



# Family Foundation

Property of The Chen Yet-Sen Family Foundation

# Basic Facts

## ❖ Board Composition

- ✓ 42% of family foundations have boards comprised of family members only and 58% have boards that included non-family members
- ✓ 27% of trustees are non-family members.
- ✓ Many family foundation boards are composed of multiple generations of family members. Second generation (children, nieces or nephews) 38%, and third-generation (grandchildren, nieces or nephews) 28%

# Basic Facts

## ❖ Board Preparation

- ✓ 68% family foundations feel that succession is one of the most important issues facing their foundation.
- ✓ Only 37% prepare younger family members for their roles as future board members and/or managers of the foundation.

# Basic Facts

## ❖ Spending Policies

- ✓ 87% family foundations are designed to exist in perpetuity
- ✓ 59% foundations' primary spending formula aims to meet the minimum distribution requirement (payout);
- ✓ 28% decide on an appropriate amount to spend each year, depending on current grantmaking program goals and investment returns.

# Foundation Management-Internal Management

- ❖ Management by Donor(s)

Often occurring in first-generation family foundations

- ❖ Advantage:

Reflects the donor's values and passions.  
The donor has full control over all aspects of the foundation

# Foundation Management-Internal Management

## ❖ Limitations:

Opportunities for sustained family involvement may be restricted

## ❖ Tips:

Orient other family members while the foundation is still developing

# Foundation Management-Internal Management

- ❖ Management by Board Members
- ❖ Advantages:
  - ✓ Gives board members the opportunity to learn the business of family foundations.
  - ✓ Functions as a team, allowing every member to feel ownership of foundation activities.
  - ✓ This style is also cost effective.

# Foundation Management-Internal Management

## ❖ Limitation:

- ✓ Board members may have varying levels of time, skill and experience, this type of management may yield uneven results.
- ✓ It can also create tension if board members do not complete their tasks in a timely or professional manner.



# Foundation Management-Internal Management

## ❖ Tips

- ✓ Set policies on administrative tasks.
- ✓ Accountability
- ✓ Create benchmarks to ensure that everyone meets deadlines and that the work maintains a professional standard.

# Foundation Management-Internal Management

- ❖ **Administrator (Family or Non-family)**
- ✓ Many boards hire or appoint a staff person to oversee the daily functions of the foundation.
- ✓ This person operates as administrator, manager or both.
- ✓ Typically, the administrator facilitates board action rather than setting policy or program direction. T
- ✓ The administrator might handle correspondence and telephone calls, log grant requests, review and evaluate proposals, arrange meetings, visit sites and prepare materials for the board.

# Foundation Management-Internal Management

## ❖ Advantages:

- ✓ The foundation trustees are freed from routine administrative tasks.
- ✓ Trustees maintain hands on direction of the foundation.

# Foundation Management-Internal Management

## ❖ Limitations:

- ✓ The administrator needs a clear supervisor and may need help in adjusting to differing board chairs.
- ✓ This model assumes that trustees have the time to provide grant review and leadership themselves.

# Foundation Management-Internal Management

## ❖ Director Model

- ✓ An executive director sets goals and shapes programs for the foundation, recommending projects to its board.
- ✓ In some cases, the executive director acts as the lead supervisor, providing leadership to both foundation employees and the board.

# Foundation Management-Internal Management

## ❖ Advantages:

- ✓ Trustees can provide leadership without the necessity of spending large amounts of time.
- ✓ A professional staff person has time to be aware of opportunities and developments in the community and the field.

# Foundation Management-Internal Management

## ❖ Limitations:

- ✓ This is the most costly staffing model.
- ✓ The staff person might not accurately reflect the values or interests of the trustees.

# Foundation Management-External Management

## ❖ Management by a Bank or Law Firm

Many large banks and law firms manage the assets and sometimes the grant-making of family foundations.



# Foundation Management-External Management

## ❖ Advantages:

- ✓ Foundations gain access to staff, expertise in finance, law and administration, and may use the bank or law firm as their public intermediary.
- ✓ These firms can manage a foundation's investment portfolio, as well as prepare all tax and financial documents.
- ✓ Families who wish to shield their identity, protect their privacy and/or do not seek unsolicited proposals may find this model advantageous.
- ✓ This model may also reduce administrative overhead, yielding more money for grantmaking.

# Foundation Management-External Management

## ❖ Limitations:

- ✓ This model provides less visibility and a less proactive management style.
- ✓ The public will not be as aware of the family's investment in the community.

## ❖ Tips:

- ✓ Families who designate a firm to manage their foundation have had previous relations with the firm

# Foundation Management-External Management

## ❖ Philanthropic Management Firm

Serving as the office for a number of foundations, a philanthropic management organization may be a private business, professional practice, or a nonprofit organization. It may specialize in particular program interests or grant-making approaches.

# Foundation Management-External Management

## ❖ Consultants

- ✓ The family foundation hires an individual or consulting group for specific tasks that recur but are not necessarily ongoing. For instance, a consultant might receive grant requests and prepare recommendations for trustees; facilitate a retreat or draft a mission statement; or design and manage programs, plan investments and prepare tax returns. The consultant is usually paid an hourly or daily rate and may spend extensive time working for the foundation.
- ✓ Generally, a family foundation consultant does not represent the family or the foundation, nor does the consultant provide an office, telephone number or keep records for the foundation. The consultant may be an individual working from home, someone in a practice specializing in nonprofit or foundation boards or a consulting firm.

# Foundation Management-External Management

## ❖ Advantages:

- ✓ Cost-efficient

## ❖ Limitations:

- ✓ Needs to maintain close contact with board members and reflect their values.
- ✓ The foundation may be less visible
- ✓ Response time may be frequently delayed if the consultant has other commitments.

## ❖ Tips:

- ✓ Board members should clearly define expectations and performance standards upon hiring a consultant.

# Foundation Management-External Management

## ❖ Sharing Management

Many foundations share staff or space with one or more other organizations—a corporation, a law firm, a nonprofit, or another grantmaker. This can be a significant cost-saving option. 25 percent of family foundations indicated that they currently share professional or support staff with another organization.

# Foundation Management-External Management

## ❖ Limitations:

- ✓ Possibility for over- or under-compensation.
- ✓ A shared individual understands the aims of the family and the nature of those community organizations.

## ❖ Tips:

Be thoroughly reviewed by the foundation's legal counsel and accountant to prevent violations of self-dealing rules.

# Foundation Management-Staffing Models

## ❖ Family Staff

### ❖ Advantages:

- ✓ Be more aware of the family history and values, as well as sensitive to family dynamics
- ✓ A family member may more effectively communicate the purpose and value of the foundation and have the board's trust to expedite grants quickly.
- ✓ With a close family relationship to the manager, board members will likely maintain a strong sense of confidence in the foundation's administration.



# Foundation Management-Staffing Model

## ❖ Limitations:

- ✓ May not have program expertise, experience and objectivity of outside managers.
- ✓ Other board members may perceive the family staff person as biased or predisposed to certain policy decisions, based on a history of personal interactions.
- ✓ The staff person may experience tension between the roles of steward and staff. A family member who is paid may cause resentment among those members who are not paid.
- ✓ It may be harder to develop appropriate accountability measures for family staff because of over-reliance on familial relationships.

# Foundation Management-Staffing Model

## ❖ Tips

- ✓ Develop a clear job description, performance standards and evaluation measures in advance.
- ✓ Board members should decide how the staff will be oriented, trained and supervised.

# Foundation Management-Staffing Model

## ❖ Non-family Staff

### ❖ Advantages:

- ✓ A staff person outside the family can offer fresh viewpoints, program expertise and experience in assessing proposals.
- ✓ This person may have more time to make site visits, monitor grants and evaluate programs, which can yield more efficient grants management and administration.
- ✓ A qualified person can offer an objective approach to strategic planning, mission and board development, and intergenerational succession planning.
- ✓ This type of management often works well for board members who are separated geographically, creating one easily accessible contact.

# Foundation Management-Staffing Model

## ❖ Limitations:

- ✓ The costs for salary and benefits for nonfamily staff may be significant.
- ✓ Board members will nevertheless have to dedicate their own time to recruit, train and oversee this staff person.
- ✓ An outsider to the family may create tension and issues of control between board and staff.
- ✓ This staff person will have access to confidential family matters.

# Foundation Management-Staffing Model

## ❖ Tips:

- ✓ Board members should develop a clear job description, performance standards and evaluation measures in advance of hiring staff.
- ✓ They should also decide who will orient, train and supervise this position.

# Foundation Management-Staffing Model

## ❖ Interns

- ❖ A few family foundations use interns to help with their staffing needs. Nearly all of these foundations pay their interns, usually on an hourly basis.

# Board Member Orientation

- ❖ It can be a one-time briefing or, ideally, a continuing education for all board members. Regardless, a basic board manual or resource book can be an essential tool to the new member.
- ❖ Half family foundations say they have no formal orientation for board members. Close to 40% said that they were given to orientation on their legal and fiduciary responsibilities of becoming a board member.

# Board Member Orientation

- ❖ A small but growing number of family foundations develop position descriptions for their board members.
- ❖ These descriptions help board members understand their roles and responsibilities and clarify the relationship between the board and staff
- ❖ Approximately 14% of family foundations said they have a written position description for at least one of their board members.



# Board Member Orientation

- ❖ 73% of 207 family foundations that engage in some type of strengthening board performance activity.
- ❖ A similar percentage stated they circulate relevant articles or publications - even share subscriptions.
- ❖ Others go on site visits, tour different programs or hold meetings at outside facilities.

# Grant Making-Types of Grants

- ❖ **Unrestricted Grants** can be used for any purpose the recipient chooses, including operating support and overhead. These grants are popular with grantees because they provide maximum flexibility in spending funds, including program as well as administrative activity.
- ❖ **Restricted Grants** can be used only for the purpose the grantor specifies.
- ❖ **General Support** grants can be used for the full range of the grantee's activities. The grantee determines how the funds will be used. They are typically not used for programs.
- ❖ **Project Support** grants support a prescribed set of activities to achieve a defined projected outcome.
- ❖ **Endowments** can consist of cash, stock or virtually any other asset. The grantee usually does not spend the principal but can use income from the endowment to meet general operating expenses or for uses specified by the foundation.

# Grant Making-Types of Grants

- ❖ **Seed Grants** help new organizations or programs. The grantee can use the funds for planning or feasibility studies or for the initial costs of staff and operations.
- ❖ **Research** grants are typically made to universities, think tanks, hospitals, medical colleges and other research institutions and organizations.
- ❖ **Capital Grants** help meet future demands, usually of organizations with long life expectancies, by financing purchase of land, construction of physical facilities or similar activities.
- ❖ **Matching Grants and Challenge Grants** pledge to match the amount an organization can raise from other sources. There is a specified matching ratio and, usually, there are outside limits to the foundation's promise.

# Grant Making-Grant Making Model

- ❖ **Grants to Nonprofit Agencies:** Most family foundations take the form of a grantmaking foundation. Most foundations apply most of their annual budgets to grants to other charitable organizations that provide services to the public.
- ❖ **Taking Responsibility for Operating a Program.** A family foundation need not be a grantmaker. An operating foundation is legally required to expend most of its required payout on programs that it operates.

# Grant Making-Grant Making Model

- ❖ **Program Related Investments.** Program-related investments (PRIs) are immensely useful to nonprofit organizations. PRIs consist of foundation loans, loan guarantees, equity investments or deposits in banks to help nonprofit organizations such as community development corporations gain access to capital. Foundations restrict PRIs to programs that complement their grantmaking program.
- ❖ **Discretionary Grants.** Give trustees the authority to distribute small grants without prior approval of the full board of directors.
- ✓ Discretionary grants may serve as a way to respond promptly to unexpected community needs or emergency circumstances.
- ✓ May also encourage geographically-dispersed family members to continue to exercise some personal involvement in the grantmaking, or resolve ideological differences between board members.

# Grant Making-Tips

- ❖ **Make meaningful investments through multi-year grants.**  
Support sustained efforts. Make investments for *at least* two to three years rather than one-shot, one-year grants.
- ❖ **Focus on the core mission, not special projects.**  
Provide operating support for programs that are central to the nonprofit's mission rather than "special projects" that may veer from their core mission and priorities.

# Grant Making-Tips

- ❖ **Invest in results over novelty.**  
Don't just fund new things. Support programs with documented results rather than pushing only *new* programs or projects.
- ❖ **Protect your investment by supporting efforts to strengthen nonprofit organizations.**  
Leverage your funds by supporting efforts to strengthen the capacity of nonprofit organizations so they will be able to use your dollars well. Invest in board and staff development, planning time, and help from resource organizations and consultants.

# Grant Evaluation-Approaches

- ❖ **Needs Assessments:** These evaluations verify and map the extent of a problem. They answer questions about the number and characteristics of the individuals or institutions who would constitute the targets of a program to address the problem.
- ❖ **Monitoring:** Monitoring activities produce regular, ongoing information that answers questions about whether a program or project is being implemented as planned, and identifies problems and facilitates their resolution in a timely way.



# Grant Evaluation-Approaches

- ❖ **Formative Evaluations.** These evaluations answer questions about how to improve and refine a developing or ongoing program. Formative evaluation usually is undertaken during the initial, or design, phase of a project. However, it also can be helpful for assessing the ongoing activities of an established program. formative evaluation may include process and impact studies..
- ❖ **Process Evaluations.** Studies of this kind are directed toward understanding and documenting program implementation. Process evaluations are usually undertaken for projects that are innovative service delivery models, where the technology and the feasibility of implementation are not well known in advance.

# Grant Evaluation-Approaches

- ❖ **Impact or Outcome Evaluations.** These evaluations assess the effectiveness of a program in producing change. They focus on the difficult questions of what happened to program participants and how much of a difference the program made. Impact or outcome evaluations are undertaken when a program is an innovative model whose effectiveness has not yet been demonstrated.
- ❖ **Summative Evaluations.** Summative evaluations answer questions about program quality and impact for the purposes of accountability and decision making. They are conducted at a project's or program's end and usually include a synthesis of process and impact or outcome evaluation components.

# Grant Evaluation-Approaches

- ❖ **Grantee Self-Evaluation.** The most common form of grant evaluation employed by smaller foundations is the grantee self-evaluation.
- ✓ Grantees are sometimes reluctant to admit to their project's weaknesses, or may be unfamiliar with the self-evaluation process and thus unsure of what to report.
- ✓ Nevertheless, when a relationship of trust between the foundation and grantee has developed, grantees almost always appreciate participation in the evaluation process, and are more likely to accept and implement findings.

# Grant Evaluation-Approaches

- ❖ **Outside Assistance.** Consultants can bring objectivity, autonomy and credibility to grant evaluations. Family foundations sometimes locate consultants by checking with staff of a larger private foundation or a community foundation or through peer networks.
- ❖ **Trustee Site Visits** Site visits, conducted after a grant has begun, are relatively inexpensive and allow funders to see grantees and their grant dollars at work.

# Grant Evaluation-Tips

- ❖ Start early. When evaluation is planned at the same time the program is planned it can contribute to overall program design. :
  - ❧ What are you really trying to do with this program?
  - ❧ What is going to happen that can tell you whether or not you have succeeded?
  - ❧ How will you know if it happens or not?

# Grant Evaluation-Tips

- ❖ Don't try to evaluate everything.
- ❖ Be flexible. Allow for change or expansion in midstream if program objectives change or evaluation data show an important new direction for inquiry.
- ❖ Evaluate at the level of the people who will ultimately be affected by the program.
- ❖ Place more value on indications of behavior than on opinions.
- ❖ Use a variety of evaluation methods for different purposes or sometimes side by side for verifying or contrasting.

# Grant Evaluation-Tips

- ❖ Develop relationships with sources of evaluators - preferably before you need them - and keep scouting around for new and better ones.
- ❖ Use oral reporting opportunities - conferences, staff meetings, board retreats - to disseminate and discuss information from evaluations
- ❖ Insist on comprehension and precision in both quantitative and qualitative evaluations.

The background features a traditional Chinese ink wash painting of plum blossoms with dark, gnarled branches and small white flowers. Faint, large calligraphic characters are visible in the background. The top and bottom of the page are decorated with a repeating geometric pattern of triangles and circles.

**Q&A**

**Thanks**