



Advice from Foundation Officers

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Two weeks ago, I had the pleasure of presenting at APRA ARC in Chicago. My presentation “Everything You Wanted to Know about Foundations but Were Too Afraid to Ask” was on a topic close to my heart: foundations. Ever since I started doing foundation research, I’ve been endlessly fascinated by the world of foundations. As many who have read my blog posts on [APRA IL](#) know, I’m a big fan of reading 990-PF or tax forms of foundations. There are so many beautiful numbers arranged that I can try to infer ideas about the foundation’s financial position and philanthropic inclination!

It was with great pleasure that I dived headlong into the topic of foundations for my presentation. I wanted to better understand the differences between foundation types and the process of starting a foundation. I also talked about research products I’ve developed in my prior role as Senior Prospect Management and Research Analyst at Loyola and some of the tools (both paid and free) that I’ve found useful in my work. And because I’m an oral historian and love interviewing people, I also conducted some interviews with people in family foundations to get their insights.

I’m going to mention a few key highlights from those interviews. First and foremost, one of my contacts told me that nonprofits seeking to raise funds should not start with foundations. Some people perceive foundation giving as an easy place to start. This is a common misconception. Instead, nonprofits should start building their annual giving and major giving programs before they approach foundations. Nonprofits should build up their boards with the hopes that individual board members may have connections at other universities. My source also told me that foundations appreciate and encourage collaborations between groups. One possible strategy to obtain funding is to partner with another nonprofit and have

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the joint program become a line item in a grant application. Moreover, there may be some programs that might be better suited for corporate relations or a sponsorship than a foundation.

Second, my source emphasized the importance of communication with the foundation. Often times, grantseekers do not listen to the needs and desires of the foundation. If you do not listen, you will have difficulty getting a grant you want! Other times, some grantseekers may be less than courteous with foundation officers. One of my contacts noted that foundation officers tend to have a long tenure at the organization and a long memory. So always be courteous (but that should be a given!). Conversely, my contact explained that foundation officers should be direct to the grantseeker so they do not waste their time. My source also reiterated something that I heard from corporate representatives at another conference: you should have one contact at your institution for the foundation (or corporation) if possible. Nothing is more frustrating for a program officer than dealing with multiple people at a nonprofit. Often times, one hand does not know what the other hands is doing. One contact can help mitigate those issues and facilitate the conversation with the foundation.

Third, my contact explained that foundations are going to be more critical with higher education. They are going to look and see how universities and colleges are handling ballooning student debt and diversity in graduation numbers. They may look askance when an institution asks for assistance with building a new stadium while students leave with monumental debt. And my contact also pointed out: foundations, at least local ones, do talk to each other.

Those are just a few words of wisdom I received from foundation officers at small family foundations in Chicago.

Until next time!

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Family Foundations: Part 1

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While I've been learning more about foundation research, I've been intrigued by the world of family foundations. The recent Giving USA 2016 presentation notes that family foundation contributions constitute 64% of all funding by independent foundations. That's huge! There are even organizations and associations to discuss and develop best practices for family foundations such as Exponent Philanthropy or National Center for Family Philanthropy. Despite the prominence of family foundation funding and organizations created to support them, there seems to be less of a focus on family foundations in other discussions about philanthropy. This absence may be because the identity or definition of family foundations is more ambiguous than other foundations: are they like people or more like organizations? Ultimately, how should an organization treat a foundation as a potential-funder? In the next few posts, I'm going to explore different aspects of family foundations. In this first post of the series, I'm going to focus on family foundation structures and their philanthropic interests. First, I'm going to look at recent survey results and an interview about family foundations in order to better understand their structure and philanthropic interests as a whole.

I was interested to understand more about the legal structure of a family foundation. One thing is absolutely clear: legally, they are foundations. They must follow the formal guidelines that other foundations have to follow to retain their tax status, such as tax filings, meeting minutes, and more. However, there is no legal distinction (nor legal definition for that matter!) between a private foundation and a family foundation per the IRS. So what defines a family foundation if it has no legal distinction? The Council on Foundations defines a family foundation as a foundation that obtains its funding through a single family with at least one family member on the board. Many such foundations may have multiple family members on the board.(1)

In terms of structure, family foundations drastically vary in size from a few hundred-thousand dollars to billions. Few hold independent staff; many are run on a volunteer basis by the trustees, often by the founder or the family itself. In preparation for my speech at APRA ARC in June, I had the opportunity to talk to someone who had recently taken over the management of a family foundation about running it. My contact explained that running a foundation is a lot of work even if it is small. While the size and complexity of the foundation will impact the amount of work, you still have to file taxes, comply with Sarbanes Oxley regulations, hold meetings and report minutes, manage financial assets, and so much more. There's also the fun of tracking down receipts from grantees, which can be an involved process. A foundation holds meetings twice a year but the paperwork is significant. You have to make decisions about the name and purpose of the foundation, who

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you are going to give grants to, and whether you want to make a formal grant process or not. There's the question of marketing: should you have a website and a logo? You have to hire accountants to file with the IRS and a lawyer to advise you. These are just a few decisions that one has to make in the day to day business of running a foundation. My source explained that foundations can be a great way to honor or memorialize someone but there may be better ways to accomplish those goals. Alternatives include outright giving to nonprofits in memory of someone, donor advised funds, community funds and more. My source emphasized that you really have to be committed to doing it. It's a labor of love.

After learning about the complexities and differences of family foundations, I wanted to learn a bit more about the funding decisions that they make. The National Center for Family Philanthropy just did their first benchmarking study about family foundations. In their 2015 Trends Study, the NCFP discovered trends in what motivates funding decisions, which have important implications for family foundation cultivation. They published a few numbers that I want to highlight:

- Two out of three family foundations focus their funding geographically (2).
- 55% practice issue-based philanthropy with the most frequently supported issues being education and training (almost half), and poverty related (40%).
- “Other issue areas include health (19 percent), children and youth (15 percent), religiously affiliated programs (14 percent), arts and culture (13 percent), and the environment (11 percent).” (2)

The family foundation can often be the family's way of supporting philanthropic causes that are important to the founding family. The study noted that 56% of family foundations are trying to engage younger family members in the foundation. Respondents noted this poses some issues since younger family members may have moved away from the geographic location and are interested in different causes than other family members in the foundation (3).

It's clear that family foundations are a special subset even if there is no legal distinction from other foundations. Though there is no legal difference, they are situated differently in the philanthropic environment. Family foundations require time and effort; there are a lot of considerations even for the smallest foundation including marketing, legal and accounting decisions. You really have to be committed to the family foundation if you are going to run it. In terms of funding decisions, there is a stronger emphasis on geographic location and support leans towards education and training. However, the nature of family foundations seems to be changing with the times; geography is less of a concern for newer family foundations. Younger family members also seem to be interested in different causes than other members of the family.

Next time, I'll talk more about how to possibly cultivate and think about family foundations.

(1) Council on Foundations, “Family Foundations,” n.d., Council on Foundations website, accessed 8/25/16, <http://www.cof.org/foundation-type/family-foundations>

(2) National Center for Family Philanthropy, "2015 Trends Study," 2015, National Center for Family Philanthropy website, accessed 6/24/16, <http://www.ncfp.org/resource/trends-research/>, page 1

(3) National Center for Family Philanthropy, "2015 Trends Study," 2015, National Center for Family Philanthropy website, accessed 6/24/16, <http://www.ncfp.org/resource/trends-research/>, page 4

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Director of Development at Great Lakes Center for the Arts
Great article Elisa.
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Elisa Shoenger
Benchmarking Product Analyst at Grenzebach Glier and Associates
Thank you!
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Christine Zielke
Corporate Director of Philanthropy and Planned Giving
This topic very timely because of my recent oversight of the Madonna Foundation. I've been trying to understand how we should be looking at family foundations and how to engage in funding opportunities. Great article. Thank you.
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Elisa Shoenger
Benchmarking Product Analyst at Grenzebach Glier and Associates
Thank you!
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In my first article about family foundations in this series, I talked about some data about family foundations in the US based on recent surveys. I also talked a little bit about one person's experience running a foundation. Now I'm going to tackle the issue of how to cultivate a family foundation. How do we treat them as potential funders? Who at my organization should be approaching them?

From my research and experience, the best answer is that it depends on the family foundation. Some family foundations can behave like people. Many do not have formal application process and rely on personal connections with the nonprofits they support. They often have strong regional and personal ties to specific nonprofits, such as the respective alma maters of the founders. Some family foundation boards provide funding at the discretion of each individual board member within IRS guidelines. However, some family foundations act like other private foundations. These foundation boards have specific and published guidelines for obtaining their support.

Giving USA 2015 noted that many family foundations are now asking for more extensive reporting requirements for their grantees. Other organizations also treat family foundations as if they were foundations. For example, surveys like Giving USA and Voluntary Support for Education (VSE) categorize family foundations as foundations, instead of classifying them with individual giving or putting them in their own category. (Incidentally, Giving USA has historically separated out corporate foundations from the rest of the foundations and places them squarely in the corporation camp.) Moreover, many large foundations we know and love today likely started as a family foundation.

In terms of my own experience as a prospect researcher, the approach to the family foundations varied. When asked to do research, I always completed a foundation profile along with an analysis of giving over three years. Often times, there were no discernable giving guidelines. Many would only give to pre-selected organizations, which usually was a sign for me to move to another potential funder unless I knew we had an "in" at the organization. I did make note of any possible connections to leverage our relationship to the foundation, but I also did that with other types of foundations. When engaging family foundations, personal relationships are key.

In conversations with my colleagues in the nonprofit sector, the majority of institutions treat family foundations as if they were individual major gift prospects; these foundations are usually managed by the major gift officers instead of the corporate and foundation relations team because the funding decision making power is held by one person. Solicitations were

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conducted through a contact at the organization, usually a member of the founding family or an appointee rather than through a formal grant application. Some institutions may treat family foundations like other foundations and manage them in their corporate and foundation office. The latter case tends to be far less common.

Given their seeming hybrid nature, the best advice I can give is to treat family foundations on a case by case basis. They can act like individuals and they can act like foundations proper. Some of them are run on a personal basis with individual connections to the nonprofits they support while others can behave like other foundations with grant applications, reporting requirements, and more. What does this mean? If the family foundation seems to behave more like an individual, then your organization should approach them through board members or other affiliated members. If the family foundation acts more like a traditional foundation, then the formal route of application may be more appropriate.

The difference in behavior can be tricky to ascertain. A formal grant program might be a good sign that the family foundation is acting like a foundation. Lack of funding guidelines suggests the opposite. Getting to know members on the board can help determine the type of family foundation you are working with. Additionally, given the recent information about the involvement of younger family members, it would behoove organizations to cultivate the younger members in addition to the more established foundation officers. They are the future leaders of these family foundations. I recommend engaging and cultivating individuals on the board either way, since it will help the case of your organization.

That's just a brief dive into the world of family foundations!

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Jennifer Filla
Prospect Research Professional

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When I worked in corporate and foundation relations we were constantly pressured to find more private foundation funding for our institution. A tall order! I had some unusual and warm experiences with family foundations. And a whole lot of no replies, too.

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Elisa Shoenberger
Benchmarking Product Analyst at Grenzebach Glier and Associates

2y ...

Thanks for sharing your experiences!

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