



Inspiring Generations of Giving

Current Practices in Family Foundations

A STUDY IN SUPPORT OF THE PURSUIT OF EXCELLENCE ASSESSMENT PROCESS

By Susan Crites Price and Alice Buhl



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NCFP is the only nonprofit resource dedicated exclusively to giving families and those who work with them. Our staff of experts, researchers, and advocates bring 100 combined years of professional experience in the field. Our Family Philanthropy Online Knowledge Center is the largest database of resources on family giving, and we have published the seminal research in the field. With unmatched expertise, we help both emerging and experienced family philanthropists. For more information, go to www.ncfp.org.

PREFACE

Since its founding in 1997, the National Center for Family Philanthropy has pursued a single mission: to promote philanthropic values, vision and excellence across generations of donors and donor families. Conducting research has been an important part of that mission. It's one way we can provide donor families access to the highest quality information so they can effectively pursue their own missions and have the greatest impact on the lives of those they support. Research helps the field and the wider public by illuminating family philanthropy and its value both to the family and to the communities served. Lack of data has spawned misunderstanding about the nature of this, the fastest growing sector in philanthropy. This report is our latest effort, representing a landmark in the study of family foundations in that it is the first random survey of current practices in the field. Our commitment to a range of thoughtful and thought-provoking studies is steadfast, and has included:

Anecdotal Research

We believe in the value of story-telling. We have interviewed countless donors, trustees and staff as well as advisors to families. Through this work, we uncover the stories that contribute to our understanding of the field and, consequently, our many publications. We have produced some of the seminal literature in the field, enhanced by the stories of family philanthropists, their values, visions, challenges, and successes.

Social Science Research

Seven years of in-depth research on multi-generational family foundations resulted in the book *Generations of Giving: Leadership and Continuity in Family Foundations*, the first ever study of the organizational life and development of family foundations. That work led to the development of an assessment process for family foundations called *Pursuit of Excellence*, and also to the Family Foundation Survey of Current Practice (described in this report).

Quantitative Research

Prior to 1999, philanthropic research lumped family foundations together with all private foundations in research studies. Today, thanks to our work with, and our funding of, the Foundation Center to develop a process for identifying family foundations from among all private foundations, that major segment of philanthropy is extensively researched, analyzed, and reported on. We are delighted that our groundbreaking publication, *Family Foundations: A Profile of Funders and Trends* (2000), continues today in the form of *Key Facts on Family Foundations*, published annually by the Foundation Center.

In that same vein, we present this report to enhance further understanding of family philanthropy among families, the philanthropic field, government officials, the media and the public.

I would like to thank authors Susan Price and Alice Buhl for their painstaking work on this report. Their efforts enrich our understanding of the field and ensure we are better able to make the Pursuit of Excellence (POE) Assessment process available to family foundations nationally. POE is a comprehensive assessment developed specifically for family foundations with their unique values and circumstances in mind. It allows family foundations to consider their strengths and areas for improvements, to articulate their aspirations for future performance, and to work with a trained facilitator to understand and implement a course of action.

We developed the Family Foundation Survey of Current Practice so those who use POE will be able to see themselves in terms of common practice as well as in light of standards of excellence articulated by leaders in the field.

POE owes its conception and launch to the imagination and commitment of NCFP Senior Fellow Alice Buhl. Alice's years of work with family foundations and her dedication to philanthropic families led her to give hundreds of pro bono hours, labor over every concept and nuance, and see this particular study through to its conclusion.

We are indebted to the many funders who have supported NCFP in our work and made such research possible.

—Virginia Esposito, President

INTRODUCTION

Many assumptions have been made, both good and bad, about how family foundations operate, but until recently, no one had done a random survey about their practices to find out. That's what the National Center for Family Philanthropy set out to do in 2008. This in-depth report of our findings, which expands on the highlights report we released in fall 2008, indicates that most family foundations are conscientious guardians of charitable legacies.

Studies about how family foundations are governed and managed are scant. Data comes primarily from surveys conducted by donor membership organizations of their members, which do not include the majority of families not affiliated with any donor group. What Americans perceive about family foundations' governance is often based on media reports of a small number of foundations accused of legal or ethical lapses. NCFP has been working to fill this relative void of objective data. First it commissioned a seven-year, in-depth study of multigenerational family foundations and published the results in 2004 in *Generations of Giving: Leadership and Continuity in Family Foundations* by Kelin Gersick.

Based on that earlier work, NCFP developed a random survey of family foundations' practices in the areas of legacy, vision, mission, governance, family involvement, board functions, grantmaking, fiscal oversight and foundation management. The questions on this survey explore both current practice and aspirations and were developed under the leadership of NCFP Senior Fellow Alice Buhl.

Multiple Uses for the Data

The survey results enable individual donor families to compare their own practices in relation to their colleagues. On a broader level, the findings help further understanding of this fastest growing segment of the foundation world.

The survey was mailed to 2,000 randomly

selected family foundations from among the 4,900 identified by the Foundation Center as having assets between \$5 million and \$250 million. Some 200 foundations completed the anonymous survey. Most significant, 84% of respondents were members of the philanthropic families, a remarkable number given that field surveys are usually completed by staff members.

Note: For details on how this survey was conducted and the demographics of the responding foundations and individuals, see page 19.

Pursuit of Excellence Assessment

The goal for this study was not only to further knowledge of the family foundation field but also to complement NCFP's new family foundation assessment process, **Pursuit of Excellence**. Amidst the competing forces of limited foundation resources and growing community needs, donor families strive to have the greatest impact. They want and need their governance, management and grantmaking to be as effective as possible, but they don't always know how to achieve that.

That's why NCFP developed Pursuit of Excellence and launched it in early 2009. It is the first such assessment designed specifically for family foundations, enabling them to understand their strengths and weaknesses and develop a plan for how to reach the excellence to which they aspire. The survey data provide benchmarks of *current* practice for comparison purposes. The Pursuit of Excellence assessment process adds the dimensions of what is considered best practice and how to achieve it.

The development of the survey instrument was guided by the Pursuit of Excellence Advisory Committee (see box on page 21). Their advice was invaluable. NCFP also is grateful to the generous donors who funded this research and the family foundations who took the time to answer this survey and who prove every day the value of family involvement in philanthropy.

LEGACY/VALUES/MISSION OF FAMILY FOUNDATIONS

For foundations to operate effectively, they must have a clear idea of their legacy and values, their vision and their mission, i.e., what they seek to achieve. The first section of the survey looked at the practices of family foundations with regard to:

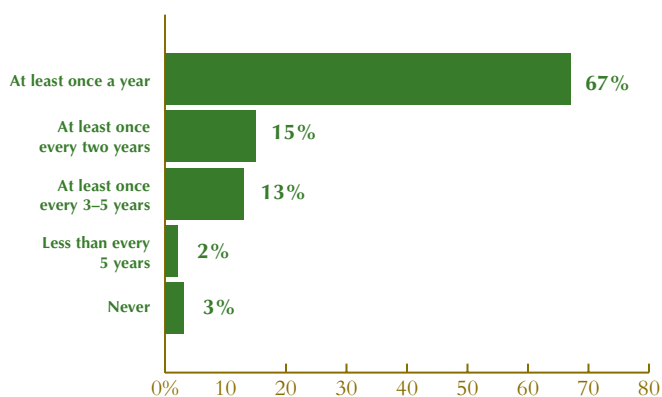
- **LEGACY AND VALUES,**
- **VISION, AND**
- **MISSION.**

LEGACY AND VALUES

Foundations were asked how often they discussed the values or intentions of the founding donor or of the family. A solid majority do this annually. Because most families work to fulfill the donor's philanthropic aspirations and goals, having those hopes clearly articulated reduces the chance of future guesswork, confusion and disagreement. In our survey, most (67 percent) discuss donor values or intent at least once a year. Another 15 percent reported discussing them once every two years, 13 percent said once every three to five years, 2 percent discussed them less often, and 3 percent said they never did (see Figure 1).

A little over half of the responding foundations (56 percent) had a written statement of the donor's intentions for the foundation. In the past,

Figure 1: Frequency of Discussing Donor or Donor Family Values or Intentions



many donors did not know this was important and didn't record their intentions for subsequent generations of the foundation. A higher percentage of today's donors have gotten that message and we would hope to see more of them writing down donor intent without being so prescriptive as to make it difficult for boards to adjust their missions to current situations.

Six in ten of the foundations had a written statement of the family's philanthropic values; 15 percent said they did not have one, but would like to have one; and 25 percent said they did not have one and did not want one. Unlike donor intent, which may be unknowable if the donor is deceased, family values are important to discuss because they have an impact on the grantmaking.

Family members take the foundation donor's values very seriously, using them to guide their decisions. Six in ten of the responding foundations reported compiling information on the life and values of the donor. About two-thirds of the responding foundations (65 percent) said the founding donor's values or intentions were "very important" in guiding current foundation decisions, and another 29 percent said it was "somewhat important." About 6 percent of the responding foundations reported that the donor's values or intentions were not important in guiding current foundation decisions. However, almost all the responding foundations (97 percent) said that the foundation gave adequate attention to the donor's values or intentions.

Foundations were also asked to indicate how important they thought it was to have written statements on the family's philanthropic values and/or the donor's intentions for the foundation and to regularly review the founding donor or donor family's values. They were asked to rate on a scale of 1 to 5, where 1=Not At All Important and 5=Very Important. As Table 1 shows, respondents, on average, found that it was important to have written statements of the family's philanthropic values and the

Table 1: Importance of Written Statements on Donor’s Values and Reviewing Values

(1=Not At All Important; 5=Very Important)

	Average	Median	# Responding
a. There is a written statement of the family’s philanthropic values.	3.62	4	(182)
b. There is a written statement of the donor’s intention for the foundation.	3.52	4	(182)
c. The values of the founding donor or of the family are reviewed regularly.	3.68	4	(183)

donor’s intention for the foundation, and felt that values of the founding donor or of the family should be reviewed regularly.

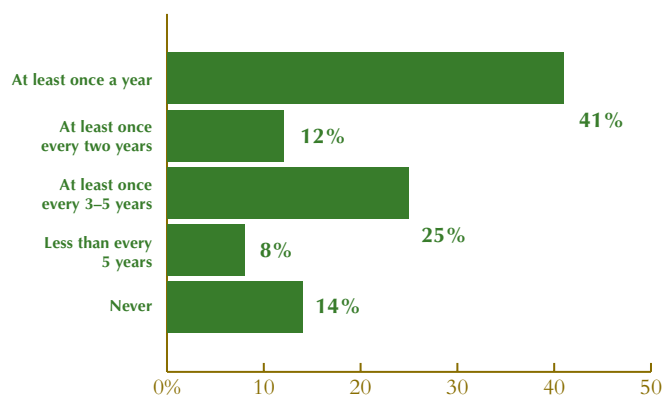
Foundations were asked if their family’s philanthropic values were considered in foundation discussions and in mission discussions. They were also asked if most or all the family members share similar philanthropic values and whether the foundation involved family members who were not on the board in discussions of values. With the exception of involving family members not on the board, two-thirds or more of the responding foundations engaged in all of these important practices most of the time (see Table 2).

VISION

Foundations were asked how often family members reviewed their vision for the foundation’s future. As Figure 2 shows, about four in ten (41 percent) review their vision at least once a year. Another 12 percent reported reviewing once every two years, 25 percent said once every three to five years, and 8 percent said less than every five years. Another 14 percent said that they never reviewed their vision for the foundation’s future.

This is an activity that family foundations are less likely to engage in compared to considering the legacy and the values of the foundation. Only 27 percent of the responding foundations had a

Figure 2: Frequency of Family Reviewing Foundation’s Vision for the Future



written statement about their future vision.

While family members in only four out of ten foundations reviewed their vision for the foundation’s future at least once a year, most rated the importance of doing so rather highly. On a scale of 1 to 5, where 1=Not At All Important and 5=Very Important, responding foundations gave this activity an average rating of 3.74 (median=4).

The foundations were also asked to indicate their current practices regarding the future vision for their foundation. Responding foundations were most likely to say that their board members were frequently in general agreement about the future (69 percent). About half (53 percent)

Table 2: Practices Regarding Legacy and Values

	Most of the time	Some of the time	Rarely
a. The values of the donor or family are considered in family foundation discussions.	66%	24%	9%
b. Family philanthropic values are considered in mission discussions.	73%	19%	9%
c. Most or all family members share the family’s philanthropic values.	70%	26%	4%
d. The foundation involves family members who are not on the board in discussions of values.	20%	23%	57%

Most common responses are in bold.

Table 3: Practices Regarding Future Vision

	Frequently	Sometimes	Rarely
a. Family members who are not on the board are included in discussions about the foundation's future.	13%	23%	64%
b. Board members discuss their individual philanthropic aspirations relative to the collective vision.	24%	53%	23%
c. Board members are in general agreement about the future.	69%	27%	4%

Most common responses are in bold.

said that board members sometimes discussed their individual philanthropic aspirations relative to the collective vision. This is important to do because a foundation can arrive at a collective view only through the articulation of individuals' views. It's how people interpret donor intent in today's terms.

Foundations are least likely to include family members who are not on the board in discussions about the foundation's future, with 64 percent saying they rarely engage in this activity. (See Table 3 for details.)

MISSION

We were gratified to see that the ratings in this section were quite high. It is considered best practice to have a written mission statement. It's also important that it be specific and that it reflect current values. The survey found that:

Most family foundations (82 percent) have a mission statement. Another 8 percent said they did not have one, but needed one; and 10 percent did not have one and said they did not need one.

Those with mission statements were asked a series of questions about their mission statements. Almost all the foundations with a mission statement said their board members understood the statement (98 percent) and that it reflected the foundation's values (95 percent). In addition, 80 percent said that family members understood

the mission statement; 72 percent said the statement was specific; and 63 percent said that it reflected the foundation's vision for its future (see Table 4).

While 20 percent of foundations with mission statements indicated that family members did not understand these statements, almost all foundations rated the importance of family members understanding these statements very highly. On a scale of 1 to 5, where 1=Not At All Important and 5=Very Important, foundations with mission statements rated the importance of family members understanding these statements at 4.39, on average (median=5). Given the importance foundations place on family members' understanding of these statements, it seems that foundations need to be more pro-active in reviewing these statements with family members in order to increase their understanding of them.

We recommend foundations review their mission statements at least every three to five years. When asked how often they reviewed their mission statements, three in ten (31 percent) of the foundations with mission statements said they did it at least once a year. Another 15 percent engaged in this activity once every two years; 30 percent reported doing so once every three to five years; and 16 percent reviewed their mission statements less than once every five years. Another 8 percent reported never reviewing their mission statements.

Table 4: About the Mission Statement

	% Saying Yes
a. The mission statement is specific.	72
b. The mission statement reflects the foundation's values.	95
c. The mission statement reflects the foundation's vision for its future.	63
d. Most board members understand the mission statement.	98
e. Most family members understand the mission statement.	80

GOVERNANCE

The organization and operation of a board can have significant impact on how the foundation operates and how effective it is in achieving its mission. This section looks at the:

- **BOARD ORGANIZATION,**
- **BOARD DEVELOPMENT AND RENEWAL, AND**
- **INDIVIDUAL TRUSTEE SELECTION AND ROLES.**

BOARD ORGANIZATION

The good news from this series of questions is that a wide margin of respondents said their meetings had clear agendas, good member participation and productive outcomes.

Family foundations in the survey have an average of six board members. Almost 94 percent of them attended the foundation's last board meeting, with most foundations' boards meeting two times or more a year (78 percent), which most foundations (88 percent) thought was just the right number of times to meet. The foundations mostly do not limit the time or number of terms an individual can serve on the board (84 percent), and those who do usually limit mem-

bers to a specific number of years. Foundations with larger boards (more than 5) are more likely to restrict the time or terms an individual can serve (24 percent compared to 6 percent of those with smaller boards).

Most foundations did not have a written statement of board members' key responsibilities with 41 percent saying they did not need one; 21 percent saying they did not have one, but needed one; only 37 percent have written key responsibilities for board members. Still, foundations reported that board meetings mostly had clear written agendas (87 percent), good member participation in discussions (92 percent), and productive outcomes (95 percent). See Table 5 for details.

Asked if they had committees, 77 percent said they did not. Of that group, however, 8 percent said they thought they should have committees even though they don't currently. Most of the foundations with committees said that there was clarity in committee composition most of the time, and about half said that there was a written description of responsibilities and that the board regularly reviewed these responsibilities (see Table 6).

Table 5: About the Board Meetings

Board meetings have...	Most of the time	Some of the time	Rarely
a. Clear written agendas	87%	5%	8%
b. Good member participation in discussions	92%	7%	1%
c. Productive outcomes	95%	5%	0%

Most common responses are in bold.

Table 6: About the Board Committees

Board committees have...	Most of the time	Some of the time	Rarely
a. A written description of responsibilities	48%	20%	32%
b. Regular review by the board of those responsibilities	49%	17%	33%
c. Clarity in committee composition	74%	17%	9%

Most common responses are in bold.

BOARD DEVELOPMENT AND RENEWAL

Responses concerning board development and renewal indicate there is less attention to this area than others. Our research and experience indicate effective governance is critical to quality performance in all areas of foundation management. Perhaps the most notable finding in this set of questions is the lack of self-assessment even though this is a recommended practice for all boards. Most foundations' boards (66 percent) do not conduct regular self-assessments. About three in ten (31 percent) reported conducting informal self-assessments, and only 3 percent used formal assessment tools. Only 41 percent felt board members assessed themselves adequately. With the development of the Pursuit of Excellence Assessment, the first one designed specifically for family foundations, we hope to see these numbers improve in the future.

About one-quarter of family foundations (26 percent) do not have an orientation for board members. Another half (53 percent) reported informal ways of orienting board members. Only 6 percent had a formal mechanism in place and 15 percent had "somewhat formal" mechanisms in place.

Foundations were asked to respond to a series of statements regarding their current practices on developing and renewing their boards. Responses suggest some contradictory views about board member training and that more attention needs to be devoted to this. Most felt new board members receive adequate orientation upon joining the board (60 percent).

Slightly more than half (54 percent) felt that the foundation provided board members with opportunities for training about board responsibilities. Although 61 percent of foundations agreed with the statement about providing financial support for board members to attend grantmaker or non-profit association meetings or conferences, only 30 percent agreed with the statement that most board members attended one or more meetings of grantmaker or non-profit associations each year (see Table 7). Since conferences and meetings with peers and experts are a rich source of learning for board members, we would like to see greater awareness of these and other educational opportunities.

Table 7: Current Practices Regarding Board Development and Renewal

	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree
a. New board members receive adequate orientation upon joining the board.	8%	7%	25%	38%	22%
b. Board members assess themselves adequately.	9%	17%	34%	31%	10%
c. The foundation provides board members with opportunities for training about board responsibilities (e.g., understanding fiduciary responsibilities).	9%	16%	20%	32%	22%
d. The foundation provides financial support for board members to attend grantmaker or non-profit association meetings/conferences.	15%	8%	17%	20%	41%
e. Most board members attend one or more meetings of grantmaker or non-profit associations each year.	31%	20%	19%	17%	13%

Most common responses are in bold.

INDIVIDUAL TRUSTEE SELECTION AND ROLES

Most foundations (80 percent) do not pay trustees other than reimbursable expenses. Slightly more than one in ten of these foundations (11 percent) pay their trustees over and above reimbursable expenses, which they benchmark using survey data. Another 9 percent pay their trustees, but do not use any benchmark data. In addition, about half of the responding foundations (51 percent) allow trustees to make discretionary grants with foundation funds.

Foundations were also asked about their current practices regarding trustee selection and the trustees' roles, and responses indicated foundations are doing well in these areas. Foundations

were most likely to say that their trustees take their responsibilities seriously (92 percent), that they have a clear process for selecting new trustees (60 percent) and for re-nominating them (57 percent), and that the skills and background needed on the board are considered in selecting trustees (57 percent). Foundations are less likely to limit the time a trustee can serve or have an age limit. (See Table 8.) We believe foundations should consider what qualifications a board member should have. Such considerations might include age requirements and volunteer experience, and could also include discussion of term limits. Policies can always be revisited if the needs of the board change over time.

Table 8: Current Practices Regarding Trustee Selection and Trustees' Roles

	% Saying Yes
a. The foundation has a clear process for selecting new trustees.	60
b. Skills and background needed on the board are considered in selecting trustees.	57
c. The foundation has a clear process for re-nominating trustees.	57
d. The foundation has a policy that limits the number of terms or length of time that trustees can serve.	16
e. The foundation has an age limit for trustees.	14
f. Trustees take their responsibilities very seriously.	92
g. Trustees report the time they spend on foundation business to the board.	24

FAMILY INVOLVEMENT

Families are the underpinning of family foundations, and family members’ relationships and involvement in the foundation are key to its success. This section looks at:

- **FAMILY DYNAMICS,**
- **FAMILY LEADERSHIP AND SUCCESSION, AND**
- **NEXT GENERATION INVOLVEMENT.**

FAMILY DYNAMICS

The survey asked a few questions to assess the dynamics among family foundations. The questions focused on their level of comfort working together, discussion methods, ability to deal with conflict, etc. Most foundations (87 percent) felt that family members worked together comfortably, and that family conflicts did not interfere with the functioning of the foundation (74 percent). More than half of the foundations (57 percent) agreed that the family regularly discussed family culture, and almost three-quarters said the family supported healthy dissent (73 percent) and was able to deal with conflict when it arose (73 percent). Table 9 shows the details.

It’s important that conflicts don’t interfere with the effective functioning of a foundation and that the board is able to deal with such conflicts when they arise. The perception is that many family foundations are in conflict, but the survey responses don’t reflect that. One caveat, however, is that *Generations of Giving*

researcher Kelin Gersick found that low levels of conflict may be the result of high levels of avoidance.

FAMILY LEADERSHIP AND SUCCESSION

Almost eight in ten of the responding foundations (79 percent) plan to continue beyond the current generation of leadership. Another 18 percent were uncertain and 3 percent did not plan to continue (see Figure 3). These findings are similar to results on recent surveys of donor organization members.

Foundations that planned to continue or were uncertain about their future were asked about a series of activities related to family leadership and succession. The answers suggest that while perpetuity is taken for granted and foundations may be talking about the future, too few have a succession plan designed to guide them to that future.

Figure 3: Plans to Continue Beyond Current Generation

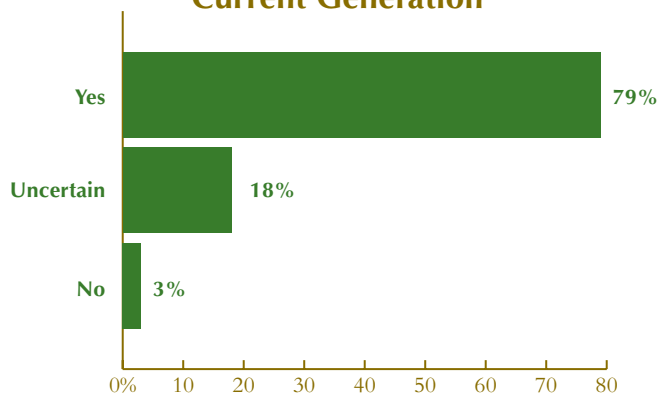


Table 9: Current Practices Regarding Family Dynamics

	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree
a. Most family members work together comfortably.	2%	5%	6%	34%	53%
b. The family regularly discusses family culture.	8%	12%	23%	36%	21%
c. The family supports healthy dissent.	2%	8%	17%	45%	28%
d. The family is able to deal with conflict when it arises.	3%	6%	17%	44%	29%
e. Family conflicts interfere with the functioning of the foundation.	52%	22%	13%	7%	6%

Most common responses are in bold.

Table 10: Role of Family Leadership and Succession

	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree
a. The foundation currently has clear leadership.	1%	1%	2%	15%	80%
b. The board has discussed the foundation's future leadership.	9%	14%	19%	31%	27%
c. There is a specific plan for leadership succession.	15%	20%	26%	21%	18%
d. There is a plan to involve and/or develop possible future leaders.	14%	14%	28%	30%	14%
e. The board has discussed leadership succession with the larger family.	21%	18%	28%	19%	14%

Most common responses are in bold.

As Table 10 shows, almost all of these foundations (95 percent) felt that they currently had clear leadership, and about half indicated discussing the foundation's future leadership. Fewer than four in ten (39 percent), however, said they had any specific plans for leadership succession. 44 percent indicated there were plans to involve and/or develop possible future leaders. Only one-third of these foundations indicated discussing leadership succession with the larger family.

NEXT GENERATION INVOLVEMENT

When continuity is desired, an effort to involve the next generation is a positive trend. The field has been highlighting this need in recent years. The survey revealed a wide variation on where people are in the process, but that they were paying attention to it. Many respondents report their next generation is enthusiastic about participating in the family's foundation, but the question remains, what is in place to prepare them?

About one-quarter of the responding foundations (23 percent) said there were no next generation family members who were not currently on the board. About one-third (34 percent) said that there were other family members old enough to be on the board, but were currently not on it; and 43 percent said that there were next generation family members who were not old enough to be on the board.

When asked about the next generation's involvement, most foundations with age-appropriate next generation members said that there was some discussion or consideration of the next generation (57 percent), and that there were plans to involve them (60 percent). In addition, 58 percent of these foundations felt that some next generation members were already participating in the foundation, and 46 percent felt that they were playing a significant role. Furthermore, more than half of the foundations (59 percent) felt that many next generation members were enthusiastic about participating in the foundation at some point (see Table 11).

Table 11: Role of the Next Generation

	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree
a. There is very little discussion or consideration of the next generation.	32%	25%	17%	13%	13%
b. There is a plan to involve the next generation.	15%	7%	17%	28%	32%
c. Some next generation members are participating in the foundation.	28%	10%	4%	19%	39%
d. Some next generation members are playing a significant role in the foundation.	33%	11%	10%	12%	34%
e. Many next generation members are enthusiastic about participating in the foundation at some point.	18%	6%	17%	27%	32%

Most common responses are in bold.

PROGRAM DEVELOPMENT/ GRANTMAKING

Family foundations, like other foundations, most often achieve their goals by providing grants for specific projects and purposes. This section looks at:

- **GRANTMAKING,**
- **GRANT MONITORING AND EVALUATION, AND**
- **COMMUNICATIONS AND RELATIONSHIPS.**

GRANTMAKING

Foundations were asked questions regarding their current grantmaking practices. More than eight in ten said they have a formal process for accepting, reviewing, and deciding on grant requests (84 percent); and that the board reviews

the foundation's grantmaking process regularly to ensure it has the necessary information to make informed grantmaking decisions (81 percent). In addition, three-quarters or more of the responding foundations reported that their grantmaking guidelines were made publicly available (78 percent), that grant proposals were screened by others prior to going to the full board (77 percent), and prospective grantees had equal opportunities for grant funding (75 percent).

Foundations also responded to a series of statements on the factors that influence their grantmaking decisions. Responding foundations largely felt that grant decisions were made collectively by the board and not by any one individual (81 percent), and that their foundation linked its program goals to community needs (72 percent). (See Table 13).

Table 12: Current Practices Regarding Grantmaking **% Saying Yes**

a. The foundation has a formal process for accepting, reviewing, and deciding on grant requests.	84
b. The board reviews the foundation's grantmaking process regularly to ensure it has the necessary information to make informed grantmaking decisions.	81
c. Grant proposals are screened by others (staff, subset of the board, etc.) prior to going to the full board.	77
d. The foundation accepts proposals from organizations it has not previously funded.	91
e. All prospective grantees have equal opportunities for grant funding.	75
f. Grantmaking guidelines are made publicly available.	78

Table 13: Factors Influencing Grantmaking Decisions

	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree
a. Grant decisions are made collectively by the board and not any one individual.	7%	7%	5%	28%	53%
b. The foundation links its program goals to community needs.	7%	5%	16%	37%	35%
c. The foundation regularly considers philanthropic tools other than grantmaking to meet the comprehensive goals of its overall program.	19%	20%	23%	23%	15%

Most common responses are in bold.

Table 14: Monitoring and Evaluating Grants

	Most of the time	Some of the time	Rarely
a. Conducts formal evaluations of its grants to assess if grant goals are being met.	34%	30%	36%
b. Have a process for monitoring the use of grant funds.	51%	27%	23%
c. Make reporting requirements clear to grantees.	69%	17%	13%
d. Provide regular feedback to grantees.	32%	46%	22%
e. Integrate the results of grant-funded projects to increase the knowledge in key funding areas.	26%	39%	34%
f. Share the results of grant-funded activities with others in the field.	17%	35%	48%

Most common responses are in bold.

One area where there could be improvement is in using foundation and family resources besides grants. As Table 13 shows, very few of the responding foundations indicated that their foundation regularly considered other philanthropic tools to meet the comprehensive goals of its overall program. Family foundations have other assets besides money, including their reputation in the community, which can be used to help their grantees and the community. Foundations that do use other tools most often reported convening grantees and grantors to provide educational opportunities for grantees; hosting seminars and forums on relevant topics; offering technical assistance; and collaborating with grantees in other ways, such as by participating on their boards. Sharing knowledge is good practice because it helps all foundations be more knowledgeable funders.

GRANT MONITORING AND EVALUATION

Foundations next provided responses on how they evaluate and monitor the grants that they give. Responding foundations indicated that they made reporting requirements clear to grantees most of the time (69 percent) and another 17 percent did so some of the time. Slightly more than half (51 percent) said they had a process for monitoring the use of grant funds most of the time and 27 percent had a process some of the time. About one-third of the foundations (36 percent), however, rarely conducted formal evaluations of their grants to assess if grant goals were being met, and

48 percent rarely shared the results of their grant-funded projects to increase knowledge in their funding areas. Sharing knowledge is good practice because it helps all foundations be more effective funders.

In addition, only about one-third (32 percent) provide regular feedback to grantees most of the time, with another 46 percent doing so some of the time (see Table 14).

COMMUNICATIONS AND RELATIONSHIPS WITH THE COMMUNITY

Foundations reported that they are quite connected to grantees and also have relationships with their community, both of which are important practices for foundations seeking to have the greatest impact possible. More than four in ten of the responding foundations (42 percent) strongly agreed that they had established procedures for communicating with grantees. Most disagreed (63 percent) with the statement that they had very few relationships with their communities beyond their grantees, though fewer (39 percent) thought they had formal mechanisms in place for seeking feedback from grantseekers. Most also felt (67 percent) they had adequate relationships with potential grantees. Furthermore, almost two-thirds of the responding foundations (64 percent) strongly felt that their foundation was respected by their communities. Most agreed (71 percent) that board members have interactions with experts in the foundation's fields of interest.

OPERATING THE FAMILY FOUNDATION

In order to be successful, family foundations, like other organizations, must have processes in place to operate and manage the foundation. This section looks at foundations' practices regarding:

- **FISCAL OVERSIGHT,**
- **ACCOUNTABILITY,**
- **GETTING THE WORK DONE, AND**
- **RESOURCE ADEQUACY.**

FISCAL OVERSIGHT

Almost all foundations, as Table 15 shows, said they have good financial oversight (99 percent) and clear assignment of investment responsibilities (99 percent). For almost all foundations, the boards regularly review their financial reports (94 percent), expenses (93 percent), and budgets (92 percent). Boards also regularly review investment policies (87 percent) and investment managers (87 percent). However, boards are less likely (68 percent) to review the IRS Form 990-PF every year. Although regular review by the board had not been common practice in the past, it is now strongly recommended as part of the board's fiduciary responsibilities.

Foundations were also asked to indicate which activities regarding fiscal oversight they should be doing more of. Most (68 percent) said there were none. Of those who specified activities they could do more of, 36 percent said reviewing the 990-PF form more often; 30 percent mentioned needing better policies to

compare administrative expenses; 29 percent mentioned needing better policies to compare salaries; and 29 percent said reviewing investment policies and managers more often.

ACCOUNTABILITY

Scores on the question about whether the foundation has a written conflict of interest policy are troubling. Only about half of all responding foundations (53 percent) have one. Having such a policy indicates the board has discussed the issue and has awareness and explicit expectations of board members regarding potential conflicts of interest. Twenty-six percent reported having a written code of ethics, and only 18 percent have a formal process to review legal compliance issues. Forty-six percent of the foundations said they currently do not have any of these (see Figure 4).

Figure 4: Legal and Ethical Policy and Practice

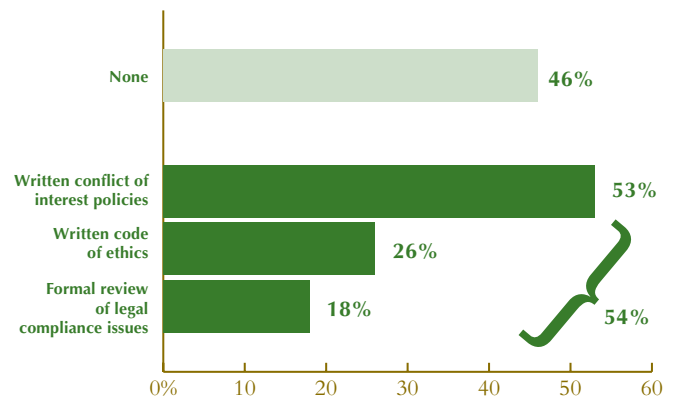


Table 15: Current Practices Regarding Fiscal Oversight

	% Saying Yes
a. There is good financial oversight of the foundation.	99
b. There is a clear assignment of investment responsibilities.	99
c. The board regularly reviews the budget of the foundation.	92
d. The board regularly reviews the expenses of the foundation.	93
e. The board regularly reviews financial reports.	94
f. The board reviews the IRS Form 990-PF every year.	68
g. The board regularly reviews its investment policy.	87
h. The board regularly reviews its investment managers.	87

Table 16: Accountability

	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree
a. There is general understanding of basic legal guidelines for foundations.	2%	3%	4%	39%	52%
b. The foundation is responsive to public inquiries (e.g., from media).	7%	3%	23%	31%	36%
c. There is periodic review of legal compliance issues by the full board.	8%	13%	16%	37%	26%

Most common responses are in bold.

Most of the responding foundations, as Table 16 shows, felt that there was general understanding of basic legal guidelines for foundations (91 percent), that the foundation is responsive to public inquiries (67 percent), and that there is periodic review of legal compliance (63 percent).

About half the foundations indicated they needed more accountability activities, a positive sign of their desire to improve practices where they feel they are falling short. Of that half, 48 percent said they needed more frequent review of legal compliance issues by the full board, 43 percent mentioned the need for better basic understanding of legal guidelines pertaining to foundations, and 40 percent mentioned new or revised conflict of interest policies or codes of ethics (see Table 17).

GETTING THE WORK DONE

Most foundations responding to the survey said they had paid staff (71 percent), and 29 percent reported having family members serving as unpaid staff. Those with paid staff generally had two paid employees. Almost all the foundations (94 percent) said they had adequate staffing to get the work done. Those who said they did not have adequate staffing usually mentioned the need for more administrative help.

Foundations were asked to indicate which practices they had in place for paid staff. As Table 18 shows, 70 percent indicated having written job descriptions, 69 percent offered benefits, such as health care and paid vacations, 63 percent had a system in place for the board to hold people doing the work accountable, and 47 percent had clear procedures for staff evaluation (47 percent).

Table 17: Need For More Accountability Activities

(of those saying they needed more)

Accountability Activities	Percent Giving Each Response
More frequent review of legal compliance issues by the full board	48%
Better basic understanding of legal guidelines pertaining to foundations	43%
New or revised conflict of interest policy	40%
New or revised code of ethics	40%
Review investment policies/managers more often	19%
Better responsiveness to public enquiries (from media, for example)	6%

Table 18: Practices In Place Regarding Paid Staff

Accountability Activities	Percent Giving Each Response
Written job descriptions	70%
Benefits, such as health care, paid vacations, etc., for full-time staff	69%
System for the board to hold the people doing the work accountable	63%
Clear staff evaluation procedures	47%

RESOURCE ADEQUACY

To pursue a foundation's mission, there needs to be adequate resources in place including both human and financial. When we asked foundations about the adequacy of their resources, we received very mixed responses. Some may not know what is adequate. In *Generations of Giving* Kelin Gersick identified a trend of foundations being under-resourced for the work they were engaged in. Both our findings and Gersick's are in stark contrast to those who assume family foundations have high administrative expense. Given the range of our survey results, we believe further research in this area would be valuable.

Responding foundations mainly thought that the board and staff mutually understood each other's roles (82 percent), that they have adequate human and technological resources to accomplish the mission (81 percent), and current resources allowed them to hire outside professionals and consultants as needed (75 percent). Fewer, however, agreed that there were adequate human resources for strategic and evaluative tasks (70 percent), or that staff are paid competitive salaries (60 percent). Most of the foundations (58 percent) felt that they did not have surplus resources that were not being used to accomplish the mission (see Table 19).

Table 19: About Currently Available Resources

	Strongly Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Strongly Agree
a. There are adequate human resources to accomplish the mission.	2%	4%	12%	34%	47%
b. There are adequate human resources for strategic and evaluative tasks.	4%	8%	18%	42%	28%
c. There are adequate technological resources to accomplish the mission.	2%	4%	13%	35%	46%
d. The board and staff mutually understand each other's roles.	2%	3%	14%	28%	54%
e. Staff are paid competitive salaries.	5%	6%	29%	26%	34%
f. Current resources allow for hiring outside professionals and consultants as needed.	5%	2%	18%	28%	47%
g. Surplus resources are available that are not being used to accomplish the mission.	40%	18%	28%	10%	3%

Most common responses are in bold.

CONCLUSION

Overall, the survey showed a number of strengths in family foundation practice. It also revealed a few key areas where practice could be improved.

Among the good practices reported in the section on *Legacy/Vision/Mission* were that the donor's and family's values are guiding their current decisions, more than half have a written statement of the donor's intentions, and most have written mission statements and review them regularly. A large majority reported their mission statements are understood by board members and other family members. Only about a fourth, however, have defined their vision for the future.

For those relying on *Family Involvement* for future leadership, their practices may fall short. The majority do not involve family members who are not on the board in discussions of values and the foundation's future. Given that almost 8 in 10 of these foundations plan to continue beyond the current generation, and that the next generation of leadership will come from other family members, including them in such conversations is good practice. It is also noteworthy that the majority lack a succession plan, especially given that most foundations felt that their next generation is enthusiastic about participating. Foundations need to consider ways to engage younger family members and include them in plans for governance and leadership.

As for family dynamics, the majority report working comfortably together, and for the most part, regularly discussing the family culture, supporting healthy dissent and being able to deal with conflict. Most of the responding foundations also felt that family conflicts did not interfere with the functioning of the foundation.

Board Involvement appears to be strong with good participation during meetings, good attendance and productive outcomes. Of concern, however, is the finding that most

boards have no process for self-assessment. Furthermore, while it was encouraging to note that most family foundations offer their board some type of financial support to attend grantmaker or non-profit association meetings and conferences, few board members avail themselves of these opportunities to learn and network.

The responses to the *Grantmaking* section found family foundations were engaging in many recommended practices. The majority make decisions collectively and not at the whim of any one individual. Most make grant guidelines available publicly, accept proposals from new non-profits, link program goals to their community's needs, and have procedures in place that allow grantees to communicate and provide feedback. Some of these foundations are also using other philanthropic tools, such as providing technical assistance to grantees and convening meetings and forums, to meet their philanthropic goals.

More good news from the survey is that foundations are serious about *Fiscal Oversight* and *Accountability*. Almost all the foundations report they have good fiscal oversight, have clear assignment of investment responsibilities, and regularly review the foundation's finances. Asked what they should be doing more of, about a third mentioned reviewing the 990-PF tax form more often, developing better policies to compare administrative expenses, and reviewing investment policies and managers more often. One deficiency is that only about half have a written conflict of interest policy.

The findings of this study will help those who serve family foundations develop new and better resources targeted to areas of deficiency, and will help foundation boards and staff find areas where improving specific practices can help them reach higher levels of effectiveness, a goal common to them all.

ABOUT THIS REPORT

More than half of all independent foundations in the United States are “family foundations,” i.e., they have substantial donor or donor-family involvement, and the number of these foundations is increasing. Between 2006 and 2007 the number of family foundations increased by more than 5 percent. One-third of family foundations have been established in the 2000s. Family foundations increased their giving by 13 percent from 2006 to 2007, to \$18.5 billion. Family foundations accounted for 56 percent of all dollars given by independent foundations in 2007.¹

The National Center for Family Philanthropy’s mission is to promote philanthropic values, vision, and excellence across generations of donors and donor families. NCFP seeks to achieve this mission by ensuring that these donors and their advisors have access to the highest quality information and the encouragement needed to:

- Articulate, pursue, and achieve their charitable missions;
- Understand and meet their governance and management needs; and
- Have a significant positive impact on the lives and work of those they support.

To better serve the needs of family philanthropic organizations, NCFP wanted a greater understanding of their current practices. To gain this insight, NCFP designed a survey that assessed family foundations’ current practices on:

- Legacy and values,
- Vision,
- Mission,
- Board organization,
- Board development and renewal,
- Individual trustee selection and roles,
- Family dynamics,
- Family leadership and succession,
- Next generation involvement,
- Grantmaking,
- Grant monitoring and evaluation,
- Communications and relationships,
- Fiscal oversight,
- Accountability,
- Getting the work done, and
- Resource adequacy.

The large majority of family foundations (85 percent) have less than \$5 million dollars in assets.² These foundations normally have no staff and are operated by the donor or one or two members

of the donor-family. Foundations with larger assets are more likely to have staff, board members, and more formal practices. We thought that family foundations with \$5 million to \$250 million in assets would represent the broadest cross section of family foundation practice, and therefore, used that range for our survey target. It has been our experience that foundations larger than \$250 million have practices similar to those in the upper end of the surveyed range. Note, however, that the Pursuit of Excellence Assessment Process, on which the survey questions were based, has been successfully tested on smaller and larger foundations than the \$5–250 million range used for the survey.

NCFP obtained a list of 4,980 family foundations with assets between \$5 million and \$250 million from the Foundation Center. From this list, NCFP selected a random sample of 2,000 family foundations. Surveys were mailed to the sampled foundations in spring 2008. Sampled foundations were also contacted via e-mail and invited to complete the survey online, if e-mail addresses were available. Another follow-up mailing of the survey was sent to non-respondents; foundations for whom e-mails were available also received several electronic follow-ups. Deducting the surveys that were returned to sender and also those that indicated they weren’t family foundations, this process yielded 185 completed responses for a response rate of 10 percent.

Questions answered by the full sample of 185 respondents are subject to a sampling error of plus or minus approximately 7 percentage points at the 95 percent level of confidence. This means that in 95 out of 100 samples like the one used here, the results obtained should be no more than 7 percentage points above or below the figure that would be obtained by interviewing all family foundations with assets between \$5 million and \$250 million, assuming no other errors besides sampling error. Where the answers of subgroups are reported, the sampling error would be higher. Surveys are also subject to errors from sources other than sampling. While every effort is made to identify such errors, they are often difficult or impossible to measure. Readers making use of the results are urged to be mindful of the limitations inherent in survey research.

Note: Subsequent references to foundations, family foundations or responding foundations imply family foundations with assets between \$5 million and \$250 million.

¹ The Foundation Center. “Key Facts on Family Foundations.” January, 2009. Available at: http://foundationcenter.org/gainknowledge/research/pdf/keyfacts_fam_2008.pdf

² *Ibid.*

ABOUT THE SURVEY RESPONDENTS

This section compares the survey respondents to the population of foundations with assets between \$5 million and \$250 million. It also provides additional information on the responding foundations, such as number of grants awarded, total amount of grants awarded, and the localities in which they give. Finally, this section will provide a brief description of the person completing the survey.

REPRESENTATIVENESS OF SURVEY RESPONDENTS TO THE POPULATION OF THESE FOUNDATIONS BY REGIONAL DISTRIBUTION AND ASSET SIZE

About 10 percent of the sampled family foundations responded to the survey (N=185). The regional distribution of survey respondents was generally comparable to the regional distribution of the overall population of these foundations, except for in the South and in the Northeast. As Table 20 shows, respondents were slightly more

likely to be from the South and slightly less likely to be from the Northeast, especially from the Middle Atlantic sub-region. These variations are, however, quite small and mostly within the survey's margin of error.

Responding foundations reported larger asset sizes. While the median asset size of the population of foundations was \$11.5 million, that of responding foundations was \$16.6 million. It should be noted that asset sizes available for all of these foundations were generally based on fiscal years 2005 or earlier. The survey respondents provided more updated asset sizes (based on fiscal year 2006); hence, these numbers are higher. Still, responding foundations were only slightly less likely to be in the less than \$10 million asset size category—the difference was more or less evenly distributed among the other asset categories and well within the survey's margin of error. Table 21 shows more detailed comparisons of the asset sizes of the respondents versus the overall population.

Table 20: Regional Distribution of Family Foundation Respondents and Population

Region	Respondents	Population
Northeast	22%	32%
<i>New England</i>	8	8
<i>Middle Atlantic</i>	14	24
Midwest	22%	21%
<i>East North Central</i>	14	15
<i>West North Central</i>	9	6
South	32%	26%
<i>South Atlantic</i>	16	15
<i>East South Central</i>	4	3
<i>West South Central</i>	12	8
West	24%	21%
<i>Mountain</i>	8	5
<i>Pacific</i>	17	16

Note: Regions and sub-regions were classified based on the U.S. Census Bureau's definitions.

Table 21: Asset Sizes of Family Foundation Respondents and Population

Assets	Respondents	Population
Less than \$10 million	31%	44%
\$10 to \$19.9 million	23	27
\$20 to \$39.9 million	21	16
\$40 to \$79.9 million	8	13
\$80 million or more	12	6
Median	\$16.6 mil	\$11.5 mil
Mean	\$33.3 mil	\$23.5 mil

Note: About half the numbers in the population column are based on asset sizes in fiscal years 2005 and earlier, while respondents provided their asset sizes in fiscal year 2006. This might be the reason why respondent asset sizes are higher than the asset size of the population.

GRANTMAKING OF RESPONDING FOUNDATIONS

Responding foundations reported the number of grants and the total amount in grants they gave in 2006. On average, foundations gave 72 grants (median 51). On average, responding foundations gave \$2.2 million in grants, and the average grant size was \$45,372 in 2006. This giving, on average, represented 7.99 percent of these foundations' assets in grants (median=4.9 percent). Table 22 details the grantmaking information for these foundations.

Foundations were also asked about the areas they funded. Most fund locally (68 percent), though 46 percent give grants state-wide, 43 percent provide funds at the national level, and 21 percent give grants internationally (see Figure 5).

ABOUT THE RESPONDENT/PERSON COMPLETING THE SURVEY

The survey was most often completed by the president/board president (33 percent) or the executive director (30 percent) of the foundation. The person completing the survey was most likely to be a family member (84 percent), the chair of the foundation's board (45 percent) or a board member for life (44

percent). About one-quarter of the respondents (23 percent) were the founder of the foundation. Family members completing the survey were most often first (22 percent), second (38 percent), or third (27 percent) generation members of the donor family.

Persons completing the survey were generally on the board of the foundation and had served six or more years on the board. Many of them served on other boards as well, such as non-profit (84 percent), corporate (39 percent), community foundation (26 percent) and independent non-family foundation (21 percent) boards. Respondents were evenly divided by gender and their average age was 57.

Figure 5: Area of Giving

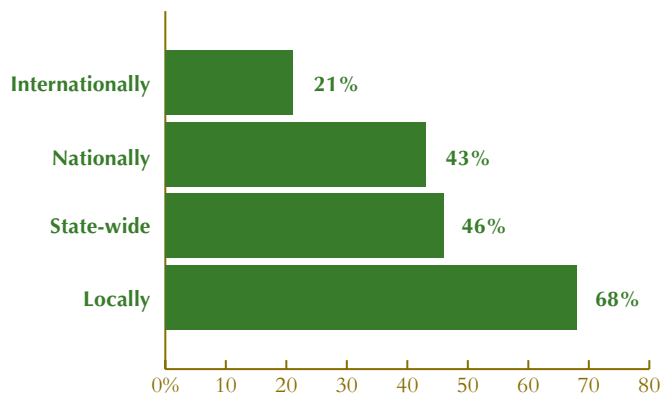


Table 22: Foundations' Grantmaking

Grant Information	Mean	Median	Number Responding
Number of grants given in 2006	72	51	(158)
Total amount in grants given in 2006	\$2.2 mil	\$858,711	(159)
Percent of assets given in grants in 2006	7.99%	4.94%	(151)
Average grant amounts in 2006	\$45,372	\$20,000	(149)

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Research Support was provided by Mousumi Sarkar