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# SETTING UP SHOP

## Ways to Manage Your Family Foundation

by Deborah A. Brody



ou are at the beginning of one of the most challenging and rewarding endeavors a family can undertake. Sound management is key to success in this endeavor.

Establishing good management processes and procedures for your family foundation at the outset supports the program goals and content of your philanthropy. Like many founders, your experience in managing ventures — perhaps you have run a family business, chaired a civic organization, or reared a family, for that matter — will put you in good stead for managing a family foundation.

Experienced family grantmakers advocate an integrated approach to management, an approach that links the seemingly mundane activities of daily operations directly to charitable mission, legal requirements, and the founder and other board and family members.

A way to look at management as you launch your family foundation might include:

- Managing in support of the charitable mission;
- Assessing what work must be done;
- Deciding how the work can be done;
- Determining where the work will be done;
- Identifying and securing the tools you will need;

- Considering administrative expenses; and, most importantly,
- Realizing your great expectations.

Office management and operations are tools to allow you and your family to accomplish something important. The late Paul Ylvisaker — a family foundation trustee — once said:

*Foundations are a remarkable human invention. They provide private persons a freewheeling opportunity to be socially and publicly influential. Without having to meet the tests either of the market or the ballot box, private persons can independently determine what the needs of society are and how best to go about meeting them.*

By starting and running a family foundation, you have chosen to place your personal funds in a public trust. That decision gives you the potential to have a tremendous influence in your community — to affect the lives and livelihoods of people on the front lines of nonprofit agencies and the constituents they serve. As a foundation founder, your job is to make the fundraising process a productive experience for grantees. Even if grantee proposals do not result in immediate funding, they can lead to acquiring new information, meeting new people, and establishing a collegial relationship with your foundation. Strong management can support this entire enterprise.

## Managing in Support of the Charitable Mission

*This above all: to thine own self be true,  
And it must follow, as the night the day,  
Thou canst not then be false to any man.*

— HAMLET, ACT I, SC. 3.

A mission statement represents a family foundation's values, goals, and purpose. In addition to defining the foundation's overarching goals, it can provide a framework for managing the foundation. According to management guru Peter Drucker, "Understanding one's mission is the essence of effective strategy, for the small nonprofit enterprise or the Fortune 500." Drucker recommends asking, "What is our business/mission? Who is our customer? What does the customer value?" Your customers are your grantees, your community, and, in the broadest sense, society.

If you are not already deeply involved in your area's nonprofit community, you will want to learn as much as possible about it. You might want to set up individual meetings with local government, business, and nonprofit leaders. Invite a group of them to lunch, or even conduct formal focus groups. This will help guide and inform you as you rise to the challenge of setting up an efficient management structure that takes the foundation's mission, family dynamics, and grantees into account.

For example:

- If you want your foundation and family to be visible in the community, consider renting an office with a conference room in the downtown area of your city and hire a friendly, outgoing staff person to manage that office.
- If you want family members to conduct meetings or do work at the foundation, you will need extra office space for their use.
- If your family prefers to remain behind-the-scenes and give as much as possible of the foundation's assets to charity, you may be able to set up shop in a family member's home or business.
- If your foundation's mission is to protect the environment, you might want to have your foundation's office in an environmentally sound building, print foundation documents on recycled paper, and use other recycled office materials.
- If your foundation funds the arts, you might want to support local artists by hanging their artwork in your offices or by providing them with free or low-cost studio space.

These are just a few examples of how family structure and foundation mission might affect management and operational decisions. There are as many permutations of these as there are families and organizations.

## Assessing What Work Must Be Done

*Work, and thou wilt bless the day  
Ere the toil be done.*

— JOHN SULLIVAN DWIGHT (1813-1893)

Setting up the foundation office and putting management systems in place will take a fair amount of time initially. Once set up, however, the office should run smoothly, freeing you and your family to focus on foundation mission. Questions to consider include:

- How will we manage the board?
- Will we accept unsolicited proposals?
- If so, how and when will we accept and review proposals?
- How many grants and what types of grants will the foundation make?
- What kinds of follow up will the foundation undertake after a grant is awarded?
- What records should we keep?
- How should bookkeeping and accounting be handled?
- How will we let people know about the foundation?

Some of the day-to-day tasks involved in managing a family foundation include:

- Answering mail, email, and telephone calls;
- Writing materials for the foundation, if needed, such as a brochure, a web page, a fact sheet, grant summaries, and board and committee minutes;
- Coordinating meetings, distributing minutes, and preparing briefing

- materials for the board;
- Soliciting and screening grant proposals;
- Identifying and conducting due diligence on grantees;
- Scheduling and keeping records on site visits to potential grantees;
- Attending or organizing networking meetings;
- Issuing and mailing checks to grantees;
- Following up with grantees by answer-

ing their questions, monitoring grant expenditures, and managing grant evaluations, if the foundation chooses to do them.

While some of these tasks are basic to running any office, family foundations have one task that most other organizations do not — determining how best to involve and work with other members of the family. This responsi-

bility generally influences many management decisions.

## Deciding How the Work Can be Done

*One summer day the Little Red Hen found a grain of wheat.*

*A grain of wheat!" said the Little Red Hen to herself. "I will plant it."*

*She asked the duck, "Will you help me plant this grain of wheat?"*

*Not I," said the duck ....*

*When the wheat was ready to harvest, the Little Red Hen said to herself, "I will harvest the wheat and make bread out of the flour ...."*

*And now," said the Little Red Hen, "who will help me to eat the bread?"*

*I will!" said the duck.*

— THE LITTLE RED HEN

A basic truth often underlies a children's story. As with the Little Red Hen, in many families, the day-to-day work of running a foundation falls to one individual. To avoid this, try to involve other family members in whatever way possible — site visits to grantees, editing board books, identifying projects to fund, or anything else that engages them. Every family seems to have someone who is a good writer, a computer whiz, a networker, etc. Be sure to take the time to tap into those

fig  
1

### Help Is On the Way

**A number of organizations exist to serve grantmakers.** You may consider joining or using the services of one of these organizations. Start by asking questions about the programs and services the various groups offer and how best to tap into them. National membership organizations include the Council on Foundations, BoardSource, the Association for Small Foundations, and Independent Sector. Another genre of national membership groups, known as "affinity" groups of grantmakers, provide networking and education around issue areas such as health, the arts, refugees, and children, youth, and families, to name a few. In addition, there are many local membership groups such as regional associations of grantmakers (or RAGs). The Forum of RAGs ([www.rag.org](http://www.rag.org)) can put you in touch with the association nearest you.

The National Center for Family Philanthropy and several university centers on philanthropy can provide you with information and resource materials on just about any topic related to family giving.

Many of these groups hold meetings, conferences, workshops, seminars, and the like. Some new foundation trustees burn themselves out on the conference circuit because — not knowing what to attend — they attend everything!

A better suggestion is to start slowly, attend one or two national and local meetings, and then take it from there. Keep in mind that most family foundations exist for a very long time, so you may be involved in your family foundation for the rest of your life. Pace yourself.

skills and interests. Ask family members what skills and time commitments they can offer, and what kind (if any) of outside help they are most comfortable with. It may be more work up front, but in the long run the foundation — and often the family — will be stronger. Family members will feel more invested in the enterprise, and bonded to the family team.

### Recruiting Family Volunteer Staff

Many families choose to operate their foundations, especially early on, with volunteer staff from the family. Some, like Charlie Kettering who runs the Kettering Family Foundation, believe that having a family member staff the foundation “ensures that the family will stay involved and that the foundation will fund projects that are meaningful to the family and adhere to the donor’s intent.” Sometimes a family member takes on the responsibilities for the foundation’s day-to-day work by default, but in the long run it is far better to think staffing through systematically.

Whether staff is paid or volunteer — family or nonfamily — it is a good idea for board members to discuss what qualities, skills, and experience they are seeking. Other steps include writing a description of what the job responsibilities might be, deciding who is ultimately responsible for hiring and overseeing the staff, conducting interviews, and finally, identifying candidates.

fig.  
2

## Hands On: The Mario Morino Story

**When I retired from the business world in late 1992, it was the first time in over two decades that I could concentrate on my dream of giving something back to society and helping others. It was then that I launched the Morino Foundation.**

Previously, the hectic pace of the computer software industry had all but monopolized my attention, especially during the late 1980s and early 1990s, when my associates and I brought our company through a series of complicated acquisitions and mergers that resulted in one of the world’s largest software companies, Legent Corporation. In 1992, the company was in both a solid financial state and a strong market position, and was under the leadership of a strong management team, so I was able to step down and begin a new journey in the nonprofit realm.

**My early vision for the Morino Foundation was simple:** I wanted to play a supportive but active role in the grant projects we would support. This role — what I call a “passive activist” — would mean assisting grantees not only financially, but also by serving as an advisor to them. It would entail providing appropriate contacts who could help them financially or otherwise, and in some cases, even rolling up my sleeves and working alongside them on planning, developing, and marketing their projects. The idea was not to take control of the projects but mainly to help the grantseekers succeed by providing the expertise, assistance, and resources to which they might not otherwise have ready access.

Much of this activist philosophy stems from my business roots. I had an active management style, a desire to be involved in day-to-day work operations, and a commitment to build and cultivate relationships with my co-workers. Over the years, I was blessed with many close friendships and relationships with people at Legent, its customers, and even its competitors.

This personal approach is crucial to the Morino Foundation’s success. Our role is to be involved and supportive, but not controlling. Take the process of awarding a grant. The key is to look at the potential award from both a business perspective and a personal one. Business sense helps me determine whether a project is technically or financially feasible. My personal involvement enables me to judge whether the potential grantee is committed to his or her mission, has the skills to accomplish his or her goals, and whether the right chemistry exists for successful cooperation between us.

EXCERPTED FROM *The Genesis of the Morino Foundation*, 1995, The Morino Institute.

fig  
3

## Staffing Your Family Foundation

When family members find a true fit between the foundation's mission and their career goals and skills, having a family member as a family foundation staff can be ideal. Still, some of the biggest challenges may include:

- Learning how to run an office;
- Working alone or with a very small staff;
- Reporting to a member of your own family;
- Setting work/family boundaries with family members; and
- Hearing criticism from other family members.

Family members who run their family's foundation advise:

- Stay neutral;
- Err on the side of over communicating and being overly accountable for your work;
- Obtain consensus from the family whenever possible; and
- Hire an outside facilitator to help with board meetings.

Be sure to take into account family dynamics when assessing staffing options. First, what type of skills, interests, and time do board members have? Each family member brings different skills and professional experiences and has different levels of time and interest in the foundation. Some trustees might enjoy reading proposals and making site visits. Others might have credentials in financial and asset management. If there is a lawyer on the board, he or she might be able to provide pro bono legal counsel or at least oversee the work of outside counsel.

Think about how different family members can complement one another.

fig  
4

## Management and Marriage

For many years, the husband and wife team of John and Geri Kunstadter have been the staff and board of the Kunstadter Family Foundation. Founded with profits made in the ladies "foundation" (undergarment) business, John's grandfather ran the Kunstadter Foundation from his business office. Later, John's father managed the foundation, also out of his business office, with help from a secretary. When John's father died, John and Geri took over day-to-day operations of the foundation.

John and Geri were both at a point in life where they had the time, interest, and financial wherewithal to run the foundation, and they believe in keeping foundation administrative expenses as low as possible. Thus, they became unpaid foundation staff. They also had room in their New York City apartment to set up an office. John recalls, "Gradually the time and space required to run the foundation expanded. With such limited space, we are disciplined about throwing away things we no longer need." Now, their older daughter comes into the city and spends about 10 hours a month cleaning out the files for them.

John and Geri are frugal with the foundation's dollars. Not only are they not paid, but also they pay for most travel and expenses out of their own personal funds. Even postage is charged to their personal account. John states fervently, "This is money in trust for the public and not for our own personal use."

The computer age has been a godsend for small family foundations like the Kunstadter Foundation. Email, Internet, and faxes make it possible for the couple to do most of the foundation's secretarial work. They spend about \$500 a year for help, if needed, with mailing their annual report, word processing, data entry, and answering mail. They keep the foundation's finances on the computer and sometimes get help with bookkeeping, which amounts to less than \$1,000 per year (also paid out of their personal funds). An accountant completes the tax return with information the Kunstadters keep in the computer in Excel or Word.

For example, Uncle Harry, a retired CPA, might oversee the foundation's accounting. Cousin Carol, just out of the Kennedy School with an MPA, might handle daily operations. Bill, an attorney and longtime family friend, might serve as General Counsel. Aunt Lydia, the socialite and volunteer extraordinaire, might manage public relations.

Be careful, however, not to pigeonhole family members. One of the many joys of having a family foundation is that you get to see family members in different lights. For instance, you might have a stern actuary in the family who relishes interpretive dance in his free time. He could head up the arts grant-making program. Or your nephew, the economics professor at Stanford, might be willing to review your investments and help grantees with their finances. Many professional development opportunities, such as investment and grant-making workshops sponsored by national and local groups, are available to help trustees bone up on rusty skills or cultivate new areas of expertise.

According to the Council on Foundations, more than half of the family foundations that responded to its most recent *Management Survey* employ a family member as their foundation staff. In some cases, these family members are also board members. Some forfeit their seats on the board; others do not, and must be extremely careful to avoid real or perceived conflicts of interest. For

most families, selecting a family member (or members) to be the foundation's staff may not be as easy as it was for the Kunstadters. Still, some families feel more comfortable — at least initially — having a family member at the helm.

### Deciding to Hire Paid Staff

What prompts a family foundation board to hire paid staff? Some donors decide they need more time to pursue other interests. Some find that other family members are not in a financial position to volunteer. Still others find that family members are either not qualified or are not interested.

In its *2001 Member Survey*, the Association of Small Foundations found that 54 percent of its respondent members employed paid staff. That percentage ranged from 14 percent (for foundations with assets of less than \$500,000) to 29 percent (assets of \$2 million or more), 67 percent (assets of \$5 million or more), and 95 percent (\$50 million or more).

The first step toward hiring paid staff is to write a job description for the prospective employee. It is also a good idea to have written personnel policies and to set salary and benefits based on objective measures. Find out what similarly sized family foundations pay and what their employee policies and practices are. Keep these documents short and simple, and adjust and supplement them as the foundation evolves. Sample

job descriptions, personnel policies, and information on family foundation staff salaries and benefits are available from organizations such as the National Center for Family Philanthropy, your regional association of grantmakers, the Council on Foundations, and the Association for Small Foundations. In budgeting for personnel, you may also wish to budget time and money for staff to attend the Council on Foundations or the regional association of grantmakers' Institute for New Staff and family foundation conferences as orientations. Also, the Society for Human Resource Management, [www.srhm.org](http://www.srhm.org), can provide more generic sample documents and advice.

Kathy Good, of Good Management Associates, advises organizations on human resources issues. She believes that: "It is important that someone hiring staff for the first time understand what an employment relationship involves from a legal perspective. This may vary from state to state, but reference materials are easily found on the Internet and in popular bookstores." Good also advises that organizations that only intend to hire one or two employees not spend too much time developing written policies and job descriptions from scratch.

Although many families find their staff person through word of mouth, you might also want to advertise. Again, the groups mentioned above are good places to send your position announcement.



## Should the Foundation Pay Compensation or Reimbursement?

*Compensation* generally refers to fees paid to an individual for service on the board, as well as fees that board members may receive in exchange for providing professional services to the foundation — including legal, accounting, and other

necessary activities for accomplishing the foundation's mission.

*Reimbursement* refers to payment for expenses that board members or staff incur while attending foundation meetings, site visits, and other activities. Depending on where a trustee or staff member lives and what other responsi-

bilities they are asked to take on, these expenses can range from a small amount to thousands of dollars per year.

## What the Law Says

Family foundation members and trustees are classified as disqualified persons, and as such are subject to special rules regulating self-dealing and “conflicts of interest” in private foundations. For purposes of this essay, we refer to the governing boards of foundations as “trustees.” Please note, however, that there are different legal responsibilities imposed upon governing boards depending on whether they are formed as a corporation or a charitable trust.

Anyone related to the founder of the foundation is almost assured of being considered a disqualified person. (For more information, see *Facing Important Legal Issues*, p. 59.) Compensating, paying, or reimbursing the expenses of a disqualified person is viewed as self-dealing, and may be subject to significant fines for both the foundation and the individual trustees.

However, the law contains an important exception to this self-dealing rule. This exception allows payments to disqualified persons (other than payments to a government official), provided that these payments are for personal services that are *reasonable* and *necessary* to carrying out the exempt purposes of the foundation.

fig  
5

## Using a Search Firm

Some families choose to retain a professional search firm when hiring their executive director — most often when the staff person will be a nonfamily member. Others, such as the Meadows Foundation, which had a large extended family to choose from in selecting a new president, chose to use a search firm for the family to ensure that the process was objective.

### Family foundations may want to use a search firm if:

- The job market is tight;
- The board does not have time to handle all of the tasks involved in the hiring process;
- The foundation wishes to tap into a national pool of candidates;
- The foundation wants to keep the search — and the foundation's name — confidential;
- The foundation board is not experienced at vetting resumes and interviewing candidates; and
- The foundation board wants expert advice throughout the process.

Executive search professionals usually charge a substantial fee; however, the work they do in helping you get clear about what type of person you are looking for and in helping to identify appropriate candidates can save thousands of dollars in the long run.

To find a reputable search firm, check with your national and local networking groups. Ask colleagues what firms they have used and about their experiences with these firms. Call the National Center for Family Philanthropy for information on search firms that have experience working with family foundations. Supplement this with research on the Internet including a visit to the Association of Executive Search Consultants' ([www.aesc.org](http://www.aesc.org)) website.

## What the Law Means

The law's basic intent is to keep family foundation donors and boards from compensating family members and other disqualified persons at levels that are higher than appropriate for the services they provide. The law does not specify what "reasonable and necessary" services and compensation may be, but there are a number of considerations and sources to refer to when thinking about these issues.

Many foundations and trustees, reflecting upon the nature of foundation board service more generally, follow a strict interpretation of the law's intent. This view holds that private foundations exist in order to fund nonprofits. Ensuring that funds are used primarily for this purpose is the law's clear intent. Thus, only in very special cases should a foundation consider compensation or reimbursement.

## Questions for the Board

- Do we as trustees, in addition to governance roles, also perform services that are commonly considered "professional" or "managerial" positions — such as managing investments, providing legal or accounting services, supervising staff, sending out regular mailings, and other activities? Is this spread equally among all of the trustees, or the responsibility of one or two of the trustees?
- Is philosophy on the issue of compensation consistent with expectations of trustees in terms of their board service

fig.  
6

## Family as Staff: The Greenlee Story

Hiring a family member as a paid staff person proved to be an excellent move for the Greenlee Family Foundation of Boulder, Colorado. Anne Kemp is executive director and daughter of the founders. Like the Kunstadter Family Foundation, the Greenlee Family Foundation's assets are about \$2 million.

Anne left a full-time job as a development officer at a university to run the foundation. As a paid family executive director, she works out of her home. The board consists of her father, mother, and a brother. The board sets her salary by looking at the Council on Foundations *Grantmakers Salary Report*. Her family conducts her annual performance evaluation, but no longer tries to do so with a formal written document. "At first," according to Anne, "it was awful. My brother lost the form. Mom filled it out in crayon. And my father sent me flowers, and told me I was doing a wonderful job." She adds that, no matter how professional they try to be, "The one thing you cannot factor out of family foundations is family."

Anne loves her job and hopes one day to turn the foundation's mantle over to her brother so that he can share in the fun. She is, however, careful to point out that much of the work is not very glamorous. The administrative work is boring and perfunctory. She answers the telephone, responds to the mail, crafts budgets, and prepares materials for the board. Anne also enjoys being active in the Colorado Association of Grantmakers, saying, "It helps me to keep in touch. I spend several hours a day working alone in my basement or at my office and need to schedule time to interact with people from nonprofits and other foundations."

There are pros and cons to hiring family members to staff the foundation. On the plus side, family members understand the family history, dynamics, goals, and issues. They are likely to be more invested in the foundation's success. Their presence might promote more family connection and involvement. On the negative side, they may be too intimately connected to the family to be impartial. They may not be the most qualified candidates. Other family members may be jealous of not having what they perceive as a "cushy foundation job." And it may be difficult for one family member to evaluate objectively another member's job performance.

— do we take into account the time associated with site visits, meetings, and other board activities when deciding on what level of commitment is appro-

priate and necessary for continued board membership?

- Have we kept accurate and complete records regarding the amount of time

## *The law's basic intent is to keep family foundation donors and boards from compensating family members and other disqualified persons at levels that are higher than appropriate for the services they provide.*

contributed by board members in the past? Do we wish to keep these records in the future?

- How many proposals received each year are not funded due to a lack of grantmaking funds available? Would significantly more grantmaking funds be available if trustees were not compensated/reimbursed?

### **Family Participation**

- Is payment of compensation for service necessary for an individual trustee's continued participation? Will this have an impact on family branch participation in the foundation?
- If there are younger family members on the board, should they be treated differently? Should there be compensation for these individuals while they are in school? Should this end or be phased out once they get jobs?
- Is paying compensation to some trustees but not others likely to cause divisiveness within the family?
- Is there a tradition or system within the family regarding family branch participation in the foundation? Is membership on the board viewed as a privilege in and of itself, and might providing compensation raise issues of fairness within the family?

- What are the family's values regarding voluntary boards? How can these be best reflected in a compensation policy?

EXCERPTED FROM Jason Born, *Board Compensation: Reasonable and Necessary?* Passages. (Washington, DC: National Center for Family Philanthropy, 2001) available at [www.ncfp.org](http://www.ncfp.org).

### **Developing a Compensation and Reimbursement Policy**

If your board decides to offer trustee compensation or reimbursement, you can develop a policy for this. Although such a policy does not guarantee that you have complied with the IRS's "reasonable and necessary" guidelines, it provides your board members with a clear understanding of when they will be compensated or reimbursed, and when they will not.

**How was the policy developed?** Include a short description of the rationale for your policy:

- Review printed materials and surveys on the subject;
- Conduct a survey of similar organizations;
- Contact associations of foundations or nonprofits for information on this issue;
- Review actual out-of-pocket expenses of trustees; and

- Review fees paid for similar services for other similar organizations.

### **Is there a position description for staff?**

Having a position description for family staff that specifies the duties and skills needed to perform the functions of the position will help the family justify the compensation level they set.

### **What will compensation be based upon?**

If compensation is to be provided, state clearly whether it will be paid on an annual or some other basis, and on what basis the amount was determined. The policy should state that each staff member is responsible for submitting a report documenting time spent on foundation activities (although not legally required, such a report could prove very helpful for audit purposes). The policy should also state specifically that this compensation must be reasonable for the services provided and necessary for the effective operation of the foundation.

### **What expenses will be reimbursed, and what are the limits on these expenses?**

Being specific about these limits will minimize misunderstandings and disagreements.

### **What expenses will not be reimbursed by the foundation?**

Reimbursable expenses might include transportation to meetings or site visits, foundation business entertainment, and other expenses. You may also agree to cover some but not other expenses.

*Who decides what level of compensation to provide and approves requests for reimbursement?* The policy should identify who will make these decisions. Using outside advisors may help to avoid family resentments in situations where family staff members are compensated differently. This person or committee can also ensure that compensation and reimbursement are budgeted and tracked appropriately.

### Finding an Alternative to Compensation

If your board decides that providing direct compensation for family staff service is not appropriate or desired, you may still want to consider instituting one or more of the following options to honor and encourage their ongoing service:

- **Discretionary grants:** Some foundations allow their family staff to make a small number of discretionary grants to nonprofits of their choice, most often within the foundation's stated guidelines (another option is to provide a small discretionary grants budget to each trustee). (See the section on Discretionary Grants in *Establishing Grantmaking Interests and Priorities*, p. 185.)
- **Matching grants:** These grants are usually made in recognition of an individual staff member's personal gift to a nonprofit, where the foundation matches the gift according to some predetermined formula (often one-to-one) up to a certain amount each year.

fig  
7

## Can the Foundation Pay for Spousal Travel? For the Travel of Other Family Members?

**Generally, no.** The assets of the foundation cannot be used to finance family reunions. Spouses and children of board members are disqualified persons. If foundation assets are paid to them for travel or related expenses, such payment is an act of self-dealing. Obviously, if the spouse or child is also a board member (or staff), the reimbursement of reasonable expenses for necessary foundation activities is not a violation. But assuming the spouse or child has no official duties, such reimbursement is self-dealing.

There are two methods for making such reimbursement payments that satisfy the legal concerns. First, treat the reimbursement as part of the reasonable compensation paid to the board member or staff member whose spouse or child is being reimbursed. The amount of reimbursement must show up as reportable income to the board or staff member on a form 1099 or W-2.

**Example:** A board member takes his or her spouse to a Council on Foundations conference for family foundations. If the expenses paid by the foundation for the spouse are counted as compensation to the board member — and the board member's total compensation is reasonable — there is no self-dealing. Why? Reasonable compensation for personal services is the main exception to the self-dealing rules.

Second, develop legitimate and meaningful duties for the spouse and/or children that further the charitable purposes of the foundation. Providing companionship and attending social receptions with a board member would not be considered meaningful foundation duties.

**Example:** To train the next family generation in the traditions and operations of the foundation, the foundation approves an advisory committee composed of children of the donor. This committee will review all applications for grants in a particular subject area and make final recommendations to the governing board. Reimbursing these children for reasonable expenses of attending an appropriate board meeting or a training conference would be legitimate foundation expenses.

SOURCE: John A. Edie. *Family Foundations & the Law: What You Need to Know*. 3rd ed. Washington, DC: Council on Foundations, 2002.

- **Supporting outside voluntary board service:** Some foundations encourage the service of their family staff members on other voluntary boards by agreeing to make an annual gift (perhaps \$500 or \$1,000) in honor of that service.
- **Supporting outside family members' involvement:** Consider reimbursing the travel of a spouse or children of the family staff member to attend board meetings or educational conferences. This type of benefit must be treated as compensation, but again can be a nice way of encouraging participation by the extended family in the activities of the foundation.

### *When hiring a staff person from outside the family, again, you will need to define the job, salary range, and reporting relationships.*

Please note that, in each of the above instances, the full board is legally responsible for approving the grants and ensuring that recipients are eligible grantees. Still, these options encourage foundation trustees to continue to develop and support their own causes and interests, and send a clear message that the foundation values highly the individual's time and commitment to the nonprofit sector at large. (Laws on trustee compensation vary by state. In California, for example, family board members can be paid for service only if the governing board consists of 49 percent family members or fewer. Check with your state Attorney General's office on this point.)

### **On the Outside Looking In**

If the potential pitfalls of hiring a family member concern you, you might want to explore hiring someone who is not a family member. A family foundation is a work in progress. Many families have family members as staff initially and then replace them with nonfamily staff or vice versa.

When hiring a staff person from outside the family, again, you will need to define the job, salary range, and reporting relationships. You can identify candidates either informally through professional networks, or more formally

through the regional association of grantmakers and other nonprofit associations and periodicals such as the *Chronicle of Philanthropy*. If you feel more comfortable having professional help conduct the search and are prepared to pay for it, you might want to hire an executive search firm or an individual consultant to guide the search.

### **Sharing Staff**

Many small family foundations share staff as a way of maximizing efficiency and saving costs. Employees can be shared in many ways. A community foundation, a nonprofit organization, or a for-profit company that specializes

in managing small foundations could manage the foundation. A number of these opportunities are available around the country, often with different emphases. For example, some manage family foundations that have what they consider to be a social change or progressive agenda. Others manage family foundations that want to pursue what they call a "strategic grantmaking agenda." That is, they help donors who want to fund in very specific, targeted areas. Others may have been started as vehicles to manage the philanthropy of individual family members and now takes on other families as clients. Some of the services these organizations can perform include identifying and screening potential grantees, working with families to clarify their goals and interests, and managing the day-to-day administrative details of small and large giving programs.

Philanthropic collaborative groups can be powerful tools for families to use to gain prompt, affordable access to expertise and a network of like-minded givers. Families that opt for this type of shared arrangement also have the benefit of having access to high-level consulting staff and expert administrative staff on an as-needed basis. They benefit from sharing a central office to hold meetings and are in an ideal position to collaborate with other funders and grantees. In much the same way, some community foundations or religious organizations, such as Jewish

Family foundations generally use a variation of four models in planning the management of their organization — the administrator consultant, director, or family staff model or some combination. All of these models are effective, depending on what is important to the family. The two major considerations in selecting a model are: how much time family members want to devote to the foundation; and how much control over foundation activities the family wants to maintain. Geographic location and the expertise and experience of trustees will also have a bearing.

## ADMINISTRATOR MODEL

This model requires a staff person who works part or full time and deals primarily with administrative issues. This person might handle correspondence and telephone calls, log in grant requests, track the grant process, arrange for meetings, send letters and grant approvals, make bank deposits, and reconcile financial records. When the administrator model is employed, the foundation is generally housed in a specific office, although the administrator may work for more than one foundation or may handle other work for a trustee, lawyer, or financial advisor who is related to the foundation. Sometimes administrative staff time is provided on a pro bono publico basis by one of the trustees.

### Strengths of this model include:

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

### Possible problems are:

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

## CONSULTANT MODEL

In this structure, an individual is hired to do specific tasks that recur regularly but are not necessarily ongoing. For instance, a consultant might receive grant requests and prepare recommendations for the trustees. Or an individual might be asked to manage financial resources. The consultant is usually paid an hourly or daily rate and may spend extensive time on the foundation during a grant review process twice a year, for instance. In some foundations, the consultant acts as an executive director, assisting the board in developing grant focus areas and requests for proposals.

### Strengths of this model include:

- The cost of ongoing staff and office space is not necessary.
- It is possible to hire specific expertise on a part-time basis that the foundation could not afford full time.

### Possible problems are:

- The consultant needs to maintain close contact with the trustees and reflect their values and interest in his or her recommendations.

- The foundation may be less visible without a specific office and as staff member who is easily accessible.
- Response time to applicants may be delayed because the consultant works for the foundation only sporadically.

## DIRECTOR MODEL

According to this scenario, the foundation hires an executive-level staff person to provide recommendations and oversight for most of the foundation's activities. This staff person is usually — but not necessarily — full-time and may be called the executive director. The executive director oversees any other staff, manages the office, makes grant and program recommendations to the board, works with the chair to develop the board agenda, and provides recommendations for financial management.

### Strengths of this model include:

- Trustees can provide leadership without spending large amounts of time.
- A professional staff person has time to follow opportunities and developments in the community.
- A nonfamily executive director may act as a calming influence if there are volatile family dynamics.

### Possible problems are:

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

## FAMILY STAFF

A family member serves in a specific staff role on a part — or full-time basis. The family member may receive a salary and function in the same way a staff person might.

### Strengths of this model include:

- A family member knows the family and its values and concerns.
- A family member may have a longer-term commitment to the foundation.

### Possible problems are:

- A family member can be more easily caught up in the family issues or dynamics and may be seen as having a point of view or position.
- It may be harder to implement appropriate accountability measures for trustee staff because of family relationships.

## *Philanthropic collaborative groups can be powerful tools for families to use to gain prompt, affordable access to expertise and a network of like-minded givers.*

Federations, manage family foundations for an administrative fee.

### **Using Consultants**

Another option is for an independent consultant to manage one or more family foundations. An experienced consultant can easily manage several small family foundations from a home or office. In this case, it is important for the founder — and possibly the entire family — to have strong rapport with the consultant — especially if it is your first foray into involving a nonfamily member in the foundation.

This is how one consultant who manages two different family foundations describes her job:

*The families live all over the country, so much of my work is accomplished via phone, email, or fax. I also make some site visits to grantees. These boards meet two to four times a year with interim meetings conducted via conference calls. My responsibilities include analyzing proposals that come in, preparing board dockets, and making recommendations on funding based on the foundation's guidelines. I also decline requests outside the guidelines and oversee the preparation of follow-up reports to the board. I have also helped the foundations to develop and modify grant guidelines.*

One consultant helped his foundation's trustees to realize that they could accomplish better and more satisfactory grantmaking if they did not accept unsolicited proposals as the family had a clear vision and direction for its grantmaking. Sometimes the voice of an outsider can help the family see a solution that may not be apparent to them. Another important function of a staff person is to provide coaching, advice, and technical assistance to grantees.

Be sure to issue a formal contract or at least a letter of agreement with your consultant. Some boards prefer to have a retainer agreement with their consultant for a fixed number of hours per week. The consultant can bill at an agreed-on hourly rate if the board needs extra hours of work at busy times, such as the week before a board meeting or the end of a grant cycle. This system works well because it guarantees the consultant will be available for an agreed upon amount of time. At the same time, it allows for the foundation board to request more work when needed while not paying for it on an ongoing basis. One trustee, usually the board chair or another officer, can be designated to oversee the consultant's work and review and submit invoices to the accountant. The founda-

tion should also be prepared to reimburse consultants for expenses incurred while conducting foundation business.

Such a professional staff person may introduce the family to new options. For example, before one small family foundation hired a consultant, the trustees awarded only direct-service grants. Now they are making their first program-related investment for low-income housing.

Judith Healey, a consultant to the Weyerhaeuser Family and the Laura Jane Musser Foundations, has been working with family foundations for more than 25 years. In her experience, "For many family foundations, hiring a consultant is a stage or a phase. They are easing into a more permanent relationship with a nonfamily staff person." Her trustees believe that most family foundations require someone who can guide their grantmaking strategically rather than a pure administrator.

Administrative work is the easiest to hire out," according to one trustee. Another trustee cautions that "The best consultants don't get involved in family dynamics." In addition, consultants should be held to a strict conflict-of-interest agreement that is included in their original contract with the foundation. If the foundation is considering funding a nonprofit that the consultant has a relationship with, the consultant should inform the board

of the relationship and offer to pass the work to another professional. Also, if the trustees feel that a consultant is aligning him or herself with family factions, they should address this with the consultant right away.

### Moving to a Full-Time Paid Executive Director

Sometimes a family foundation evolves into the director model after a number of years of operating with part-time family or consultants as staff. For example, the Jones Family Fund is a 50-year-old foundation. When the foundation was begun, it was run out of the family business office. When the son of the founder became the staff, he leased a small office and hired a part-time secretary. Eventually, he also hired a full-time assistant.

Four years ago, the fund reached a turning point. It had grown from \$20 million to more than \$100 million in assets. The board decided to hire its first nonfamily executive director. They retained a search firm known for finding nonprofit leadership to identify an executive director. The board was looking for someone with expertise both in philanthropy and in their funding areas: the sciences and education. They also wanted someone with administrative experience.

After a careful search, they hired an executive director. The individual they chose is highly qualified and also has good chemistry with the family, which is critically important.

## Determining Where the Work Will be Done

Regardless of the management model you choose, the business of running the foundation has inevitabilities. Once you decide what work needs to be done and who will do it, you must decide where the work will be done. Here again, family foundations face choices.

*“For many family foundations, hiring a consultant is a stage or a phase. They are easing into a more permanent relationship with a nonfamily staff person.”*

### Using a Home Office

Many small family foundations use a home office because it saves on administrative costs and is convenient for their staff, particularly if the staff is part-time. Some family foundation staff use a spare bedroom with a computer, desk, and filing cabinets for documents they are currently using, while securing space in their basement for longer-term filing and storage. Consultants who are juggling several clients may have a separate dedicated office, business phone, fax, computer, printer, and filing cabinets that may be in their home or in a leased office space. When using a home office, it is important to have a professional place for meetings with grantees, foundation board and committee meetings, and community meetings that the founda-

tion may host. Family foundations are often creative about borrowing or renting space from other foundations or nonprofits, their regional association of grantmakers, or even the public library, for these purposes.

Kim Dennis, executive director of the D&D Foundation, worked for several years part-time from a home office. She liked the flexibility of getting up at 4:00 in the morning to get work done:

*I was often talking on the phone while cooking dinner, sorting laundry, etc. It would have been easy to shut work out, but I didn't want to. I occasionally gave people my home phone number but only in those instances where I knew the person well enough that I didn't worry if they heard kids screaming in the background or knew I was washing dishes while we talked. I guess what it comes down to is that my work has always been very much a part of my life. Most of my friends are people I've gotten to know through work, so it's a bit of a seamless web.*

Kim now runs the foundation out of an office leased from a larger organization and has taken on another part-time job in addition to running the foundation. She now enjoys being



downtown and easily available for meetings, which points out some of the trade offs for both options.

Part of the beauty of working for a family foundation is that the staff is often given the flexibility to craft an arrangement that fits their lifestyle. Jane Leighty Justis, a family foundation trustee and staff person with a home office, cautions that, for many people, separating their home and work lives is very important. Running a family foundation from home makes this an even steeper challenge. When working with a staff person — whether a family member or outsider — it is important to be respectful of their work preferences while being very clear about what type of work style and environment the board expects.

### Using the Family Office

According to the Family Office Exchange, an organization that advises wealthy families:

*A family office is the organization that is created, often after the sale of family business or realization of significant liquidity, to support the financial needs (ranging from strategic asset allocation to record-keeping and reporting) for a specific family group.*

If your family has such an office or is considering starting one, running the family foundation from the family office is a viable, cost-effective model. Many family offices are prepared to provide staffing for:

- Trustee responsibilities;
- Grantmaking services;
- Program assessment;
- Investment management; and
- Administration and compliance.

The family can hire a dedicated staff person to handle family foundation responsibilities or can build them into the job descriptions of existing staff. According to Mariann Mihailidis, membership manager for the Family Office Exchange, about half of family offices have a philanthropic component. Some family offices handle administrative, financial, recordkeeping, and investment responsibilities for the family foundation, which frees the foundation's trustees to focus on the grants.

For example, the Russell Family Foundation in Gig Harbor, Washington, is run alongside a family office, with a separate foundation staff. The foundation contracts with the family office staff at fair market rates to handle bill paying, budgeting, financial reporting, and cash flow operations. This arrangement allows the foundation professionals to focus exclusively on board development, strategic planning, grantmaking, and public affairs.

The Randall L. Tobias Foundation in Indiana also enjoys this arrangement, sharing one support staff and two financial advisors with the family office. According to Executive Director Suzanne Hazelett, the foundation does not pay overhead expenses and uses all of

the family-office-owned equipment for free. But the foundation pays for anything above and beyond the daily operations of the family office, such as large foundation mailings or printing. What is the biggest advantage of sharing with a family office? “Financial expertise at your fingertips,” says Hazelett. The foundation receives the benefit of an in-house financial advisor and a controller.

### Relying on the Family Business

Many family foundations operate out of the family's business office, which can be a blessing for a new foundation. The foundation can use the business's office space, secretarial support, equipment, and sometimes even professional staff. For example, the first Lawrence Welk Foundation executive director was a vice president from the family business, and the foundation was used as a pass-through vehicle for charitable funds from the business. When Lawrence Welk's son succeeded him as head of the family business, his daughter, Shirley Fredricks became the foundation's executive director.

According to Fredricks, running a family foundation as part of a family business means the foundation will depend on the personalities in the company. She recommends that the corporate board be separate from the family board to ensure the foundation gets the attention it deserves and that the company avoids conflicts of interest. This model works well for families that might want to set up the foundation as a pass-

through because they will not have to come up with the funds up front to endow the foundation. Plus, they can use the company's management resources to run the foundation. For example, a secretary from within the corporation handled the administrative work for the foundation and a financial officer handled the asset management and financial functions. Also, Fredricks was originally an employee of the corporation. She later became a foundation employee when its bylaws were changed.

Because family foundations are often one-person operations, working out of a family business office can provide the stimulation of other professionals. For example, when starting out, Emily Tow Jackson operated her family foundation, the Tow Foundation, as the sole staff person, and worked from her family's business office, which had 130 employees. Now, her foundation's activities have grown to the point where it has its own office and a separate staff.

### Sharing Space

If your family does not have a family business or a family office, and you would still like to share space, many options for doing this are available in the nonprofit world. According to the Council on Foundation's *Trends in Family Foundation Governance, Staffing, and Management*, 43 percent of the family foundation respondents share office space. Of those, almost half share with a family business. One-fifth-shared space with another

foundation, and one-fourth shared staff either with a family business or with another foundation.

### Establishing a Foundation Office

Many family foundations choose to set up an independent office, especially when they have more than one staff person. They may also have extra offices available for trustees and consultants as well as a conference room for board and committee meetings. Having an office can give the foundation a presence in the community. Many leased office suites allow the lessee to share a receptionist, copier, fax, computer equipment, and furniture.

## Identifying and Securing the Tools You Will Need

It may be best to think about your office equipment holistically. Things to consider include selecting, installing, and maintaining office furniture and filing cabinets, phones and voice mail, a fax machine, and computer hardware and software.

An easy approach to setting up an office is to hire a specialist to locate furniture, equipment, and office space. You can specify if you would like to have new or used equipment and furniture, office

fig  
9

## Ways to Share Space

The Consumer Health Foundation and Trellis Fund, both located in Washington, DC, share space, equipment, ideas, and friendship. On a practical level, the relationship saves on overhead costs. The two foundations split the rent and allocate use of the equipment. They also share the expenses of publications and periodicals. "You can spend thousands of dollars on journals and library materials," says Hope Gleicher, executive director of a family foundation called the Trellis Fund. "So, we share subscriptions. We also route materials that one foundation, but not the other, receives."

Bruce Hirsch, executive director of one of four family foundations in San Francisco that has shared office space says: "It allows you to be with people who are doing similar work to yours and to learn from each other. If there is any challenge, it is in making joint decisions and in ensuring that everyone is getting a fair shake cost wise." He stresses the importance of monitoring costs, engaging in open discussions, and making joint decisions.

EXCERPTED FROM the Council on Foundations, *Family Matters* newsletter (Vol. 6, No. 2, Spring, 2001).

space in a high-rent or lower cost area, and on and on. If costs are a concern, you may want to explore purchasing used office furniture and computers from auctions of recently defunct businesses or even through the Internet.

A computer can handle many administrative functions. Depending on your in-house computer skills, you may need outside technical support to help set up your office and troubleshoot when problems arise.

### Should You Have a Website?

Websites are essential tools for many organizations today. In addition to functioning as communications and public awareness tools for family foundations, they can also be helpful for management purposes. They allow you to post your foundation's mission and guidelines so that you do not have to print and mail numerous copies. You can also accept letters of inquiry and grant applications online, which saves time and resources for you and for applicants.

At first, you may want a site hosted for little or no cost by another organization. There are groups that develop websites for nonprofit organizations and handle hosting, site maintenance, updates, and technical support. The Foundation Center ([www.fdncenter.org](http://www.fdncenter.org)) offers free of charge, a basic web design service and web presence to grantmaking foundations (more than 100 to date) interested in providing their program descriptions

and guidelines, application information, grants lists, requests for proposals, newsletters, tax returns, or other information online. In addition to — or as a precursor to — a website, you might want to consider an “intranet.” This website is password protected and can be made available exclusively to family members. It can keep board members in touch with one another and enable you to share information easily but privately.

### Choosing Technology for Grants Management

Computer software is an essential tool for grants management. A handful of

companies specialize in grants management software for foundations. The Council on Foundations' magazine, *Foundation News & Commentary*, frequently publishes articles about technology for foundations, as well as a vendors' directory, as does the *Chronicle of Philanthropy*. Still, for small foundations sometimes the basic tools are the best — at least initially.

Jane Leighty Justis of the Leighty Foundation recommends, “Start with a simple system like Excel. Then figure out what information you want to know as you go along. If you think you

fig.  
10

## The Paperless Office

Remember the claims that the Internet would usher in the paperless office? It's not as far away as you may think. Nate Berry, program director and sole staff member of the Sandy River Charitable Foundation, says that in the fall he will have a comprehensive on-line grants review system in place, contributing to a significant reduction of paper. What led to this decision? “I have a very small office,” says Berry, whose background in computer engineering also was a factor. Board members “are fitting the foundation into a corner of their homes.”

“The choice was either volumes of paper or to make use of electronic media,” says Berry. The foundation receives proposals by invitation only. Accompanying each invitation is a full Adobe Desktop package, suggesting that applications and reports be returned by email in PDF format. Where necessary, proposals are scanned and converted to the PDF format. All are then posted on the foundation's board member-only website. For convenience of use, the board book on CD-ROM in PDF format is also mailed to all board members, who may call or email Berry with questions or comments. Some paper still goes out to board members — 30 pages or so for meeting, a “significant reduction” from the 370 pages that went out in the last shipment before conversion to CD-ROM, Berry says.

will need a fancier system, consider packages and systems that will allow you to record, manipulate, and report that information.”

Once you are ready to consider some off-the-shelf grants management software packages, a useful resource is the Grants Managers Network ([www.gmnetwork.org](http://www.gmnetwork.org)), a membership group of more than 300 staff from foundations who are responsible for the policies, procedures, technology, and administration of their organization’s grantmaking. This group provides a forum to exchange information about grants management and its relevance to efficient and effective grantmaking through a newsletter, list server, website, annual meeting, and regional programs.

### How to Handle Accounting and Recordkeeping

In setting up and managing your foundation’s accounting, bookkeeping, and other recordkeeping systems, you may feel like old Polonius in Hamlet: “Though this be madness, yet there is method in’t.” Many small foundations hire an outside accountant or accounting firm to handle their day-to-day bookkeeping and accounts payable. The foundation treasurer or board chair usually supervises this function in tandem with the foundation’s executive director.

Every private foundation (which includes family foundations) must file an annual tax return, Form 990-PF. To facilitate this

fig.  
11

## Technology Help for Your Foundation

Some excellent resources for help with technology needs exist on the Internet for nonprofits. These include:

- Techsoup ([www.techsoup.org](http://www.techsoup.org)). This site provides recommendations for nonprofits’ technology needs and advice on how to make the best use of technology.
- Technology Works for Good ([www.technologyworks.org](http://www.technologyworks.org)). TWFG connects nonprofits, funders, tech assistance providers, and technologists into a living, growing solutions network.
- Fund for the City of New York ([www.fcny.org](http://www.fcny.org)). The Nonprofit Computer Exchange and Internet Academy of the Fund for the City of New York helps organizations make the best uses of technology through: computer/Internet classes, technology seminars and conferences and technology consulting.

Email and the Internet have truly revolutionized grantmaking. Foundations can have their grantmaking guidelines available on their website and can receive letters of inquiry and grant requests electronically. Some opt to have electronic forms on their websites, while others prefer to receive emails or emails with MS Word or Excel attachments. Your foundation can also acknowledge the receipt of letters of inquiry or grant applications electronically. Moreover, sharing proposals with trustees via email can be a huge time and money saver!

*In setting up and managing your foundation’s accounting, bookkeeping, and other recordkeeping systems, you may feel like old Polonius in Hamlet: “Though this be madness, yet there is method in’t.”*

form filling, the foundation must keep accurate and complete records of its investments, expenses, and grants. In addition, the foundation must list the trustees and staff and their compensation, if any. According to the IRS, the 990-PF is the most complicated tax

form there is. Thus, having an accountant who works for other foundations and has an expertise in working with tax-exempt organizations is essential.

Whether a family foundation operates out of a home or in an office and is

managed by volunteers or paid staff, recordkeeping remains an essential function. Records and files can be organized in many ways, and foundation administrators can come up with a system that makes sense for their foundation. If you are uncertain about how to get started, visit other local family foundations and ask how they organize their records and what they like or dislike about their systems. Ask what they would do differently if they were starting from scratch. Again, your regional association of grantmakers can be helpful to you in identifying and meeting colleagues.

## Considering Administrative Expenses

Every family wants to run its foundation as efficiently as possible. But how do you determine what administrative expenses are reasonable?

Administrative expenses for foundations typically include salaries and benefits, legal and professional fees, rent, travel, printing, and similar expenses. Administrative expenses are affected by many factors including:

- The purpose of the foundation;
- Activities other than grantmaking;
- Whether grantmaking is local, regional, or national;
- The size and number of grant recipients;
- The size and number of grants; and
- The number of staff and consultants.

fig.  
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### What Records Should My Foundation Keep?

#### RETAIN PERMANENTLY:

- Articles of incorporation or instrument of trust and Bylaws;
- Minutes of trustee meetings and committee actions;
- Form 1023, the application for tax-exempt organizations filed with the IRS;
- The IRS's favorable determination letter;
- Any correspondence from the IRS approving the foundation's grantmaking procedures; and
- Ruling from state authorities granting tax exemption.

#### GRANTEE RECORDS (KEEP FOR AT LEAST 6 YEARS):

- Initial grant requests and subsequent correspondence;
- Grant agreements;
- Letters of tax-exemption;
- Financial reports;
- Grant progress reports; and
- Cancelled checks.

#### FINANCIAL DOCUMENTS (KEEP FOR 6 YEARS):

- Form 990-PF;
- Financial statements; and
- Contracts.

Materials related to unsuccessful grant applications can be discarded or returned to the applicants. Some foundations keep a log of rejected proposals with notes on the reasons for not funding the proposal.

SOURCE: Martha Cooley and the Council on Foundations, *Management*. Family Foundation Library. Washington, DC: Council on Foundations, 1997. See also Chapter 3, Facing Important Legal Issues

Keep in mind that higher administrative expenses are not necessarily a bad thing. Some small foundations decide that it is important that they have a visible role in the community. It requires time and money to hire and retain staff, join local and national associations, convene community meetings, visit grantees, and become involved in local causes. Jane

Leighty Justis advises, "The more active a foundation wants its grantmaking to be, the more expenses it is likely to incur." Administrative costs are best thought of in relation to what you want to accomplish — either with your grantees or within the philanthropic field (attending conferences, volunteering for committees, etc.). Often it is

necessary for a start-up family foundation to pay extra administrative expenses to hire and train staff, secure office space, purchase office equipment, and conduct special outreach into the community.

## Realizing Your Great Expectations

*Great Expectations, written by Charles Dickens in 1860-61, is the story of orphan Pip and of his encounter with Magwitch, the convict on the Kent Marshes, of his love for the beautiful and heartless Estella, and of the mysterious fortune that falls into his lap . . . .*

Like Pip, perhaps a mysterious fortune has fallen into your lap, and now you are ready to begin your great adventure and realize your great expectations. Good management is about putting systems and processes into place that will help advance your philanthropic vision and will keep your foundation operating smoothly and in good stead for years to come. Shirley Fredricks, trustee and former president of the Lawrence Welk Foundation, believes that running a foundation is an iterative process. Her advice is: “Take things one step at a time. Try out different ideas. And, most importantly, don’t be afraid to make changes — even if something *is working*, it might still be a good idea to try something different!”