



NATIONAL CENTER FOR
FAMILY PHILANTHROPY

SPLENDID LEGACY

CREATING AND RE-CREATING

YOUR FAMILY FOUNDATION



Library of Congress Cataloging-in-Publication Data

Splendid legacy 2 : creating and recreating your family foundation /

Edited by Virginia M. Esposito

332 p. cm.

Includes biographical references and index.

ISBN 978-0-692-79254-4

1. Endowments — United States — Handbooks, manuals, etc.
2. Charitable uses, trusts, and foundations — United States — Handbooks, manuals, etc.
3. Family — United States. I. Esposito, Virginia M., 1952- II. National Center for Family Philanthropy (U.S.)

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Printed in the United States of America

National Center for Family Philanthropy

1667 K St NW Suite 550

Washington, DC 20006

Tel: 202-293-3424

Fax: 202-293-3395

www.ncfp.org

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THE CURRENCY OF TRUSTEESHIP: TOOLS FOR THE WORK OF GOVERNANCE

BY DAVID DODSON

Alert and visionary family philanthropy is a major asset for communities across America and, increasingly, throughout our needy world. In reflecting with you on the vital work of trusteeship, I hope we can come to appreciate the full value of what we do as leaders and keepers of the family philanthropy flame.

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When we talk about our work as trustees, it's important to start by unpacking the meaning of the word "trust". For family trustees, trust comes in a number of forms. And this trust is central to our success.

But before we can explore these forms, I'd like to first step back briefly to talk about the role of trustees.

About 30 years ago, Dick Broholm and Doug Johnson wrote "A Balcony Perspective", which used a lovely analogy to describe the work of trustees. If you think about a dance floor and a balcony, the work of the trustees is not to be on the dance

floor doing the dancing, but to be on the balcony, watching the dance, and making sure the choreography is working.

As trustees watch the dance down below, they must pay attention to multiple dimensions of trust — all of which affect the performance of the foundation.

Broholm and Johnson describe three specific forms of trust, each of which are crucial to the success of their performance:

- **Holding trust.** Trustees need to hold in trust the values and

assets of the foundation by being guardians of their foundations' assets. Assets, in this case, are both tangible and intangible.

- **Building trust.** Trustees need to build trust, both inside and outside the organization, so that the foundation maintains a healthy and respectful relationship with all who are touched by its activities.
- **Fulfilling trust.** Trustees also have a function of fulfilling trust by ensuring that the organization actually puts its assets to good use in thoughtful service to advance the common good.

Holding Trust

It's easy for us to understand what it means to hold in trust, particularly when it comes to being a steward of the financial assets of our foundations. Trustees must, above all, ensure that they are properly and effectively managing their foundations' endowments and ensuring that their grantmaking is in alignment with their missions.

But there's also another form of capital that trustees need to think about: philanthropic capital. Jim Joseph, the former president of the Council on Foundations and one of the most respected and knowledgeable thinkers in our field, has described five forms of philanthropic capital that we need to think about deploying to get important things done through philanthropy.

The first is social capital, which includes our relationships and networks of influence and how we use these relationships to reach out to and connect disparate groups.

Next is moral capital, or the very noble philanthropic tradition of elevating attention to the gap between the values society holds and the behavior that society exhibits. Foundations have a rich legacy of using moral capital. The Carnegie Foundation has used its moral capital to further our understanding about race in America. The Ford Foundation, Rockefeller, and others have used moral capital on issues

such as the environment and hunger. The Gates Foundation and others have used their moral capital on issues related to education. This is an important piece of philanthropic currency.

Foundations also have intellectual capital — or the power and ability to put knowledge into circulation for the benefit of society. There are countless examples of foundations that commission information or get information out in the media so that people are aware of issues and solutions.

They also have reputational capital, which refers to how, over time, they build credibility around issues to the point where, just like E.F. Hutton, when they act, people listen. If managed properly, our foundations have enormous currency.

Finally, foundations have financial capital. Unfortunately, we often focus on our financial capital without taking into account these other forms. So, actually, our balance sheets are

a lot bigger than if we only measure our financial assets. As a result, when we talk about trust, we have to look at the intangibles that aren't reflected on our balance sheets.

How does this play out in practice?

When I think about this question, I'm reminded of the example of the Duke Endowment, the venerable foundation in Charlotte, N.C., that was founded in 1924 by James B. Duke.

Mr. Duke, a great industrialist and philanthropist, was very interested in how the intangibles of the foundation could be held and nurtured in perpetuity by his trustees.

More than 90 years ago, he wrote the Duke Endowment's indenture, which spelled out his intentions, his values, his purposes, and what he cared about. The indenture is still considered one of the finest examples of estate law in the world. And it is quite powerful — and quite explicit.

In this document, James B. Duke set down his vision of what he wanted his trustees to do. He told them that he wanted to fund education. He wanted to fund spiritual uplift. He wanted to fund vulnerable children. He wanted to fund health. And he spelled out that he wanted to focus

on helping the physical, mental, and spiritual lives of humankind in the area where the Duke Power Company, his major business interest, does its work.

In the indenture, he notes that he could have extended his aid into other missions and geographies, but that he believed that doing so would produce less good because it would be attempting to do too much. Even though the Duke Endowment was created with a large amount of money, he wanted to bound his focus so that these resources could accomplish the most good.

He also wanted to make sure that he kept the trustees accountable to the limits he set.

To this end, he mandated that the indenture be read at least once a year to the assembled trustees.

So, to this day, at the first trustee meeting of every year of the Duke Endowment, the trustees sit down for the reading, out loud, of the 24-page indenture, while a very frighteningly realistic portrait of James B. Duke sits on the wall and sort of glowers at them.

In turn, the Duke Endowment's trustees have a clear picture of what they are holding in trust. Through the annual reading of the indenture, they are reminded of the founder's intentions. As a result, the organization's culture is still very much centered on those intentions. Trustees and staff alike say there is a refrain whenever there is a difficult decision: What would Mr. Duke do?

Mr. Duke has been dead a good, long time. But his values, those intangible purposes, live because he chose not only to write them down but also to read the indenture annually before they start their work. That's a pretty powerful way of holding in trust.

My organization, MDC, has been privileged to work with trustees at a number of foundations to help illuminate the values that guide their passions, and then figure out what issue areas are most calling for attention.

We help them examine their values by exploring their histories and building something called a history timeline, which examines how the foundation, over time, has acted in the context of changing external conditions, and, basically saying, as the world changes, how has the foundation changed?

We also ask them to answer a number of other questions:

- When have we made the wave?
- When have we ridden the wave?
- When have we followed the wave?
- When have we run from the wave?
- When have we sat on the shore and watched the wave drown somebody else?

The answers to these questions provide clues to repeated behavior, or what we call the foundation's institutional DNA. Once that DNA — that tolerance for engagement or risk — is identified, it sends a signal to the trustees. It tells them that these are the things that they need to think about holding in trust and that these are the things they also need to deploy when circumstances change.

As trustees, conversations about history — and how history has been revealed through our foundation's actions — are always revelatory. They help reveal the character of the foundation. Our repeated behavior over time tells us who we are, and, therefore, what we need to value and hold on to and preserve as we continue our work.

Building Trust

Trust in our institutions is eroding at an almost alarming rate.

In 2015, *U.S. News and World Report* reported on a Gallup Poll that showed that Americans' confidence in institutions over the previous two years has been the lowest since Gallup began measuring this annual shift in 1993.

According to this poll, confidence is down across the board. Consider the following:

- 28% of Americans have confidence in banks — down from 40% in 1993.
- 21% have confidence in big business — down from 24%.
- 24% have confidence in organized labor, down from 26%.
- 52% of Americans have confidence in the police — down from 57% in 2013
- 42% express confidence in organized religion, as opposed to 55% in 1993.

Americans continue to show lower levels of confidence in most of the major institutions central to U.S. society, with only the military and small business getting ratings in 2015 that are above their historical averages.

We tended to be much more confident about U.S. institutions when the economy was strong in the '80s through the early 2000s, and though we're now more upbeat about the economy, we are not yet convinced that the quality and trustworthiness of our institutions remains as great.

These are sobering numbers — and foundations are not immune to this erosion of trust. That's particularly true when many foundations can be seen as mysterious, opaque, privileged, and distant.

To counteract this, foundations need to be trustworthy in all respects.

But how do we build the social capital that will allow us to be trustworthy in all respects, particularly in a society that tends to be skeptical about institutions?

Ruth Shack, the retired president and CEO of the Dade Community Foundation, once offered a fabulous answer during a conversation with me and NCFP president Ginny Esposito.

“Our job is to know our communities intimately and to respond with affection,” she said.

I think that is a fabulous definition. If you're going to know your community intimately, you're going to engage in building relationships of trust, so that you can know and be known.

So, how can this happen?

For many years, I was a trustee of the Mary Reynolds Babcock Foundation. Once a year, we would take very intensive site visits to communities across the South. These visits provided trustees with an opportunity experience life in worlds that were much different than what we encountered in our daily experiences.

We would immerse ourselves in communities in Appalachia or the Mississippi Delta — and gather first-hand knowledge of what was happening in our grantee communities. By doing so, we were getting to know our communities intimately.

Those encounters did an awful lot to build social trust connections. It made us seem real and it made the grantee community seem real. I think those visits help us build trust between the foundation and the communities we were working with. It also showed that the trustees are human beings — not Wizard of Oz people behind a curtain who make distant decisions that affect people's lives.

These visits were very powerful. We were building social relationships, using social capital, and building reputational capital to show that we were, indeed, trustworthy in all respects.

Fulfilling Trust

Trusteeship is a noble vocation.

In the wonderful book *Alphabet of Grace*, the theologian Frederick Buechner, defines your vocation is “the place where the world's deep need and your great joy intersect.”

That is really a remarkable statement. Finding that intersection of great joy and deep need is the territory where we actually fulfill trust as trustees.

The challenge is finding that spot. And to find and live in that spot is where deploying all the forms of social capital come into play.

Fulfilling trust involves a healthy dose of moral imagination, because it involves the intuitive ability to perceive where we can apply our values in the midst of a chaotic world.

This leads us to a very important question: How do we deploy all of these forms of capital so we can actually play the role we are meant to play in fulfilling trust and finding this virtual intersection between what makes us joyful and what responds to the world's need?

For inspiration, I'd like to point to the story of Julius Rosenwald,

the man who, as president of Sears Roebuck Company, built the largest retail operation of its kind.

He was deeply devout, and he was, as an immigrant, very concerned about people who didn't have a chance to make it in society. He also got to know Booker T. Washington and, as a result of their relationship, Rosenwald became deeply interested in the challenges of providing an adequate education to African American children in the South.

Recognizing that a significant number of people in the South were not getting the benefit of education, Rosenwald's moral antennae told him that there was a problem that he should try to solve.

He creatively deployed all forms of philanthropic capital to address these challenges — and his thinking ultimately led to the creation of 5,000 community schools for African Americans across the South.

To do this, he used his intellectual capital to ask himself how he could help solve this problem.

At the time, his company made and sold pre-fab houses. Customers could buy a kit and build the homes themselves. Knowing that his company had the capabilities to do this, he thought of how he could use this resource to create pre-fab schools that could be shipped to communities across the country.

But Rosenwald stopped himself — asking whether communities would feel invested in supporting pre-fab schools

He reached out to Booker T. Washington for advice in answering this question. Washington said, quite simply, that you'll get a better outcome if you teach a person to fish rather than simply giving him or her a fish.

As he thought about Washington's advice, Rosenwald decided that he would leverage his financial capital in a creative way. He decided that he would offer to pay one-third of the cost for new schools — provided that the communities in which they were built offered one-third and the local school districts would provide the balance and maintain them in perpetuity.

It was an offer that was too good to refuse.

The poor, largely African-American communities where Rosenwald offered the deal worked diligently to raise the money for their third. They used their social networks. They began to do bake sales, harvest crops, slaughter hogs. They did everything they could to raise the money, and then they went to work.

What's more, the 5,000 schools across the South were all built by hand by the people whom they were intended to benefit.

Meanwhile, the school districts — which didn't want to fund building new schools — decided that the deal was so good that they would agree to maintain these schools. The segregationist governments in these communities decided to invest in what they wouldn't invest before, and the social relationships began to shift.

Rosenwald masterfully used of all his forms of capital. He could have simply tried to address the problem by writing a check, but it wouldn't have kind of helped society reinvent itself in this powerful way. And it certainly would not have created what today is an extraordinary legacy. Today, if you go into a community where there's a Rosenwald school, these places have been so venerated that they've been rehabilitated into community centers all over the South.

Rosenwald provides a wonderful example — and there are countless other examples today of foundations that are working creatively to take on unwieldy, unpopular, often inconvenient, issues, with the full battery of philanthropic capital. These exemplary foundations are places where the trustees are not content to rest on a legacy, but are really pushing to fulfill trust in very challenging circumstances.

The work of fulfilling trust is really the test of our relevance as trustees and of our resourcefulness.

Fulfilling trust requires that we be faithful, that we be discerning and bold with the currency of trusteeship, and that we skillfully deploy all these forms of capital to get our foundations to the place where our great joy intersects with the world's great need.

The Trustee Prayer

Sir Francis Drake, the explorer, created a prayer that described the perils and the promise of the kind of forward voyage that I think we're talking about in true trusteeship in a very memorable way.

While the prayer wasn't written specifically for trustees, I think it's appropriate to co-opt it as the Trustee Prayer — since its lessons apply so aptly to our work as trustees.

It goes like this:

Disturb us, Lord, when we are too pleased with ourselves, when our dreams have come true because we have dreamed too little, when we arrive safely because we sailed too close to the shore.

Disturb us, Lord, when with the abundances of the things we possess, we have lost our thirst for the waters of life. Having fallen in love with life, we have ceased to dream of eternity, and in our efforts to build a new earth, we have allowed our vision of a new Heaven to dim.

Disturb us, Lord, to dare more boldly, to venture on wilder seas where storms will show your mastery, where losing sight of land, we shall find the stars.

We ask you to push back the horizons of our hopes, and to push back the future in strength, courage, hope, and love.

Our voyage is to sail to that place where need and joy intersect, with these as our tools and our compass.

I want to wish you all success on your voyage, as you refine the work of holding in trust, building trust, and fulfilling trust that you are uniquely deployed and assigned to carry out. ■