

THE PRACTICE *of*
Family Philanthropy IN
COMMUNITY FOUNDATIONS

A REPORT by

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With a FOREWORD by

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NATIONAL CENTER FOR
FAMILY PHILANTHROPY



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Foreword

Dramatic change has swept through the field of community foundations in the past decade. Community foundations have risen greatly in numbers, as have the numbers of funds they guide and manage. They have tested and adopted creative techniques for attracting and serving donors, and they have expanded their services in varied and innovative ways.

The energy that has fueled this growth owes much to the participation of philanthropic families. Donor couples—many with the intention of involving future generations in the giving—are discovering the values, expertise, and management options offered by community foundations. The burgeoning numbers of new family funds, supporting organizations, and affiliated private foundations attest to that discovery.

No less dramatic has been the change that has accompanied the startling growth in all the options and resources for donors who share the philanthropic process with their relatives. More than 24,000 foundations have been formed in the last five years and the greatest majority of newly formed foundations will enjoy the active participation of donors and their family members. Tens of thousands of families choose from a wide range of giving vehicles in addition to foundations. Wealth advisors and service organizations—including philanthropic service organizations—that had not addressed the issue of family philanthropy five years ago, have recently established or are now initiating a special focus on this kind of giving.

Understanding the Practice of Family Philanthropy in Community Foundations

While family philanthropy and community foundations have shared the experience of startling growth and change as well as a deep commitment to community and philanthropy, few have understood just how much else they share. In fact, some believed they were very different—even competitive. Didn't family philanthropy really refer only to family foundations? Weren't community foundations more focused on individual donors and donor bequests?

We had learned from many donor couples and family groups how much they value what the community foundation offers to meet both family and charitable goals. Donors also wondered if the philosophy and structure of community foundations were changing or might need to change. Those changes address the special circumstances of families—circumstances that include multi-generational participation, different program and financial interests, and even different hometowns. At the same time, we were hearing from community foundations that were re-thinking the way they thought about philanthropic families, what services they could offer for those families, and how they could work most effectively with them.

The National Center for Family Philanthropy determined that we might play a role in bringing greater mutual understanding to families in philanthropy and community foundation leaders. We might explore why and how families are meeting their charitable objectives through community foundations. How are community foundations experiencing the increased participation of family donors? What are the family's needs and interests? Finally, what are community foundations learning about family giving?

The desire for understanding led to our project, *The Practice of Family Philanthropy in Community Foundations*. This report represents the end of the first phase of this project. We hope the themes and ideas raised in this unprecedented summary will stimulate and guide conversations among those who care about the future of family giving and community foundations. We think you will find, as we did, how valuable it is to listen—to the voices of families in philanthropy, to family donors who work with community foundations, and to community foundation leaders—both volunteer and staff.

When two generations of the Schlossman family wanted to support local arts organizations, respond to community needs, and work together in philanthropy as they do in the family business, they established the Robert L. and Dolores Schlossman Family Fund at The Milwaukee Foundation.

Personal Experience Reflects Changes in the Field

My personal experience reflects the trends and the changes that have come about in family philanthropy in recent years. My appreciation for the contributions of community foundation donors and leaders began soon after I entered the field of philanthropy. Eugene Struckhoff, then president of the Council on Foundations, had an enthusiasm for and a knowledge of community foundations that was infectious and educational. I went on to help organize the Council's first Fall Conference for Community Foundations in 1985. For the next 10 years, I was part of that rewarding work. My support for this work continued when I took a special interest in family philanthropy.

In working with family philanthropists, I came to understand that donors bring many goals to their philanthropy—goals for their family, program interests, management, community, and others—and there are a variety of legal structures, program interests, organizations, and management vehicles to help them achieve those goals. Effective family philanthropy involves matching values and goals to options and opportunities. I believed then, as I do even more so now, that community foundations have been helping donor families achieve their goals for many years and represent an undiscovered opportunity for countless others.

Several memorable events signaled the changing dynamics in the field. In 1994, for example, I made my first presentation on family philanthropy and community foundations to the Fall Conference. Accustomed to dealing mostly with individual donors, a small audience of conference participants was only politely curious about the notion of family giving. Just seven years later, however, a similar presentation drew an enthusiastic response from the overcrowded community foundation audience. The exploding field of family philanthropy and dynamic community foundation leadership in exploring innovative, family-friendly donor services, likely accounted for the change.

When the family of Essie Silva—a longtime civic leader and dedicated public servant—wanted to memorialize her life and perpetuate her legacy of community commitment, they established the **Essie Silva Memorial Fund** at the Dade Community Foundation in Miami.

The National Center Values Diversity of Choice and Community Foundations

Since its 1997 founding, the National Center for Family Philanthropy has believed that “the genius of private philanthropy is the variety of opportunity and the diversity of choices available to the donor.” Our Board of Directors imbedded this interest in one of our statements of Values and Guiding Principles:

We value the donor’s right and ability to direct charitable assets through the philanthropic vehicles and to programs of choice We believe that the appropriateness and effectiveness of both the philanthropic vehicle and the grant decisions are largely dependent on the donor’s goals for both family and community. . . .

Prompted by our organizational value and a very personal commitment, the National Center began work on our community foundation initiative two years ago. Our goal was straightforward and two-fold: discover how donors, their families, and advisors could best understand all the resources offered by community foundations; and find out how we could use our experience and understanding of family philanthropy to support community foundations as they worked to serve their donor families.

First, we sought to fill the need for some resource material. We published a monograph on donor advised funds and an issues paper on supporting organizations—both written from the donor family’s perspective. We developed a number of publications and programs on family giving that were applicable to any kind of giving vehicle or host organization. But we still wanted to know more.

We wanted to know what community foundations staff, trustees, and donors thought the issues were. We wanted to hear about their experiences and their ideas for what was needed, so our research began with the very people who could provide the answers, all of you in the field of philanthropy.

When the trustees and staff of The Cleveland Foundation wanted to communicate their **respect** for the intentions of their **donors** and their ongoing **commitment** to the community needs of the area, they drafted and published a Development Philosophy that **welcomes donors of diverse backgrounds** and means with **clarity and respect**.

Appreciation for All Participants

To organize and manage our project, we sought out Helmer Ekstrom. Helmer, past president of a community foundation, works with many community foundations and several family philanthropies. He is sensitive to the community foundation experience and brings that experience and sensitivity to the process. We are grateful to Helmer and his wonderful team at Ekstrom & Associates for their skill, collegiality, and advice.

We invited many of you to participate in individual interviews and focus groups. You were generous with your time and your wisdom and I am grateful for both. I am particularly pleased that I was able to renew professional relationships and special friendships that began more than 20 years ago. And I am delighted by the new colleagues and friends I have met in this process.

What was said to us has been analyzed and captured in this report. It will likely take serious, thoughtful, even difficult work to move these ideas forward. Yet, you are likely to come away from this summary, as I do, with a sense of excitement and promise at the opportunities that exist to widen and deepen ways donor families and community foundations join in mutually rewarding endeavors.

Staff members spoke to us of the challenge of meeting the expectations of donors and prospective donors. Donors told us of the program and management advice they counted on and the family process

help they needed. Many board members and chief executives spoke of values and vision: Is the “community” in community foundations changing? Is it a community of donors, needs, and interests or is it geographically focused? Are those necessarily mutually exclusive? How can we maintain low fees, small staffs, and reasonable overhead while becoming home to hundreds of funds? How can the community foundation help me bring my children and grandchildren to this work and encourage them to be donors themselves? All of you are struggling to understand your unique position in a rapidly increasing field of organizations anxious to host philanthropic funds.

When the **leadership** of The Community Foundation of Greater Atlanta wanted to organize services and staff to **meet the needs** of their donor families, they established a **Center for Family Philanthropy** within the Foundation.

We see the questions and issues raised in this report as a good starting place. Through these interviews, we have heard your request for more information on good practices in working with donor families and this reference piece is now in the process of being developed.

We have heard the need for more conversation about the issues and circumstances affecting donor families and community foundations. We hope to convene a few of those conversations over the coming year and to support any others that might benefit from our work. The goal must be to encourage wide and deep understanding of each other's values, goals, resources, and energies. The outcome could be—should be—greater reliance on each other's strengths and greater trust in each other's integrity and good will. We have an extraordinary opportunity to think together about our changing field and what it will take to ensure that meeting the needs of our communities through inspired, effective family philanthropy is a commitment that transcends time and generations.

In this endeavor, we have all benefited from the support and guidance of a long-time friend of community foundations, the Charles Stewart Mott Foundation. More specifically, the National Center is indebted to the trustees and staff of the Charles Stewart Mott Foundation for their support of this initiative and for helping to make this report possible. Their commitment to community foundations gives us all the chance to ensure that philanthropy grows with energy, purpose, and integrity.

One of the advantages (and safety nets!) of seeing this report as a starting place is that we now have the opportunity to hear from more of you who have thought about these issues and experimented with solutions of your own. I encourage you to contact Helmer or me to share those thoughts with us. Your perspective and experience can inform the next phase of this project and guide our other work with donor families and prospective donors seeking creative options to help them achieve their charitable goals.

On behalf of the Board of Directors and staff of the National Center for Family Philanthropy, it's an opportunity we're really looking forward to. Your commitment to your communities is the spark that turns a phenomenon into a legacy of caring and community.

Virginia M. Esposito
President
National Center for Family Philanthropy
Washington, D.C.
August 2002

Preface

When the National Center for Family Philanthropy asked Ekstrom & Associates to undertake this study, without having to even think about it, we said yes.

My experience and interest in donor families dates back to when I first entered the foundation field as a grantmaker. Since I started in a community foundation, of course, in time I “discovered” donors made the grants possible. I first got to know donors by reviewing gift instruments, particularly wills—a last will and testament can provide surprising and otherwise undiscovered insights into a person. I also learned about some through their descendants. Later on, as living donors became more commonplace in our foundation, I got to know many personally, often beginning while they were still prospective donors trying to figure out the right plan for their philanthropy. I always found working with donors and donor families especially rewarding. Helping people achieve their dreams for their community and for their family is hard to beat on the satisfaction scale.

Given this experience, conducting a study that examines the practice of family philanthropy in community foundations, perhaps leading to its advancement, was particularly attractive to me. I am grateful to the National Center for Family Philanthropy for such an exciting opportunity.

The substance of this report, to a great extent, came from the field. So many fine professionals and trustees, old friends and new, generously contributed their ideas, experiences, and opinions. Many kindly submitted to personal interviews and participation in focus groups. They are listed in the *Acknowledgments* section of this report. Others freely gave their advice during a session at the 2001 Fall Conference for Community Foundations in Vancouver, British Columbia. I thank them all for their interest, enthusiasm, and candor.

In addition, I am very appreciative of the generosity of the National Center for Family Philanthropy Board of Directors who took time at their 2001 retreat to react to our preliminary findings and recommendations. The opportunity to tap their knowledge, insights, and guidance was enormously beneficial.

A significant resource and guide to me throughout the study has been Virginia M. Esposito, President of the National Center for Family Philanthropy. I am indebted to Ginny for her keen insights and advice. As well, I am grateful to Kathryn E. Merchant, President of The Greater Cincinnati Foundation for her concise and candid feedback on a near final draft of the report.

I want to thank all my colleagues at Ekstrom & Associates whose support I value. In particular, Angela Gillen Powers and Eleanor W. Sacks played key roles in this project. Thanks go to Eleanor for her excellent work conducting the literature search, preparing the annotated bibliography, and editing early drafts of this report. Angela's contributions to this project were many and significant, as they always are. I am especially indebted to her for her advice and counsel throughout the study, as well as for her help in conducting the focus groups and interviews.

Finally I want to thank in advance all those who build upon the findings of this study. I believe their efforts to pursue the questions raised, address the challenges identified, and leverage the lessons learned, will reward us by producing future generations of philanthropists practicing effective philanthropy in our communities.

Helmer N. Ekstrom
September 2002

THE STATE *of*
Family Philanthropy IN
COMMUNITY FOUNDATIONS

I. Introduction

The National Center for Family Philanthropy, with support from the Charles Stewart Mott Foundation, commissioned Ekstrom & Associates to conduct the first ever study of the state of family philanthropy in community foundations.

The purpose of the study is to shed light on how families use community foundations to practice their philanthropy and how community foundations work with donor families. It is hoped that the findings reported here will lead to a better understanding of donors and their families by community foundations and a better appreciation by donors and their families of the resources and opportunities available to them through community foundations.

Ekstrom & Associates cast a wide net to capture what has been said about the practice of family philanthropy in community foundations. We researched the available literature, conference presentations, and the informational and marketing pieces developed by individual community foundations. We interviewed key opinion leaders in the field and solicited their observations about the intersection between family philanthropy and community foundations.

THE STUDY CONSISTED OF THREE STAGES:

- 1. Gathering insights and developing preliminary findings.** In this stage a search of the literature was conducted and an annotated bibliography was prepared. Interviews with 20 key opinion leaders in the community foundation and family philanthropy fields were held. This first stage also utilized primary and secondary research.
- 2. Field testing preliminary findings.** Three focus groups of community foundation staff, trustees and donors were held in Vancouver, British Columbia, Canada at the Council on Foundations 2001 Fall Conference for Community Foundations. A concurrent session at the Conference was presented to an audience of over 200 conference goers at which the preliminary findings were shared and feedback was received.
- 3. Analyzing lessons and insights derived from field testing preliminary findings.** Issue areas requiring further attention were followed up. A second stage of interviews was conducted including 6 additional key opinion leaders.

This report is designed to be used as a reference by leaders in the community foundation field, as a framework for thinking about services to families, and as a guide to mapping a family philanthropy strategy that is relevant to the communities they serve.

This report will also help families interested in practicing philanthropy to better understand and appreciate the resources of community foundations, and how the full range of services community foundations provide can advance a family's philanthropic goals.

We hope that this report will spark a national conversation among leaders of the community foundation field and challenge them to think creatively about how to apply the key issues in family philanthropy to community foundations.

Finally, we expect that the organizations and foundations that serve community foundations in particular, and organized philanthropy in general, will use this report to consider how they can use their distinctive capabilities to advance the state of family philanthropy as practiced in community foundations.

II. The Practice of Family Philanthropy in Community Foundations

Families have always used community foundations to help them practice their philanthropy. In 1914, when Frederick H. Goff created the first community foundation in Cleveland, Ohio, wealth in America was more concentrated among fewer families than it is now. These families closely identified with their local communities and this connection continued from generation to generation. The generosity of successive generations has been immortalized in funds established in their name at many local community foundations.

Up until the 1960s, most community foundations were established in trust form and many of the early funds were established by bequest. Boards of community foundations served primarily as grants distribution committees. Donor relations and donor development, as we know it today, did not exist, because the typical donor was deceased. Many funds were established leaving broad—even unrestricted—discretion over grant distributions to the community foundation's governing body. In other words, many donors trusted that the successive governing bodies of community foundations would exercise good judgment over the use of their funds in their absence. Many also realized that it would be unwise for them to narrowly restrict their funds, since they could not foresee what their communities' future needs would be. While mechanisms to receive advice from members of subsequent generations may not have formally existed, it was not unheard of for community foundation officials, for obvious reasons, to seek it or keep the family informed just the same. Nonetheless, community foundations did not present themselves as being in the business of family philanthropy.

A New And Emerging Priority:

Key opinion leaders in the field, whom we interviewed for this study, characterize family philanthropy as a new and emerging priority among community foundations. The evidence supports this.

In the 1960s, the number of “planned giving” vehicles offering tax advantages for the transfer of appreciated assets grew, thereby encouraging donors to make more substantial charitable gifts during their lifetimes. This provided a new experience for donors and led many to be actively involved in philanthropy, including doing so as families.

The Tax Reform Act of 1969, and its regulations, which finally appeared in the late 1970s, gave community foundations tax deductibility advantages and other features that made them particularly attractive to some donors as a vehicle for their giving. Community Foundations responded by increasing their focus on donor-advised funds and other services aimed at living donors, and philanthropy as practiced by families. A further impetus has been the geographic dispersion of family members, which has led families to use community foundations as a way to focus their philanthropy in their home communities. Most early advised funds allowed fund advisor status to extend one generation. We learned from our interviews that that is changing.

THERE IS GROWING EVIDENCE THAT A NUMBER OF COMMUNITY FOUNDATIONS ARE DEVELOPING AND OFFERING DISTINCTIVE SERVICES FOR FAMILY DONORS. HERE ARE EXAMPLES:

- **The Community Foundation for Greater Atlanta** has established a “Center for Family Philanthropy.”
- **The California Community Foundation** offers the “Charitable Family IRA,” and seminars on philanthropy for children of donor advisors.
- **The Oregon Community Foundation** has published a “Guide to Family Philanthropy.”
- **The Triangle Community Foundation** provides “...education and assistance to bring different generations together around charitable issues, helping to identify grantmaking priorities and leadership issues.”

Many other community foundations are beginning to develop their programs. They are actively seeking ideas for specific services and products they may offer in the future or are already experimenting with them now. Many more, however, have yet to make family philanthropy a priority.

We found limited evidence of a broad range of community foundations actively targeting families as potential donors. A random sampling of community foundation annual reports and websites yielded few community foundations specifically targeting families or describing products and services tailored for their needs. In the context of more than 664 community foundations across the nation, family philanthropy, as a distinct focus area, does not yet appear to be a widely held priority for the field.

When this conclusion was presented at a 2001 Fall Conference session in Vancouver, British Columbia, the incredulous reaction of the overflow crowd of nearly 200 trustees and staff of community foundations gave us pause. The audience overwhelmingly insisted that family philanthropy was a priority at their community foundations, although a few admitted that perhaps they could be doing a better job of it. This suggests to us that even though a particular community foundation considers family philanthropy a priority, it is not sufficient if the community foundation is not expressing that priority through its programs and messages. Potentially interested families simply will not know about it. This, of course, underscores the importance and significance of outreach to families and clear communication regarding the relevance of community foundation opportunities and resources for families practicing philanthropy.

Families Find Community Foundations:

Despite the absence of explicit messages about family philanthropy in most community foundations' informational and marketing pieces, families do find community foundations. These families, often on their own, discover the value of community foundations as vehicles for their philanthropy and establish donor-advised funds, supporting organizations, or other types of funds. Every annual report in our random sample survey reported funds with names that included the word "family." An average of 10 percent of all fund names included the word "family." Among donor-advised funds in the survey, the figure was substantially higher. An average of 17 percent of named advised funds included the word "family." We appreciate that the use of the term "family" in the name of a fund in a community foundation is no guarantee that giving as a family is taking place. However, we are persuaded that all who established and named those funds did so with family philanthropy oriented objectives in mind.

Families who operate their own family foundations have used community foundations as well. In a recent management survey of family foundations conducted by the Council on Foundations, 25 percent of all family foundations responding said that they had some kind of a relationship with a community foundation (See—Families Using Community Foundations Through Their Family Foundation, page 20).

1. Why and How Families Use Community Foundations.

Ease of Establishing a Fund:

In general, families, as well as other donors, may turn to community foundations because of the ease of establishing funds. Many are attracted by a community foundation's professional asset management, the advantage of being part of a large investment pool, and the favorable tax treatment. Others value having access to the community foundation's know-how, including philanthropic, grantmaking, and community expertise.

Evolving Needs:

The practice of philanthropy by families does not remain static; it evolves as the needs of families grow and change. As family members increase in number and age, as new generations are brought into the circle of family giving and external circumstances have their effect, what families need to support their philanthropy will change. National Center for Family Philanthropy President, Virginia M. Esposito, urges community foundations to think of family giving as renewal. "It is not a stagnant process," says Esposito.

SPECIFIC NEEDS FAMILIES BRING TO COMMUNITY FOUNDATIONS

- The goal setting process. The challenge of what we will do with the money when the views of multiple generations must be taken into account.
- Developing grant decision making know-how in the next generation.
- Effectively engaging the interest and enthusiasm of the next generation in the family's philanthropy. Overcoming a disconnect so as to engender in the kids a real sense of ownership in what has always been "Mom and Dad's thing."
- Succession/wealth planning. Have confidence there is going to be a responsible advisory committee for the fund down the road....and how can I be assured that my kids are going to be responsible stewards of the fund.

—**Greg Chaillé**, *President*, The Oregon Community Foundation
2001 Fall Conference for Community Foundations - Vancouver

Advice Organizing Their Philanthropy:

Initially, families are looking for objective advice on the models and vehicles available for practicing their philanthropy and involving family members. Early on families may look for assistance in shaping and clarifying their philanthropic objectives. Later they may seek help in setting particular strategies to achieve those objectives.

Encourage a Charitable Ethic in Children:

Sometimes an inventive response to a particular need is required. Greg Chaillé, President of the Oregon Community Foundation, tells of an individual who wanted to pass along the “giving back” habit to his children. He knew that naming his children as successor advisors to his advised fund would spark their interest in and enable them to think imaginatively about philanthropy. However, he felt that that experience alone would not go far enough. It would not provide them with the true spirit of giving back, because they would not be giving back their money. His solution was to set a term limit of 10 years on their advisor role. After 10 years the fund reverts to an unrestricted fund without advisors. By that time, he believes, his children will have learned to value the personal satisfaction of giving back and continue to invest in philanthropy on their own. Interestingly, all this could be accomplished without complication. It involved only a simple provision in the fund agreement.

From the community foundation point of view, engaging the children early is essential. Many with whom we spoke mentioned that the children often see the family fund as really “Mom’s and Dad’s thing”—not theirs. Community foundations must have strategies designed to overcome resistance, draw in the next generation, and engage them.

Philanthropic Toolbox:

Donor families often do not limit themselves to only one giving vehicle. Many families assemble a set of tools they need to pursue their philanthropic objectives. We call it their “philanthropic toolbox.” Families think of community foundations as one of the tools. It is not uncommon to find that a family’s philanthropic toolbox contains an advised fund at a community foundation, a family foundation, and a commercial charitable gift fund, as well as classic kitchen table philanthropy.

Betty and Jean Fairfax of Phoenix, Arizona are a good example. Among the many tools these two sisters have in their “philanthropic toolbox” are a state university, an educational foundation, and two community foundations, The Arizona Community Foundation and The Cleveland Foundation. Jean notes that the key factors in electing to use the community foundations were her and Betty’s ties to those local communities and the foundations’ interest and expertise in the particular focus areas of the

funds, namely educational equity and the transition of minority students from community college to baccalaureate programs. She also stressed three other important factors:

- 1. Confidence that the funds placed will be well managed.**
- 2. Confidence in the expertise of the professional staff.**
- 3. Confidence that the people who lead the foundations, board and staff, will reflect the demographics of the persons the fund is intended to benefit.**

Not only a donor, Jean Fairfax recently completed service as a member of The Arizona Community Foundation Board of Directors.

WHAT FAMILIES PRACTICING PHILANTHROPY LOOK FOR MOST

CORE MOTIVATIONS:

- Give back to my community.
- Raise children who are civic minded.
- Find an expression for my values, charitable traditions, faith, and personal interests.
- Support the people and institutions that have been important to me.
- Make a difference.
- Create a vehicle for working with my family on something of importance to the community.

SUBJECTS OF MOST COMMONLY ASKED QUESTIONS:

- Generational succession.
- Handling geographic dispersion of the family.
- Finding ongoing inspiration and education.
- Evaluation and impact: Are we accomplishing what we set out to do?
- Keeping their horizons open: What are the pressing community issues?
- Understanding what others are doing, but not necessarily being told what I should do.
- Connecting with other people who share interests.
- Governance responsibilities.
- Family communications.
- Involving and working with those outside the family most effectively.

—**Virginia M. Esposito**, *President*, National Center for Family Philanthropy
2001 Fall Conference for Community Foundations - Vancouver

EXAMPLES OF FAMILIES USING COMMUNITY FOUNDATIONS

- **We wanted to “reinforce the values that are important to our family...”**
—*Breuker Family Scholarship, The Fremont Area Foundation 2000 Report to the Community.*
- **He turned to the Foundation for “assistance in continuing his father’s tradition of giving.”**
—*Frank Phoenix profile, Triangle Community Foundation 2000 Annual Report.*
- **The Bernard A. Newcomb Chartered Family Foundation was created “to realize the Newcomb’s family philanthropic dreams and perpetuate the family’s legacy...”**
—*The Peninsula Community Foundation 1999 Annual Report.*
- **“Because the senior Kellers live on the East Coast, the Fund was created with the idea that the grandparents would recommend grants in consultation with the grandchildren (in California).”**
—*The Big Guy and Rodi Rodi Family Fund, The Peninsula Community Foundation 1999 Annual Report.*
- **“Tom Beyer had a vision with family dispersed through the country and within several states, he had been looking for a connection to his relatives, a role that was once the function of his parent’s generation...Tom approached the Community Foundation with his idea.”**
—*The Community Foundation Serving Richmond and Central Virginia 2000 Annual Report.*
- **“Alan and Charles Kahn: ‘The donor advised fund which we have created with the Community Foundation offers an excellent vehicle for making donations as well as teaching philanthropy’.”**
—*Central Carolina 2000 Annual Report.*

Families Using Community Foundations Through Their Family Foundations:

We found numerous examples of families with family foundations utilizing community foundations to help them achieve their objectives. These are not isolated incidents. The recent management survey of family foundations by the Council on Foundations, to which we referred earlier, found that 25 percent of all respondents said that they had some kind of a relationship with a community foundation. The most frequently mentioned type of relationship reported was collaboration on local projects (66 percent) and the second most reported was seeking advice on funding opportunities (35 percent).

MOST COMMON TYPES OF RELATIONSHIPS FAMILY FOUNDATIONS HAVE WITH COMMUNITY FOUNDATIONS

1. **66%** - Collaborate on local projects with community foundation.
2. **35%** - Seek advice of community foundation leadership.
3. **26%** - Have a donor advised fund with the community foundation.
4. **21%** - Make unrestricted grants to community foundation.

—Council on Foundations Management Report 2000

Collaboration

The Robert and Patricia Switzer Foundation is headquartered in Maine. It focuses its grantmaking on environmental fellowships. The Switzer Foundation collaborates with two community foundations to carry out their grantmaking strategy. The San Francisco Foundation and the New Hampshire Charitable Foundation run and manage grantmaking programs for Switzer. According to Switzer Foundation Executive Director, Lissa Widoff, “Both community foundations have a particularly high level of expertise in the environment that we value, and they are cost efficient, as well. In addition, they have contributed substantially to the development of our program over the years.”

Program Expertise

An example of how a private family foundation utilizes community foundations for advice is the Springs Foundation in South Carolina. “The Springs Foundation works with several community foundations in our area (around the North Carolina–South Carolina border),” reports Foundation President, Will Close. “Since we have established our own community advisory committees, the advice we seek from our community foundation friends is usually about a specific subject area where they have expertise that we require.”

Creating and Nurturing Engines for Growing Community Philanthropy

Family foundations with strong interests in particular geographic areas may pursue objectives to grow and broaden the philanthropic resources serving the community. Some families recognize the role that community foundations can play as engines for growing community philanthropy. For that reason they seek to promote them.

Where community foundations do not already exist, family foundations have been instrumental in establishing a community foundation. The Stackpole–Hall Foundation of St. Marys, Pennsylvania is an example. They were familiar with community foundations and how they benefit communities. The Stackpole–Hall Board foresaw that sales of substantial industrial companies in the area would create, “a wealth transfer from plant and equipment to portfolios,” as Executive Director, William Conrad, put it. He went on to say, “many of the beneficiaries of these sales, we felt, had a latent interest and potential, and would enjoy being philanthropists.” With advice and counsel from the

Community Foundations of Pennsylvania, the state association of community foundations, and two neighboring community foundations in Oil City and Erie, the Stackpole–Hall Foundation played a leadership role in launching the Elk County Community Foundation.

COMMON REASONS FAMILIES FAMILY FOUNDATIONS USE COMMUNITY FOUNDATIONS

- Access to program expertise.
- Access to community expertise.
- Access to administrative and financial expertise.
- Extends their legacy—their name.
- Children can gain experience practicing philanthropy using an advised fund at a community foundation.
- They appreciate the value of a community foundation to the community and want their participation to be an example to others.
- Promote/grow philanthropy in the communities in which they have interest.
- Consultation on goal setting.
- Community needs evaluation.
- Administer and provide follow up on conditional grants.
- Administer matching grant programs.
- Conduct programs involving grants to individuals.
- International grantmaking.
- Anonymous giving.
- Compliance with the payout requirement.
- Excise tax avoidance.
- Maximum tax deduction.

—*The Participants in the Preliminary Findings Briefing at the 2001 Fall Conference for Community Foundations - Vancouver*

Another example is The Stockard Foundation of Lorain, Ohio. The Stockard Foundation has invested in the growth of particular community foundations in Ohio, Arizona, and New Mexico. In addition, family members have become personally involved, establishing individual funds as well as giving their leadership. Among them is Mary Ann Dobras, Chair of the Board of the Community Foundation of Southern Arizona. Dobras notes, “The belief that community foundations are good for the community is the basis of the Stockard Foundation’s interest in them and goes back many years—before my personal involvement.” Stockard has made grants to help build endowment, partnered on projects addressing community issues, and utilized community foundation fiscal agency expertise.

2. Why Some Families May Not Use Community Foundations.

Lack of Awareness:

Information gathered from interviews with key informants, random samplings of websites and annual reports, and the findings of other researchers, all focus in on what is known as the “best kept secret” aspect of community foundations. The number one reason family donors do not use community foundations is simply that they do not know what they are or what services they provide. Too many of their professional advisors suffer from this same malady.

Of course, there are exceptions. However, the majority of the more than 664 community foundations in the U.S. need to do a better job of conveying the message that they serve families and be explicit about the range of resources they offer. Many, perhaps most, do not actively reach out to families practicing philanthropy or their professional advisors.

Many community foundations, on the other hand, believe they are being sufficiently open and assertive in reaching out to families. The main obstacle appears to be a matter of language. A common misconception is that the term family philanthropy means only family foundations. In the literature search we conducted, as well as in the interviews with key informants, family philanthropy was often used synonymously with family foundations. Oregon Community Foundation President, Greg Chaillé notes, “we were seeing that people were thinking family philanthropy—family foundation—private foundation ... not the community foundation. The notion in Oregon was that if I wanted to do family philanthropy, I had to create a private foundation.” This understanding of what family philanthropy means is held by some families as well as by community foundations.

Perception of Partiality:

There is a perception on the part of some donor families that community foundations favor one type of philanthropy over another, and for this reason they choose not to use a community foundation to help them practice their philanthropy. **WE FOUND TWO SOURCES OF THIS PERCEPTION MOST COMMONLY REPORTED:**

1. Advice on philanthropic vehicles. Some community foundations attempt to show the advantages of using community foundations by appearing to portray the other options in an unfavorable light in their marketing materials. Examples cited were usually descriptions of different philanthropic vehicle choices—often in chart form. Some we interviewed felt these suggest, as one person put it, “...an intense competitive attitude toward the private foundation option by community foundations.” They felt that this undermined the perception that a community foundation was objective. Others with whom we spoke, suggested that community foundations need to be better at speaking to their strengths.

EXAMPLES OF COMMUNITY FOUNDATIONS PRESENTING THEMSELVES AS A RESOURCE FOR FAMILIES

“Philanthropic Services: Family Philanthropy: The Foundation can work with families to provide education and assistance to bring different generations together around charitable issues, helping to identify grantmaking priorities and leadership issues...strategic philanthropy (includes) bringing your family together to explore common philanthropic interests or begin a family tradition of philanthropy.”

—*Triangle Community Foundation 2000 Annual Report*

“The California Community Foundation provides a number of philanthropic services to resolve private foundation management concerns. Over time, private foundations have come to us with some of the following concerns:

- The original purpose of the foundation no longer has the urgency it once did
- Financial factors have made it difficult for the foundation to operate effectively, as operating costs increase and government regulations multiply
- As the foundation’s board has lost members through resignation and death, it has found it difficult to attract new members
- That future generations will not continue to fulfill the founder’s charitable interests
- The founder desires that his or her children focus on the family’s philanthropy, not the foundation’s investments and administration.”

—*The California Community Foundation Website: www.calfund.org*

“You are cordially invited to a special workshop...You, Your Family and Your Money, presented by the Money, Meaning and Choices Institute...sponsored by Community Foundation Silicon Valley...The presenters will describe positive strategies addressing such issues as

- What to say and not say to children about money.
- Power, control and money in intimate relationships.
- Family philanthropy that involved children and grandchildren.”

—*Community Foundation Silicon Valley 2000 Invitation*

“As much of our nation’s wealth passes to a new generation, more families are looking for ways to involve their children and extended family members in charitable giving that has impact and accountability. In response to requests from our donors for more family-centered grantmaking, educational and estate planning services, The Community Foundation for Greater Alabama is pleased to announce the formation of its Center for Family Philanthropy. ... The Center seeks to:

- help families use philanthropy to enhance family unity and communication
- help teach the next generation the art of giving
- leverage each family’s charitable gifts to provide long-term resources for our region’s most pressing needs.

Membership is open to families who have funds in the Foundation of more than \$250,000 or those who have made planned gifts of \$1 million or more.”

—*The Community Foundation for Greater Atlanta Website: www.atlcf.org*

2. Program issues. A second perception is that community foundations hold a particular program/grant-making point of view, which prevents them from being even-handed. They worry that they will be pressured to direct grants to areas in which the community foundation is interested. They fear “lobbying” by staff for the community foundation’s “pet projects.”

One source of this concern cited was the existence of special program initiatives developed and supported by community foundations. The fact that a community foundation has initiatives apparently has led some prospective donors to assume the presence of a grantmaking agenda. Community Foundation Silicon Valley President, Peter D. Hero, notes, “Many people do not realize that community foundation initiatives are often inspired by donors.” Hero goes on to say that, “Community foundations are challenged by a dilemma of balancing their role as a facilitator of philanthropy and a philanthropic leader.” Certainly the wherewithal to conduct these initiatives comes from donors and is often accompanied by “instructions” to the foundation governing board to find the pressing community issues of the day and exercise leadership. These and other aspects of how community foundations operate need to be better communicated.

Another practice, which may cause a negative reaction in some, are donor education programs. These programs inform donors about community needs, a common practice in community foundations and one that many other donors value. Donors are offered briefings on various areas of community need, they receive information on projects initiated by the foundation, and may also be alerted to specific grant requests received by the foundation. Again, to some the choice of grantmaking areas and nonprofits supported appears to indicate bias.

The lesson here is that some donors are especially sensitive to efforts they believe are intended to sway them in a particular direction. That sensitivity is understandable even if unwarranted. Many donors feel they are already the objects of countless “sales pitches” for various worthy and not-so-worthy charitable efforts. To them another layer of partiality is not what they need. They want help sorting out their options and weighing the merits of those options so that they may make grant decisions with confidence. If they do not feel they can get that from a particular community foundation, they will look elsewhere. There is another complicating factor that can surface with respect to family donors. Family members may develop concerns—often unspoken—about the susceptibility of other family members to persuasion. If the community foundation appears to encourage disunity, family donors fear it will have a negative impact on how the family works together.

Perception of the Need to Retain 100% Control:

We learned in several interviews and the focus groups that some donors feel discomfort with the sense that they have less than 100% control over funds once they are given.

Basically, distributions from component funds in a community foundation are subject to the final approval of the governing board, according to U.S. Treasury regulations. Donors may set parameters for distributions upon establishment of a fund. They may also reserve the right to advise the governing board on distributions after the fund is established. Funds such as these are known as “advised funds,” and are quite popular. They are the primary vehicle for families practicing philanthropy in community foundations.

Community foundations are customarily very flexible about advised funds. This is so because the overwhelming majority of grant recipients suggested by donor advisors are grantees of the foundation already. However, some prospective donors may not have complete information on how these funds operate, or what other options are available that will provide them a level of control more to their liking, for example creating a supporting organization in the community foundation. Consequently they choose not to use a community foundation.

Rigid Policy Provisions:

Requirements such as limitations on the appointment of successor advisors, geographic boundaries of grantmaking, and restrictions on asset management, are usually cast in policy provisions of a community foundation. Some families may view these as unfavorable depending upon the specific provisions. These do vary from community foundation to community foundation. We found that the incidence of unfavorably viewed requirements is declining. Many community foundations report recent and substantial changes to these policies.

Beyond specific details of provisions cast in community foundation policies is the need for flexibility. Several with whom we spoke, noted that what meets a family's needs today may be obsolete tomorrow. One example is the natural dispersion of subsequent generations. The originator of a fund may think about a particular policy provision, which applies to subsequent generations of fund advisors, only in the context of his or her current relationship to them, that is, as a parent, as a grandparent, etc. These provisions may fail to work as intended from the point of view of each successor generation. The relationships that matter then will be between siblings, cousins, and beyond. The dynamics at each of these points is very different and so, too, are the needs. Community foundations will need to be aware of how these types of provisions will play out in future generations, advise family donors accordingly, and have the flexibility to stay current with a family donor's needs.

3. Factors Fueling the Growth of Family Philanthropy in Community Foundations.

Increased Wealth:

Millionaires are far more numerous and diverse today. The number of millionaires doubled between 1995 and 2000 according to Spectrem Group, a New York-based research firm.¹

While they can usually be spotted by the neighborhoods in which they reside, a whole new category of millionaire has emerged. Thousands of small businesses have created the so-called “millionaire next door,” made popular by the book of the same name.² Many in the recent crops of retirees, including factory workers, also find themselves with an overabundance of retirement assets.

Looking ahead to the intergenerational transfer of wealth, the Social Welfare Research Institute (SWRI) at Boston College forecasts \$41 trillion to be transferred at a minimum; it could go as high as \$136 trillion.³ SWRI believes that “The transfer of this enormous amount of wealth in the next half century offers golden opportunities for people to offer monetary support to the individuals and causes they care about.”

The Growth in Family Philanthropy:

Family philanthropy is experiencing steady and substantial growth. The findings of recent studies, and the observations of practitioners and professionals, strongly support this. Among these findings and observations are:

- **Interest in family philanthropy by the estate planning and financial services field is growing—attributed in part to the intergenerational wealth transfer.**
- **Substantial growth in family foundation creation has been documented in a report, “Family Foundations: A Profile of Funders and Trend” prepared by the Foundation Center, in cooperation with the National Center for Family Philanthropy. For the period 1980 to 1998, 60 percent of the 8,707 independent foundations of \$1,000,000+ formed were family foundations. This is up from 50 percent of the 3,562 formed in the 1950’s and 1960’s. Most of them, about 65 percent, have a local/regional grantmaking focus.**
- **Half of all volunteers serve with family members (up from 46 percent in 1993) as reported in the new Independent Sector study, “America’s Family Volunteers.” The report goes on to say that volunteering families give more than twice the number of hours per week than those who volunteer without family members.**
- **A new National Center for Family Philanthropy study shows substantial evidence that there is increased donor interest in passing along philanthropic/giving-back values to the next generation.**

4. Factors Inhibiting the Growth of Family Philanthropy in Community Foundations.

Capacity Constraints:

A family advised fund in a community foundation scores higher on the attention–demand scale than a single advisor fund. There is a direct correlation between the number of people participating in the advisory process and the demands upon the resources of a community foundation. Community foundations may be asked to do anything from resolving tensions arising out of family dynamics to “...we can’t make up our mind between a grant to A and B. Would you do some research on it?”

Of the more than 664 community foundations in the U.S., about 500 have less than \$50 million in assets. Using a 1 percent administrative fee as an example, the under \$50 million community foundation would have less than \$500,000 for operations. That can be consumed quickly in an attempt to build the infrastructure and staffing capacity to adequately respond to the demands for custom services, such as those described above.

Reports of community foundations feeling stressed by donor service demands are not uncommon even for larger community foundations. In part this may be due to a major focus of resources on the transactional side. Transactions such as processing grant suggestions and issuing checks in large volume can strain systems. The temptation to “compete” with commercial charitable gift funds by offering faster service is a contributing factor. This leaves little left over for attending to the substantive aspects of serving families that are very demanding because they are often unpredictable and usually complex.

Market Fusion—the “One-Size-Fits-All” Paradigm:

Market fusion is our antonym for market segmentation. We found few signs in our sampling of community foundation annual reports that families practicing philanthropy is recognized as a distinct market segment. Generally, families are fused into the single market category of “donor.” This may have less to do with families, and more to do with the general approaches community foundations take in their marketing.

In a majority of the annual reports sampled, families were mentioned in the how-to-give sections, but they were usually grouped with individuals and corporations. As one person interviewed suggested, a “one-size-fits-all” paradigm seems to persist in many parts of the community foundation field.

The marketing strategy used by community foundations that practice market fusion is product-centered rather than customer-centered. In the product-centered approach “what we sell” is stressed. The customer-centered approach, while it may use products, is responsive to who our customers are and what our customers need.

The marketing sections of community foundation annual reports reinforced this notion. They did a good job describing products and services, but in most cases did not link them to families' objectives, or the objectives of any other specific group, such as individuals and businesses.

Several interviewees noted one way this plays out. They reported that it is not uncommon to find former community foundation prospects among those who have established an independent foundation. The product-centered view assumes one choice precludes others—"...the prospective donors chose to buy the product we don't offer, thereby eliminating themselves as a community foundation prospect." That, of course, is obviously not the case.

To a lesser degree, but still notable, is the "Community Foundation versus Private Foundation" mindset observed in some community foundations. This is evidenced by the previously mentioned charts on community foundation websites and printed materials comparing the advantages and disadvantages. When combined with the frequent use of family philanthropy as a synonym for family foundation, by natural extension, one can infer an inclination on the part of some community foundations away from family philanthropy.

Silos—Functional and Philosophical:

Many with whom we spoke made reference to the existence of a range of views within a community foundation about its purpose and values. These often form along functional lines, such as program/grantmaking, development, and finance/administration. Sometimes these translate into opinions about what and who are important. Since many of today's family donors have needs that frequently cross functional lines, the risk of exposure to uneven attentiveness and treatment can be high.

This is a new phenomenon. One reason is that community foundations have become more complicated in recent years. The changing role of trustee banks and the shift in the form of community foundations from the original trust form to the newer corporate form are major reasons. No longer does the community foundation have just the single role of grant distribution [Earlier, most community foundation boards were actually called distribution committees.] Community foundations have since taken on additional responsibilities; functions previously handled by trustee banks. They include donor development, gift planning, investment management, finance, and administration. The different responsibilities for each of these functions contribute to shaping the diverse views held. This often leads to functional silos.

Another contributing factor is the migration of community foundation donors from past tense to present tense. Past donors, most deceased when they became donors, trusted the foundation to act on their behalf in their absence. Present donors and their families are engaged in their philanthropy. Community foundations must be staffed with the proper expertise to handle responsibilities to both.

KEY ELEMENTS FOUND IN A SUCCESSFUL FAMILY PHILANTHROPY SERVICES MODEL

- Is grounded in respect for the donor family and their point of view.
- Begins with the question, “What do you want to do?”
- Has a means for discovering motivations and appreciating philanthropic and other objectives.
- Employs an ongoing process for helping family members refocus and clarify their philanthropic aims as they and their philanthropy evolve.
- Broadens donor family horizons.
- Engenders trust.
- Is flexible.

SAMPLING OF SERVICES COMMONLY OFFERED TO FAMILIES

COMMUNITY FOUNDATIONS OFFER ENGAGED DONOR FAMILIES MANY OF THE SAME SERVICES THAT INDIVIDUAL DONORS RECEIVE. THESE INCLUDE:

- Providing periodic fund statements and other grant and gift record keeping.
- Providing grant processing and due diligence monitoring.
- Issue briefings and site visits.
- Researching topics and nonprofit organizations.
- Joining the community foundation and other grantmakers in funding collaboratives and partnerships.
- Providing menus of nonprofits and their projects for matching with donor interests.

SERVICES SPECIFICALLY FOR DONOR FAMILIES INCLUDE:

- Planning events for donor families and their friends and colleagues.
- Planning educational programs for younger family members.
- Organizing and facilitating family meetings.
- Developing a family philanthropy plan.
- Analyzing and review of family giving, and grants evaluation.
- Providing referrals to resources for family on specific matters such as business succession, family relationship issues.

Many community foundation leaders with whom we spoke suggest that community foundations are in a period of cultural transformation. Not everyone's thinking evolves at the same pace. Where views continue to differ on the purpose and values of a community foundation, and donors are exposed to that disharmony, the ability to serve families, individuals, and their communities well is hindered. Ignoring this problem is a recipe for failure. Many community foundation leaders know this and are wrestling with the challenge. We found the approaches taken vary. **MOST WE HAVE EXAMINED SEEM TO FALL UNDER ONE OF THE FOLLOWING THREE TYPES:**

1. Bridge—This is a structural approach. Differences in views are recognized, generally accepted, and sometimes valued. A separate department or unit is created that bridges the silos and is the primary connection to the donor family. This involves a good deal of shuttle diplomacy between family donors and the silos. The department or unit that provides this bridge function may be called, for example, the Donor Services or a Donor Relations Department.

2. Umbrella—An umbrella department is created that puts two or more silos under one single point of leadership. That umbrella department might be called, for example, the Philanthropic Services Department or the Community Program and Donor Relationships Department. While this is primarily a structural approach, it has a process character to it. It differs from the Bridge in that it creates an environment conducive to facilitating a migration toward harmony in views.

3. Harmonize—This approach is pure process. It is predicated on the notion that it is all about dealing with those who populate the organization and structure. It leaves organization and structure alone. Rather, it seeks to dissolve the silos by investing heavily in seeking harmony. Visioning and team-building are techniques often employed to produce this result.

Most of the leaders with whom we spoke selected (and crafted) the strategy they did to fit their particular situation. Many report they have made changes since they began. A number see the strategies they have chosen as evolving.

5. How Community Foundations Can Provide Services to Families, Leverage Opportunities, and Overcome Challenges.

While leading community foundations may use different approaches to serve families practicing philanthropy, they appear to share several common characteristics internally.

- They assist donor families in clarifying their values, shaping their philanthropic strategy, and identifying their philanthropic objectives.
- Their sense of “what business they are in” includes ideas such as:
 - Growing philanthropy in the whole community.
 - Growing philanthropists.
 - Leadership in philanthropy.
 - Connecting donors with community causes.
- They practice customer focused marketing and service delivery—how you, as the donor family, can use community foundation resources and know-how to accomplish your goals.
- They address capacity issues by structuring services delivery on a cost-benefit basis. This often includes differentiated service levels and special fee arrangements.

Externally, characteristics attractive to families vary as do their needs. However, Council on Foundations Managing Director for Family Foundations, Karen Green, reports she has found that family foundations appreciate collaboration and frequent contact with the community foundation. She notes that family foundations see the community foundation CEO as a key figure in the community’s philanthropy and should be a strong leader, neutral on philanthropic vehicles, and a mentor to local donors.

We found that family foundations particularly value flexibility in community foundations. Switzer Foundation executive director, Lissa Widoff noted, in referring to the two community foundations that conduct Switzer’s grant-making (New Hampshire Charitable Foundation and San Francisco Foundation), “These particular community foundations were open to looking beyond their traditional scope. Despite the national implications of the program, they were able to see the value to their locale.”

COMMUNITY FOUNDATION CHARACTERISTICS VALUED BY FAMILY FOUNDATIONS

- **Perceives others as natural allies** (family foundations, individual donors, nonprofits, local and state government).
- **Fosters relationships** across and among allies, irrespective of community foundation involvement.
- **Convenes** the community.
- **Is led by an executive** who is a strong leader, vehicle neutral, and serves as a mentor to local donors.

—**Karen Green**, *Managing Director for Family Foundations*, Council On Foundations 2001 Fall Conference for Community Foundations -

Vancouver

III. Observations & Recommendations:

- Local community-focused, “organized” philanthropy is on the rise and families will practice most of it. Community foundations can choose to help these families or not. Either way, these families will practice their philanthropy in their communities. A key question is under which scenario will communities be better off—family philanthropy practiced with access to the resources and know-how of community foundations, or family philanthropy practiced without it?
- “If you build it, they will come...” is not enough. There is significant pent-up demand on the part of families looking for the resources and know-how community foundations have to offer. However, many of these families do not know they can get it from a community foundation. Some are simply unaware of their local community foundation or know it only as a grantmaker. Families and their professional advisors must know about and understand the resources community foundations can provide. Families may ultimately elect to use other “tools” to carry out their philanthropy. But if they make these choices without ever knowing about community foundations, they have not been well served.
- Designing a services mix that achieves harmony between the community foundation’s sense of mission and a family’s ability to realize their objectives requires a better understanding of what family philanthropists need, not just what they request or what the community foundation wants to sell.
- Conditions change within families. As National Center for Family Philanthropy President Virginia Esposito points out, “families are ever changing and so is their giving. How the vehicles and their advisors keep up-to-date with that change is central to ensuring that the process stays effective for the family and the communities they are trying to serve.”
- Family philanthropy will not be widely practiced across the community foundation field until the challenge of limited capacity has been met. This requires out-of-the-box thinking for individual community foundations and for the field as a whole. Community foundations must be open to considering such approaches as resource sharing among community foundations, outsourcing, joint venturing with other entities, using the latest technology to deliver the most effective and efficient service, matching the level of service with fee generation capacity of funds, and establishing a la carte service options with commensurate fees attached.

As well, community foundations serving families must focus most of their energy on doing the things they do best. Attempting to be all things to all people spreads them too thinly and diminishes the special value added the community foundation otherwise delivers.

- Community foundations must demonstrate their ability to be objective. It is difficult for donor families to see the community foundation as a facilitator of their philanthropy otherwise. This does not have to preclude holding points of view. Many donors both expect and require it. It is not easy managing the delicate balance between “standing for something” and being completely neutral, that is, balancing the role of philanthropic leader with the role of facilitator.
- Community foundations would be wise to make certain that their policy, practice, strategy, and structure is in alignment with the declared mission. Such misalignment is not often self-evident. Several key informants, upon reflection, remarked that there is difference between what their community foundation says it does and what it actually does.
- Family philanthropy is not a synonym for family foundation or any one particular giving vehicle. Yet many people use it that way. A commonly accepted definition of family philanthropy is long overdue.

The National Center for Family Philanthropy’s definition is instructive. It defines family philanthropy, in part, as, “charitable giving by a family through any of a number of options, including family foundations, community foundations, foundations tied to a family business, gift funds, banks, religious or ethnic federations, and collaboratives of donors.”

- Much of what will advance the practice of family philanthropy through community foundations is applicable to the entire donor services model.
- The various vehicles for practicing philanthropy (e.g., family foundations, commercial gift funds, community foundations, and giving circles) would do well to abandon the paradigm that they are mutually exclusive. A new paradigm of sharing resources and expertise among them would substantially grow and improve the practice of family philanthropy.

IV. Conclusion

We have learned that when considering serving families practicing philanthropy, many community foundations concentrate their attention on what policies and practices they should adopt. These include the number of advisor successor generations, issues of geographic dispersion, due diligence, effective philanthropy, specific programs and services, organizational structure, and fee scales. These are important, of course. However, underneath the “what” is the “why;” how the community foundation leadership defines and interprets its mission, or, put another way, how it goes about answering the question “What business are we in?”

Failure to give this question thoughtful consideration before acting to launch any new area of program and service is a mistake. Thorough deliberation is essential to creating a solid foundation upon which to build a program of service to families practicing philanthropy. As well, it informs the decision of how high a priority to give family philanthropy, and suggests the proper size of the service and the best structure to deliver it consistent with that particular community foundation’s available resources.

“What business are we in?”

Underlying this question are three deeper questions about values. **They are:**

- 1. Do donor services conflict with serving community?**
- 2. Who should define community good?**
- 3. Do we build our own assets or the whole community’s philanthropic assets?**

The first question is whether donor service conflicts with community service. The debate across the field, while less prevalent in recent years, continues. Even within some community foundations that have formally resolved the matter, it continues to crop up internally for debate among staff and trustees.

Second, while most community foundation leaders would agree that community foundations are in the business of doing community good, beyond that, unanimity fades. It is not as much a question of the definition of community good, but, rather, a question of who defines what is good for the community. Is it the donor? Is it the staff? Is it the trustees?

Third, views in the community foundation field differ on whether it is a community foundation's mission to build its own assets, or to grow philanthropy for the entire community. At the core is a matter of who controls the assets. In the former the community foundation serves only donors who elect to place funds with them. In the latter, the community foundation serves donors regardless of what legal structure or structures they have chosen or who controls the assets.

Some community foundations see serving donor families as merely check processing. They question whether this is the business they are supposed to be in. This view covers all donor-engaged funds, including advised funds, support organizations, giving circles, and any other arrangement where the donor(s) remain actively engaged after making the gift. It is particularly true for those with a long tradition of donors who have delegated/assigned to the community foundation governing board the responsibility to determine future distributions through the establishment of broadly discretionary funds. They believe that the value added the community foundation brings to the community is its community knowledge, grantmaking expertise, and leadership. They worry that diverting energy to transaction management will risk diminishing their ability to deliver their unique value added. They worry further that engaging several members of a family in the process compounds the problem. They usually adopt policies and procedures to contain the risk, such as limits on successor generations and geographic scope.

Other community foundations see it differently. They seek donor engagement. They believe that their community knowledge, grantmaking expertise, and leadership is precisely what will benefit family donors...and by extension, the community. Some also view it as the path to build the community foundation to critical mass and beyond. Others value its contribution to achieving economies of scale. Still others appreciate the opportunities it can provide to earn donor trust and confidence, and, ultimately, perhaps, discretionary funds. In all of these circumstances community foundations are more likely to adopt policies designed to encourage donor/family engagement.

A New Paradigm Emerging

An emerging paradigm blends much of the above. It is based on the notion that community foundations are in the business of promoting philanthropy for the entire community. The Greater Atlanta Community Foundation President Alicia Phillip refers to it as "the business of growing philanthropists." It recognizes that different donors, and particularly family donors, have different needs and that those needs are always changing. These community foundations see their role in their community as larger than themselves. They value family donor-engaged funds, whether component funds or supporting organizations, discretionary funds, designated funds, and field of interest funds, as well as servicing entities outside the community foundation.

V. Next Steps

What we have uncovered in this study is, of course, far more than can be adequately treated in a report. We hope this report draws attention to and excites interest in the practice of family philanthropy in community foundations.

It provides the big picture understanding of families using community foundations, as well as the opportunities and the challenges to be addressed. But what it does not do is address the key issues in depth. These will require different approaches and vehicles.

Based on what we have learned in conducting the study, a few recommendations for next steps are detailed on the following page. Some recommendations may be good candidates for collaborative efforts.

Recommendations for Additional Resources and Training

- Web-based family philanthropy resources.
- Case studies of families using community foundations.
- Models and best practices for serving families practicing philanthropy.
- Process for monitoring and tracking the progress of the practice of family philanthropy in the community foundation field.
- A national network of community foundations to allow geographically dispersed generations of families to keep their philanthropy connected, fully informed, and effective.
- Seminars for donors and community foundation leaders to provide a forum for creative thinking on key issues in family philanthropy in community foundations. The thinking surfaced in these seminars would inform the development of resources for the field such as:
 - Model approaches to strategy, organization, and structure to effectively manage capacity constraints.
 - Community foundation board discussion guide for considering family philanthropy as a priority service area.
 - Model approaches for engaging families in using the resources of community foundations.
- Training workshops for community foundation staff and trustees on subjects such as:
 - Designing and implementing a family philanthropy program that best fits your community foundation.
 - Understanding family issues and family dynamics.

Endnotes

- 1 Reported in *The American Banker*, November 1, 2001.
- 2 Stanley, Thomas J., Ph.D. and William D. Danko, Ph.D. *Millionaire Next Door: The Surprising Secrets of America's Wealthy*. Longstreet Press: 1996.
- 3 Social Welfare Research Institute: Paul G. Schervish, Ph.D., Director and John Havens, Ph.D., Associate Director. "Wealth Transfer Report." Available of the SWRI website: www.bc.edu/bc_org/avp/gsas/swri.

About the Author

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