



GREATER HOUSTON
COMMUNITY FOUNDATION
Expanding Philanthropic Impact

Structural & Family Trends in Philanthropy

May 6, 2016

National Center for Family Philanthropy's 2015 Trends Study

Results of the First National Benchmark
Survey of Family Foundations

Small with Great Potential for Growth

Foundations created since 1990:

- 78% have less than \$10 million in assets
- <3% have assets of more than \$200 million
- 60% expect to add additional assets in future

NOTE: 40% of family foundations use a DAF



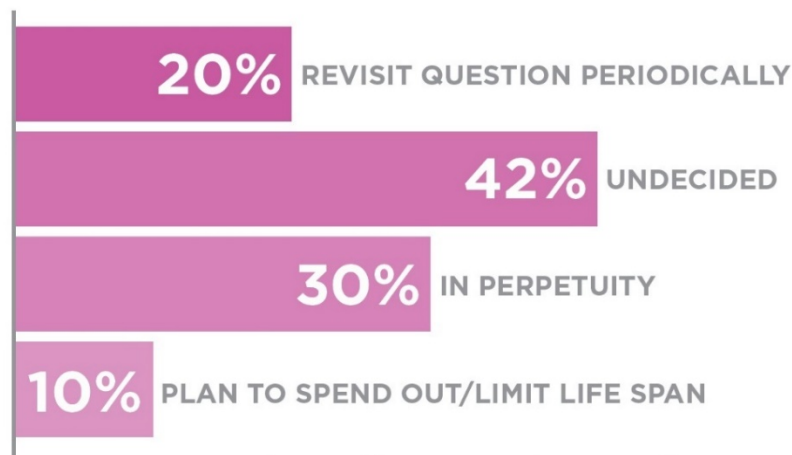
Perpetuity or the Limited-Life: A Conversation in Flux



GRANTMAKING STRATEGY

CURRENT PLANS FOR FAMILY FOUNDATION LIFE SPAN

FAMILY FOUNDATION LIFE SPAN



NOTE: Percentages do not add up to 100% due to rounding.

20%

OF THE YOUNGEST FAMILY
FOUNDATIONS HAVE DECIDED
TO OPERATE WITH
A LIMITED LIFE SPAN

40%

OF THE OLDEST FAMILY
FOUNDATIONS HAVE DECIDED
TO OPERATE **IN PERPETUITY** WHILE
ONLY **3% WILL LIMIT LIFE SPAN**



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Geography-Based Giving and/or Issue-Based Giving

How organizations organize their giving

2 IN 3

FAMILY FOUNDATIONS
FOCUS GIVING ON
GEOGRAPHY

1 IN 3

FAMILY FOUNDATIONS
FOCUS GIVING ON BOTH
GEOGRAPHY AND ISSUES

FOCUS GIVING ON GEOGRAPHY

80%
OF FOUNDATIONS CREATED
BEFORE 1970

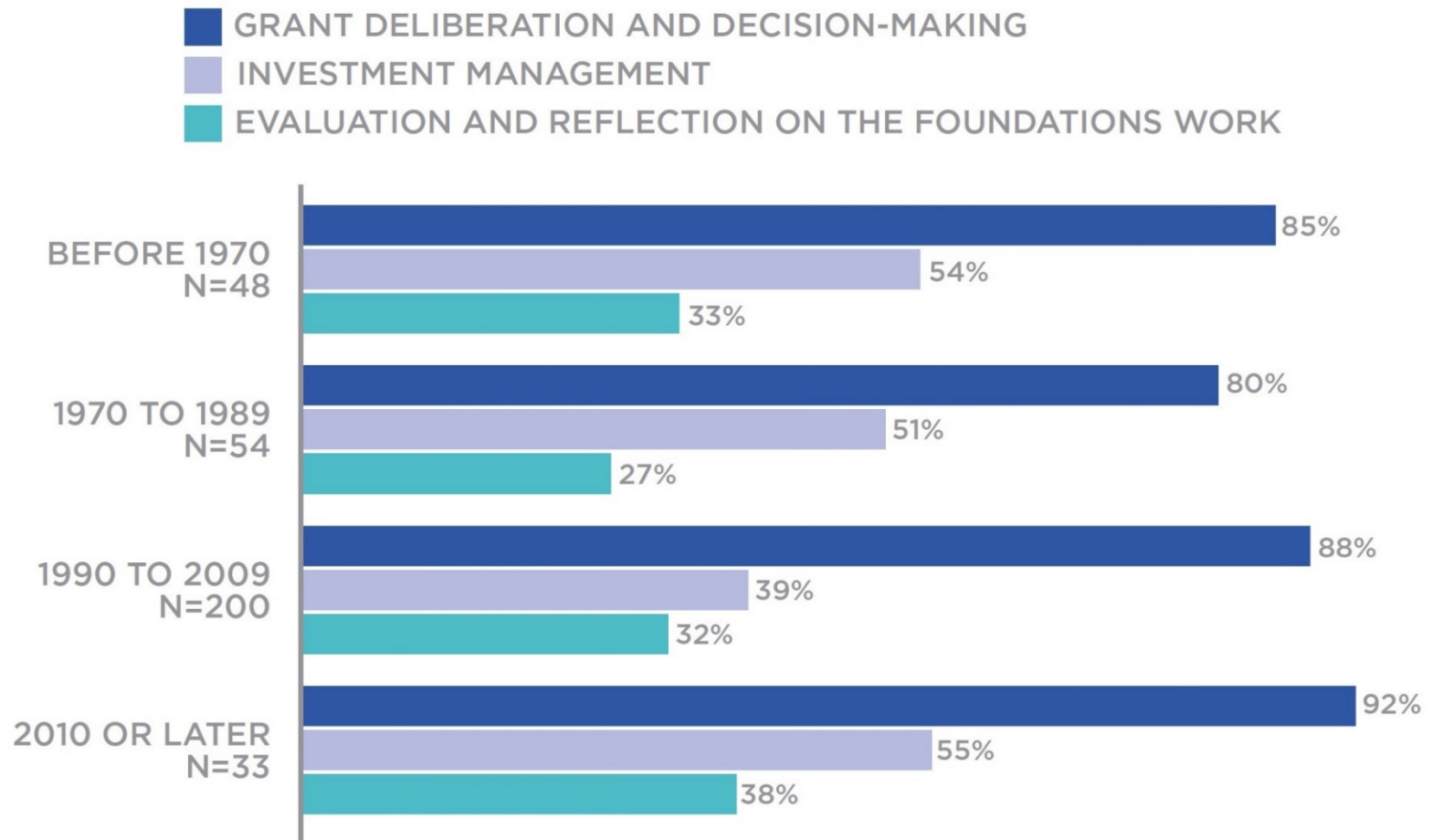
40%
OF FOUNDATIONS
CREATED SINCE 2010



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How Boards Spend Their Time

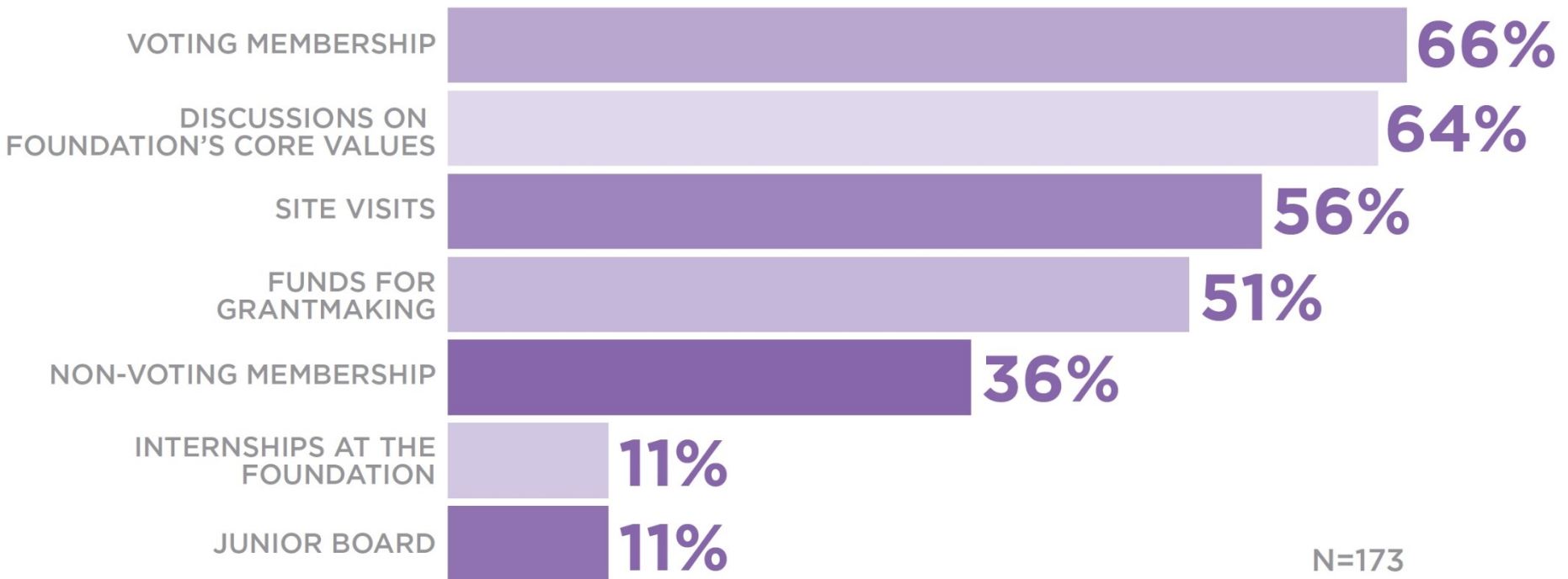
FIGURE 17. TOP THREE BOARD ACTIVITIES, BY AGE OF FOUNDATION



Source: Urban Institute and National Center for Family Philanthropy 2015 National Survey of Family Foundations.

The Next Gen is participating!

FIGURE 22. WAYS THE FOUNDATION ENCOURAGES YOUNGER GENERATION TO PARTICIPATE



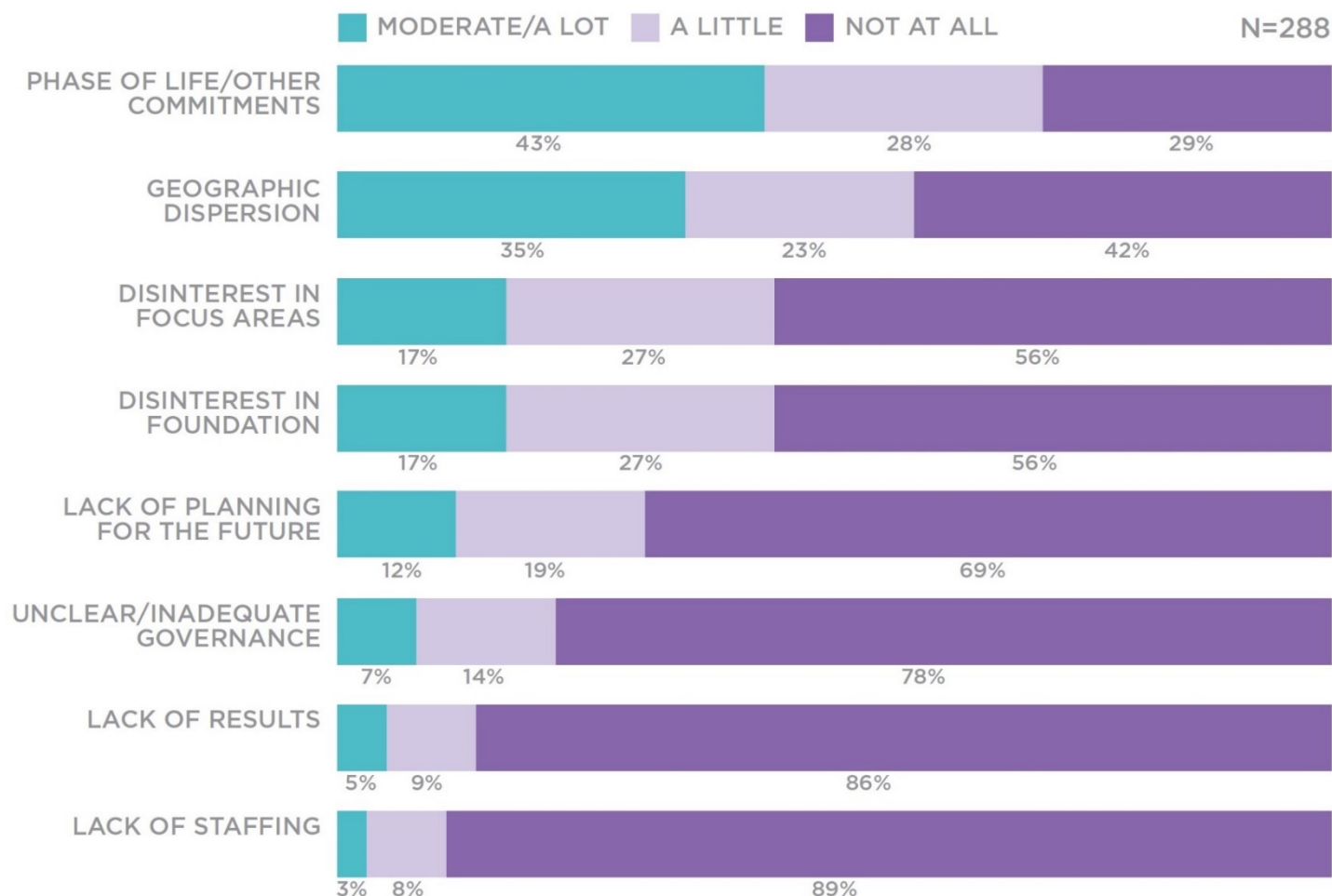
Source: Urban Institute and National Center for Family Philanthropy 2015 National Survey of Family Foundations.



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Challenges for Next Gen Participation

FIGURE 24. FACTORS IMPEDING FAMILY MEMBERS' PARTICIPATION



Source: Urban Institute and National Center for Family Philanthropy 2015 National Survey of Family Foundations

Quick Highlights: Next Four Years ...

Family foundations are considering making changes over the next 4 years:

- 20% will increase payout rate
- 6% will decrease payout
- 12% will expand their mission investing
- 28% plan to make fewer larger grants
- 25% expect a change in leadership



Structural Trends in Philanthropy

What is behind the trend toward utilizing new structures?

- Philanthropists increasingly looking to drive transformational change
 - Impact, scale, sustainability
 - Along with family legacy work, Next Gen involvement
- Increasing recognition that transformation requires:
 - Capital to innovate
 - Advocacy to scale in partnership with public sector, whether with public dollars or modifications to regulatory scheme
 - Broad collaboration
- Purely traditional structures often do not provide access to all of the tools such philanthropists want to utilize



Tools for Transformation

- **“New” tools**
 - Benefit Corporations – double and triple bottom line entities
 - Impact Investments – leveraging philanthropic capital with more than grants
 - Social impact bonds
 - Advocacy
- **New structures often utilize traditional tools as well**
 - Private foundations
 - Donor Advised funds
 - Charitable trusts
- **Donors increasingly utilizing “portfolio” of tools rather than a single platform**
 - Factors include philanthropic strategy, asset mix



Chan Zuckerberg Initiative

- **For Profit LLC**

- Built off Omidyar Network model
- Pledged 99% of Facebook shares – current value is about \$46 B

- **Not qualified as private foundation**

- Not subject to restrictive rules like self-dealing, excess business holdings
- Tax deduction likely not meaningful to donor
- Not required to make distributions
- Confidentiality

- **LLC treated as disregarded entity**

- Funding is nontax event
- Taxable income flows through to members, but likely to be low since Facebook not currently paying dividends
- LLC can make gifts of appreciated stock and members receive fair market value deduction, no capital gain recognition



Chan Zuckerberg Initiative

- **Mission**

- "...philanthropic, public advocacy and other activities for the public good

- **Benefits of LLC approach**

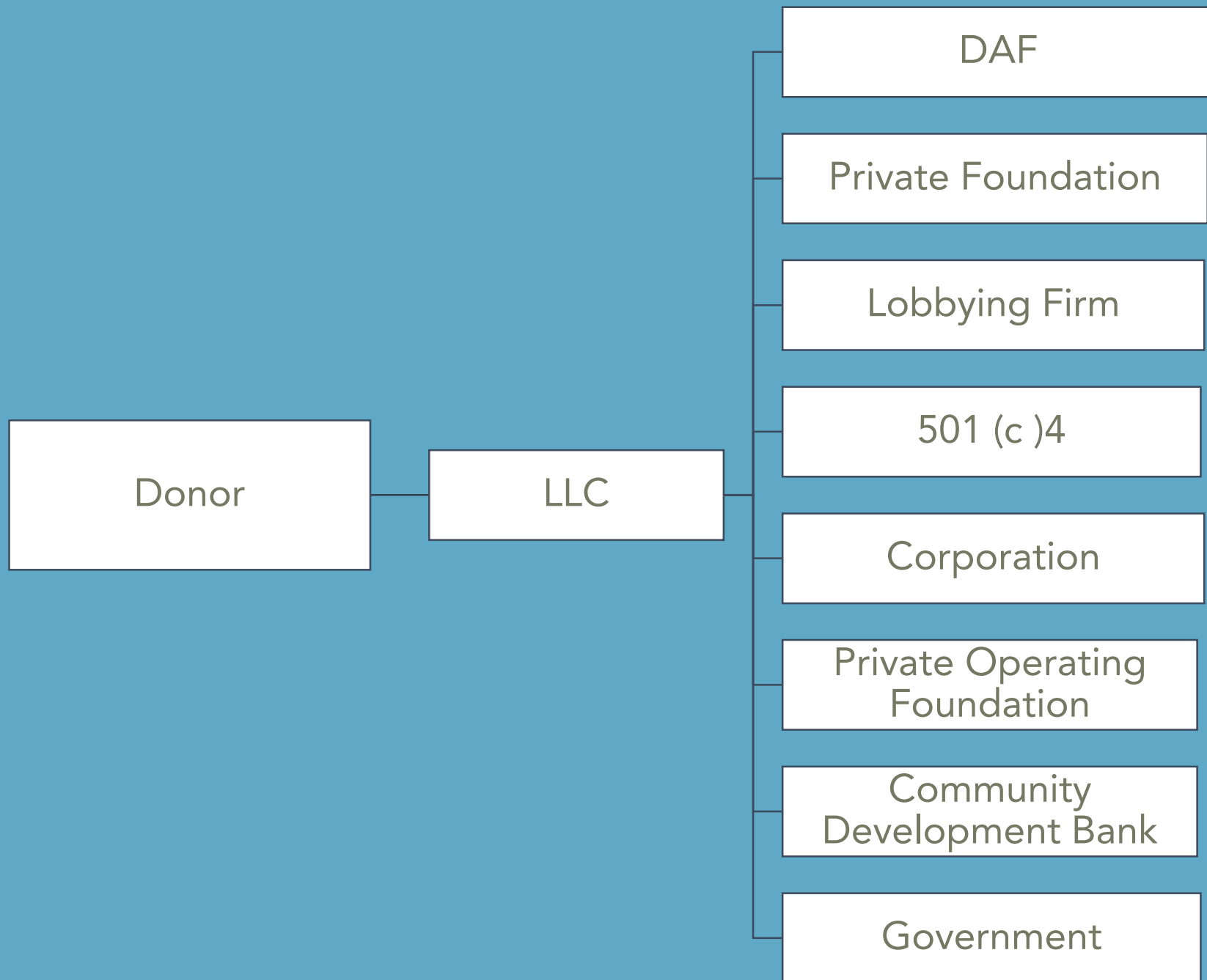
- Total control of management, investments, expenditures, and all other activities
 - Can fund advocacy without limits
 - Can invest in for profit businesses
 - Can fund DAFs and foundations on tax-advantaged basis



The Mental Health Channel

- www.mentalhealthchannel.tv
- Launched as designated fund at GHCF by Hackett Family
- Challenge – the only company that could develop company was for profit
- Solution
 - Form new for profit LLC
 - Individuals and foundations make grants to designated fund at GHCF
 - Designated fund makes grants to LLC for charitable purpose
 - Exercise expenditure responsibility
 - LLC not controlled by donors to the designated fund
- LLC owns intellectual property
- Goal is for LLC to develop renewable funding streams to drive sustainability





Other Examples of Innovation

- **Use of Type I SO to merge parent company's administrative expertise with donor's focus on mission**
 - Barbara Bush Houston Literacy Foundation
- **Using debt structure to move cash from closely held business to charitable entity**
 - Challenge: plan around excess business holdings rules
 - Solution: redeem stock from owner for a note, and owner donates note to charity

