?

If so, what percent of total giving do these grants comprise?

Has the board considered the impact of these grants on the foundation's dedication to its mission?

Selecting Grants:

Do we accept unsolicited proposals? Why or why not?

Do we have a proposal format? Does it request the information needed to make decisions without being unnecessarily burdensome to the applicant?

Have we considered using existing "common proposal formats" developed by other funders?

Have we clearly established standards for responses so that we can readily ascertain a “good” proposal?
Are grantees notified when we receive proposals and told when they can expect to hear from us?
Do we conduct pre-grant evaluation/site visits? Under what conditions?
Have we developed a satisfactory mechanism to decline to fund a grantee’s proposal?

Grantor/Grantee Relations:

Have we discussed and agreed on mutual expectations with each grantee regarding:
Performance
Non-performance
Post-grant evaluation and reporting
Publicizing the project and the foundation’s role
Two-way communication (e.g. frequency of contact, type and speed of response)
Degree of collaboration with the foundation as grantor, collaboration with other non-profits
Has a satisfactory grant award letter been developed to ensure that the grantee and the foundation share the same expectations?

Reporting Requirements and Evaluating Grants:

Do we have/want reporting requirements?
Are they geared to the size of the grant?
Do we use the information internally? If not, should we rethink collecting it?
If so, what for? Can we use it better? Does it have an impact on the disposition of future grants? Will it help other agencies or locales with similar projects?
If there are parts we do not use, should we reconsider collecting the information?

Public Awareness:

Which statement would best reflect the board’s attitude toward publicizing its giving?
Giving is best done anonymously
Non-profits do the work, they should receive most of the attention
Publicity highlights both the foundation’s priorities and our grantees
Publicity inspires others’ philanthropy and creates positive perceptions of foundation work.

Does the foundation seek and/or accept unsolicited proposals?
How do grantseekers and the community know what the foundation funds?
Does the foundation have grantmaking guidelines?
Does the foundation print an annual report or grants list?
Are the above materials available on the web? Is the web page linked to grantees and to umbrella philanthropic organizations (e.g. the Council on Foundations, the regional association of grantmakers and affinity groups of funders?)

Is the board interested in discussing the foundation and its grantmaking priorities with:
Media?
Elected officials? Why or why not?

Operations

Management:

How do we manage the foundation's day-to-day operations?

Have we considered the pros and cons of each of the following management options?

Board member volunteers?

Bank trust department, CPA or attorney?

Community foundation?

Grants management firms?

Family staff?

Non-family staff?

If staffed, do we have formal job descriptions?

Do we use technology effectively to streamline operations?

Do we have a grants tracking system?

Do we make use of email, conference calls and the web for distant board members and extended family?

Have we considered the web for communicating with our constituent groups including grantees, other funders and the public?

Expenses:

Are our administrative expenses in line with other family foundations of our size?

Have we considered cost saving measures such as sharing space and/or personnel with other foundations, non-profits or the family business?

Is our compensation, if any, for board members and/or staff in line with others of our size?

Investment:

Have we formulated and stated:

A financial objective (e.g. preserve real purchasing power of the endowment)?

Investment objectives?

An asset allocation strategy?

A spending/pay-out policy?

The rationale for our selection of investment managers/advisors?

The means by which managers/advisors will be evaluated?

Do we conduct an annual assessment of performance?

Ethics:

Do the board and the staff clearly understand what are legal issues and what are ethical issues? (e.g. the foundation's president renting office space to the foundation at below market rates is clearly ethical but it is not legal.)

Do foundation board members hold the following ethical values?

- Commitment beyond self
- Obedience of the laws
- Commitment beyond the law
- Commitment to the public good
- Respect for the worth and dignity of individuals
- Tolerance, diversity and social justice
- Accountability to the public
- Openness and honesty
- Prudent application of resources

from Ethics and the Nation's Voluntary and Philanthropic Community: Obedience to the Unenforceable, Independent Sector, c 1991

Ethical questions are often characterized as “right versus right” dilemmas. What is the board’s view of the statement “our trustees are deeply involved in the organizations we fund (e.g. as volunteers or board members.)?”

- Conflict of interest which should be prohibited
- The whole board should know of dual interests
- Mutually beneficial for the foundation and the grantee

Does the board have a conflict of interest policy?

Evaluation:

Does our foundation regularly evaluate the performance of its

- Investments
- Grantmaking activities and procedures
- Grantees
- Board of directors
- Staff or advisors?

Are these formal evaluations? Based on criteria set in advance?

Continuity Planning/Succession

Common philanthropic mission:

Does the family have a strong identity that is passed down through the generations?

Does the foundation reflect the family’s values?

Does everyone know the mission of the foundation?

Are people in the family excited about the work of the foundation?

Would people in the family be upset if the foundation ceased to exist in 15 years?

Does the board agree on the best interpretation of donor intent and use it correctly in making grants decisions?

Organizational structure:

Does the foundation have an organizational structure that is effective and efficient enough to sustain continuity into the future?

If a donor or family member will bequeath substantial assets to the foundation at death, have the implications on staffing, management and grantmaking been considered?

Developing successors:

Are there means for the broader family to be aware of the foundation's work (e.g. newsletters, family only websites, family council)?

Are children in the family raised to value voluntarism and giving?

Are there avenues for young people to get involved in the foundation's work prior to board service?

Does the foundation have a sufficient pool of interested family members to draw from to ensure the continuity of the foundation?

Do those family members have time to devote to the foundation?

Do they have the personal resources to participate or can the foundation afford to reimburse their expenses (or compensate them reasonably) for their efforts?

Does the board have a plan for educating the next generation of leaders?

Family dynamics:

How strongly do you agree or disagree with the following statements?

We handle conflict well in this family; arguments rarely interfere with or spoil our interactions with one another.

We do not have a long history of grudges.

Individuals are valued in this family for their unique contributions.

This family picks the best people for each job based on ability.

Family politics (alliances, branch loyalties, hierarchies) do not get in the way of working together.

We communicate effectively.

Even when the tasks are hard, working together is enjoyable.

If you strongly disagree with one or more of these statements, would the family benefit from facilitation to improve foundation and family functioning?

Some of the above questions are from the Council on Foundations publication *The Succession Workbook: Continuity Planning for Family Foundations* by Gersick, Stone et al., 2000

Additional giving options

Does the family need additional tools aside from the foundation to meet its philanthropic needs?

To give to causes outside the foundation's mission?

For the younger generation to gain experience with philanthropy?

To handle smaller gifts?

Other?

If so, have board members considered other vehicles including:

Writing checks?

A donor advised fund at a public foundation (e.g. the Cleveland Foundation, a commercial gift fund)?

A supporting organization at a favored charitable organization?

Ties to the Philanthropic Community

Does the foundation take advantage of learning opportunities in the field of philanthropy?

Are you aware of/involved in the activities of:

The Council on Foundations?

The local regional association of grantmakers?

Affinity groups (identity based e.g. Hispanics in Philanthropy and/or issue based e.g. Grantmakers in the Arts)

The local community foundation?

Do you share what you know with other foundations and individuals in the field?