



NATIONAL CENTER FOR
FAMILY PHILANTHROPY

SPLENDID LEGACY

CREATING AND RE-CREATING

YOUR FAMILY FOUNDATION



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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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GOALS AND MISSION

“To give away money is an easy matter and in any man’s power, but to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man’s power nor an easy matter. Hence, it is that such excellence is rare, praiseworthy, and noble.”

—Aristotle

Defining Your Family’s Mission and Goals

BY VIRGINIA M. ESPOSITO

Congratulations! You are establishing a family foundation or fund and you’ve decided to share this privilege with family members. You are likely filled with the excitement of meeting and supporting passionate people and communities. You’re ready to begin learning as much as you can to ensure you make a positive impact on the causes important to you. The opportunity and the possibilities are both energizing and daunting. And then the questions begin:

- Do I want to make a lot of small grants or choose a few large charitable investments?
- Do I see many future generations guiding this foundation or am I more interested in a limited lifespan where I do timely, critical work in a shorter span with people who know me?
- How will I know when I need staffing help beyond volunteer family members?
- How much do I expect to spend on that staffing and other things needed to administer the foundation?
- Do I want to welcome proposals in my priority areas or do I want to design my projects and issue requests for proposals (RFPs)?
- Oh by the way, what are my priority areas?
- I’m just getting started. What kinds of communications do I need to make available to those interested in our work?

- Whom do I put on the board: advisors; community members; family — and which family members?
- I love all my family. How do I make choices about who participates?
- I understand my personal financial investments but what are socially-responsible, mission-related, and impact investing?
- What is that “self-dealing” rule I keep reading about?
- Am I still excited or just feeling overwhelmed?

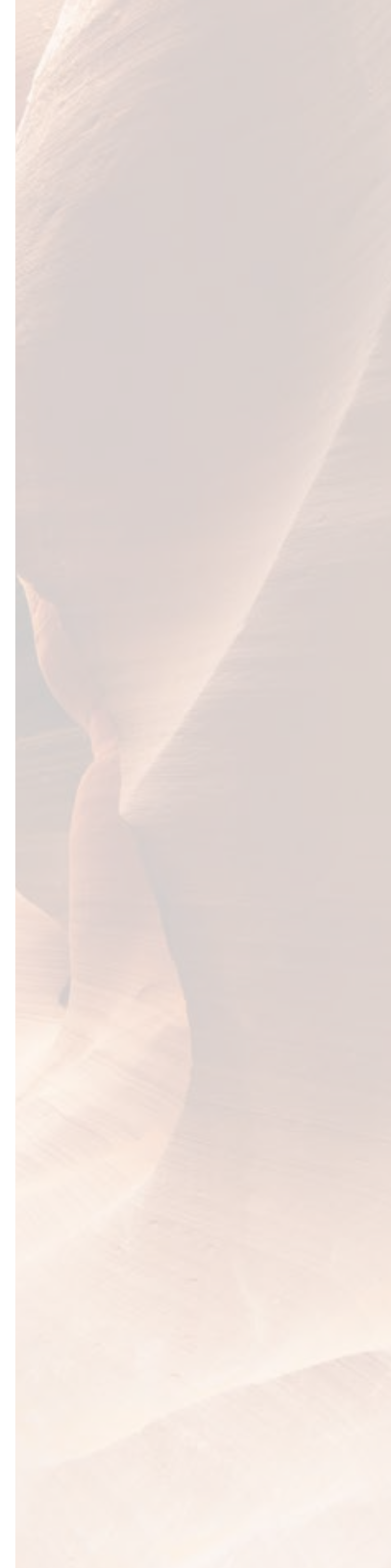
When foundation leaders approach me with a “laundry” list of questions like those listed above, I often reply with a question of my own: what are they hoping to accomplish? If I can understand their mission and goals, I am able to offer a number of possible answers to each of their questions — answers that can often help them get where they want to go.

But without the direction that comes with having a mission and goals, my advice becomes more like the response of the Cheshire cat in *Through the Looking Glass* when Alice needs directions but doesn’t know where she is going: the road you take “doesn’t matter.”

Any one of the possible choices you face when answering the above questions require a sense of destination. Knowing your mission and goals illuminates the choices you make to help you achieve all your hopes for impact.

Since you’ve picked up this book, you are already earnest in your desire to do this work well. All of the questions above — and many more — are addressed in this volume. As you explore strategies for managing your foundation, some will instinctively feel “right” to you and you might want to give them a try. Other options may feel inappropriate to your circumstances.

As there are no one-size-fits-all answers, you will need a few guideposts to make reasonable choices. Beyond the legal and ethical requirements to which we all subscribe, your choices will reflect your motivations for establishing the foundation, your history with giving and volunteering, your values, and your goals for charitable impact and family participation.



Motivation

Why are you interested in philanthropy and community involvement?

It's important to begin this journey with a simple yet important question: what motivated you to take this step in the first place? You've already explored the personal and shared family values that provide the "foundation for your foundation" in the opening essay (Page 12). If you can take the time to understand and articulate those values, you will have the inspiration and tools you need to create that strong foundation. Once you determine your core values, there are other motivations you might explore.

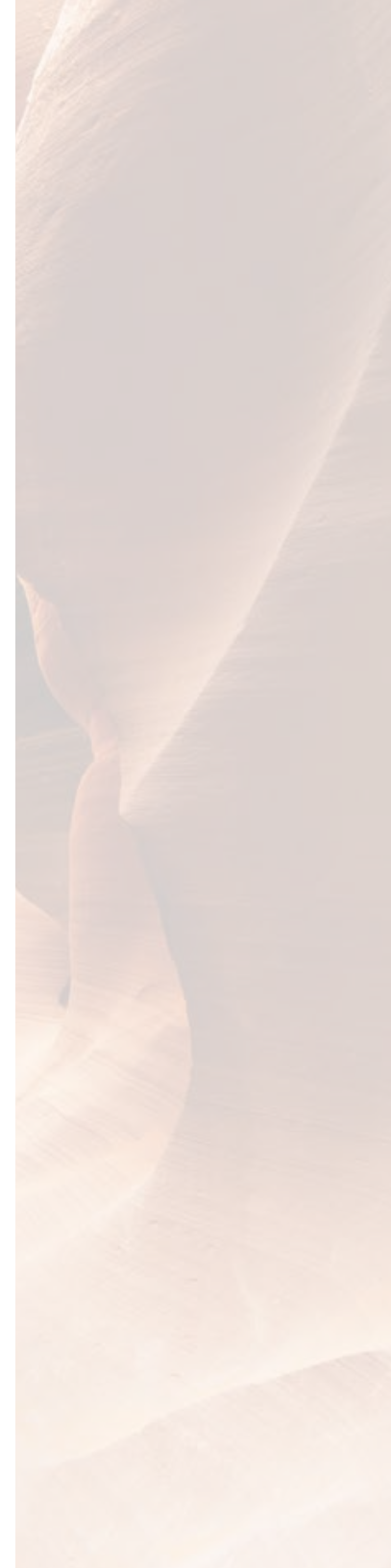
For some, the decision to establish a private foundation or a fund comes about as a result of financial or estate planning. U.S. tax policy encourages private initiatives for the public good — and this policy is admired worldwide for its potential to engage individuals in making the world a better place. But we also know that tax planning alone is typically not enough to sustain the energy and commitment a family foundation requires. As one California donor/foundation founder once told me, "Taxes got me through the door but they didn't keep me in the room."

Even if estate planning was the primary stimulus behind your decision, your life experiences will likely provide additional motivation. What is it — in your character, background, and experiences — that prompted you to pursue a charitable goal (and will likely influence your choices along the way)?

In conversations with hundreds of donors and founders, I've found these founders most frequently mention at least one of the following six personal experiences as inspiration for their philanthropy:

- 1. Faith and Spirituality.** Every religious or faith tradition includes some tenet urging concern for others. Whether referred to as charity, tzedakah, sadagah, love, or many other terms, traditions of faith call on those who share a spiritual heritage to give to others. Many of today's donors openly articulate the spiritual link between faith and their giving. Their giving may not be directed (or solely directed) to religious institutions or causes, but the link is strong just the same.
- 2. Traditions.** Many founders talk about family traditions that shape their charitable conscience. One fourth-generation family foundation trustee/family member recalls her parents placing three boxes on her childhood bookshelf. Each box held an equal portion of her allowance: one-third for spending; one-third for saving; and one-third for charity. Her earliest understanding was that money had three, equally-important purposes and that you budget for giving rather than use what might be left over. A Texas donor talks about his family tradition of celebrating holidays by participating as a family in a volunteer, community-service project. Whichever traditions influence you, it is a valuable exercise to consider how these traditions shape your philanthropic personality. You might also consider how they can help you shape the charitable character of your children and grandchildren. It is not unusual for entrepreneurs and foundation donors to report that a family giving tradition practiced even before there was wealth in the family became a powerful influence.

- 3. Mentors.** Most of us can point to people who had a profound impact on our lives. Grandparents, parents, aunts or uncles, teachers, colleagues, and neighbors can often provide examples and encouragement at important moments, counsel us through difficult situations, help us with a career move, or simply set powerful personal examples. Often, those who create foundations say that they were inspired by one or more of these influential people — many of whom did not possess great wealth of their own, but provided wonderful lessons in giving.
- 4. Personal Interests and Experiences.** Many founders note that they became engaged in philanthropy because of a special, personally-important issue or event. For example, some founders have had a lifelong interest in the arts or a love of the outdoors. Others are influenced by an intensely personal experience, such as the death of a loved one or receiving a much-needed scholarship.
- 5. Community Involvement and Volunteering.** Entrepreneurs who go on to become generous philanthropists often were active in their communities long before they had the wealth to make significant financial gifts. Some speak eloquently about helping at an animal shelter, volunteering as a docent at a museum or historical site, serving on a nonprofit board, or participating in a family Thanksgiving custom of serving food at a soup kitchen.
- 6. Business Skills and Experiences.** Some new donors have their interest sparked by a business colleague who was already an active donor and who shared their enthusiasm and interest. This is becoming even more true in modern workplaces, which are more regularly becoming ready-made networks for philanthropic learning and support. One of the great opportunities of philanthropy is giving successful businesspeople a chance to use their professional skills and experiences for a very different bottom line.



What are You Trying to Accomplish?

During the past two decades, NCFP has interviewed hundreds of family foundation donors. While no two families are the same, we've found that many of them have similar goals for what they hope to accomplish through their foundations. Here are some of the most common goals:

→ **Giving back.** Without a doubt, giving back is the most frequent response. For some, this means giving back in a universal sense; they have been fortunate and they hope to share that good fortune with others. For others, it means giving back to the community where the family lived and prospered. In such cases, the foundation's mission is likely to acknowledge and show appreciation for the family's — and therefore, the foundation's — hometown. Place-based giving may be affected in the future as families scatter and the logistical challenges of a common place-based mission multiply. Newer wealth has been built in a global economy so the idea of giving back to the home community, employees and customers included, may have to be interpreted for a new era of wealth creation.

→ **Creating a vehicle for working with your family.** Some of the greatest advantages of choosing a family foundation include:

- The opportunity to accomplish something for and with your family;

- Instilling a charitable ethic;
- Promoting individual volunteering and giving;
- Balancing issues of great wealth and privilege with social concern and responsibility;
- Raising responsible, community-minded children;
- Beginning (or extending) a legacy of family giving that may play out over several generations; and
- Providing a place where the family can work together on issues of shared, great importance.

Families are intensely personal and complex. The decision to serve a foundation involves significant commitment — a commitment to a public trust and to an institution created as a result of public policy to serve the public good. The potential conflicts of this dynamic are obvious. But so should be the joys and benefits. The ongoing dynamism means ensuring the responsibility to family and the public trust is appropriately in balance.

→ **Expressing your values and exploring your interests.** The values we profess and cherish guide our everyday decisions and actions. Personal interests often drive our career choices and how we spend our free time. Philanthropy is a remarkable opportunity for those who wish to give practical expression to their values or to explore a special interest beyond the workplace or a hobby.

→ **Avoiding taxes.** Yes, among all this talk of public purpose and charitable hopes, there are founders who come to this work principally as a tax strategy. And if it starts that way, isn't our tax policy doing exactly what the framers intended? Those trying to start a philanthropic tradition in other parts of the world often envy the fact that America's system encourages such participation. But, as noted above, although they are an effective catalyst, tax savings are not enough to sustain a family philanthropy. Although tax benefits may be sufficient to keep the donor who enjoyed the tax

advantages involved, other motivations are required if there are to be succeeding generations.

- **Using your talents and skills for a different purpose.** Entrepreneurial donors may be very interested in sharing skills and rewards for charitable purposes. Certainly, many modern donors — particularly those who have come out of the tech industry — have exhibited that tendency. One of the many unsung gifts of tech donors has been their real appreciation for the back-of-the-house costs nonprofit organizations face. Donors who know the value of computer systems, Internet access, websites, and social media are more likely to understand the critical importance of making grants for operating costs.
- **Supporting the people and institutions that have been important to you.** Your charitable heart and past history of giving do not go away when you establish a formal, legal structure. Many donors are involved in their communities, houses of worship, or alma maters long before they decide to create their foundations — and they create their foundations specifically to frame or provide a structure for their direct, personal giving. Consider the new

foundation donor who makes an early grant to her university or the donor who makes a large gift to the nonprofit homeless facility on whose board he has served for many years. When you establish your foundation, it's a good time to consider if any of these lifelong commitments, people, or institutions will continue to receive grants from the foundation or from you personally. This consideration helps to determine if you have “legacy grantees.” Not only do you want to know how to handle future gifts to such grantees but trustees who succeed you definitely want to know if and how they will continue to honor your wishes regarding these long-term grantees. (See “*Things We Wish Our Founders Had Told Us*” on pages 60–61 for more questions you may wish to answer.)

Goals

Now that you've considered your values, motivations, and your early thoughts about possible accomplishments, you are ready to move on to developing a fuller understanding of your aspirations and commitments. To do this, it is helpful to determine your goals in three primary areas:

- Goals for Charitable Impact
- Goals for Your Own Participation
- Goals for the Participation of Family or Others

Spelling out solid, well-articulated goals will help you answer a number of important strategic questions. Which structures, advisors, office space, and staffing will you need and want? With your values, motivations, and primary goals in place, you are well positioned to take on the questions that come up. First and foremost, what do those goals suggest when it comes to your mission?

It is important to do some of this thinking on your own, perhaps with a facilitator/guide. Sooner or later, you will have to communicate your plans to those who will help you achieve results. But how soon is too soon? If you know you want to involve your family or others in this work, you could get them involved early on. By having their ideas about

“One day Alice came to a fork in the road and saw a Cheshire cat in a tree. ‘Which road do I take?’ she asked. ‘Where do you want to go?’ was his response. ‘I don’t know,’ Alice answered. ‘Then,’ said the cat, ‘it doesn’t matter.’”

Lewis Carroll, *Through the Looking Glass*

goals and mission up front, you build ownership of and enthusiasm for the work to be done. You also model the process you want for your foundation: actively working together on all foundation matters. If you are more comfortable making the founding decisions on your own, be prepared to help others understand them or help them know what is on the table and what no longer is.

Goals for Your Charitable Impact

You likely have some ideas about the kinds of grants you envision making. You may even choose to make a few grants to test your experiences and results before you finalize and communicate your mission and goals. But you can also consider other key steps to find clues that will help you make

decisions about your mission and the impact you seek:

→ Review Your Charitable

History. As mentioned above, the causes and organizations that have been important to you for years not only don’t disappear with the creation of a foundation, they provide key clues to what you might want to do going forward. A few places and things to look for these clues:

- Consider where you’ve volunteered. Were you a youth sports coach just while your child rotated through the system or does youth development, health, and mentoring mean something more long lasting to you?
- Review all your past gifts to develop a list of those the foundation will take on. If some gifts ultimately prove to be

outside the foundation mission, you may choose to continue to fund these causes personally.

- Has your giving been oriented more to place (your hometown, your grandparents’ hometown, where the business is based, etc.) or to issues (causes that have touched you or where you’re impatient to begin to make a difference)?
- Are you drawn more to trusted institutions or dynamic leaders?
- Have you successfully supported the giving passions of others? Mentors can guide our philanthropic journey much the same way as they help guide our professional career.
- Do you like sustaining good work or funding new projects?
- Do you value general operating support?

→ Review Your Family’s History.

Researching the family’s history can be a deeply inspiring experience for family members and others involved in the foundation. Many families take the opportunity afforded by the formation of the foundation to look back at the past to inform the grantmaking to come. Families have taken field trips to ancestral communities, looked closely into antecedents or the founder of the family fortune

or philanthropy, and charted their charitable histories (often including these histories on the foundation's website). Rather than conducting a tedious exercise in dusting off ancient history, families who have undertaken such projects found a stimulating, reinvigorating sense of purpose, and a new vitality of foundation engagement.

The benefits of chronicling family philanthropic history extend far beyond enlivening family engagement and refining mission development. These projects have the potential to inform the public about the contributions of family giving, ground future generations in the aspirations of founders, and inspire potential donors to get more involved in philanthropy. To support this interest, the National Center for Family Philanthropy has partnered with The History Project, an Oakland-based nonprofit, to help donor families recount key moments in and the contributions of their giving history.

→ **Forever or for now?** NCFP research shows that more people are considering or reconsidering whether a perpetual foundation is for them. This is not because there is anything inherently wrong or right with either the perpetuity or limited lifespan choice. Each

choice begs for specific strategies in order to make them work. Many of your early decisions will benefit from some clarity about how long you hope the foundation will exist.

Goals for Your Own Participation

It is also important to understand your own personality and preferences — both as an individual and as part of a team. Self-awareness isn't a requirement but it can help you avoid missteps in how you reach out to others — particularly your family and your internal foundation team, network of advisors, potential grantees, and other potential donor partners.

As you conduct your self-assessment, you might consider the following:

→ How “hands on” are you?

Many entrepreneurs are successful because of their careful attention to detail. They see every aspect of their business through and they are involved in every decision. Most “first-generation” foundations report that founders continue that hands-on approach when they take on their role in the family foundation. Other founders like to provide general guidance (set pol-

icy, review procedures, take part in voting, etc.), but are content for others to play an equal or even more active role. Still others prefer a hands-off approach and are content to see others with the passion, commitment, and ability take the lead in shaping the foundation's future. How much initiative do you want from staff, fellow board members, and fellow foundations? Are you well known for being a go-it-alone type, happiest when others rubber stamp your choices? Understanding your own style — with candor and integrity — can have an important effect on early management and how others learn and participate.

- **How tolerant are you for structure and process?** Before you can make choices about advisors, staffing, working with donor collaboratives, and other related issues, you need to be candid about how much patience you have with process and the participation of others. Are you more instinctively methodical or spontaneous?
- **Are you happiest when you tackle something on your own — testing, failing, re-testing until you succeed?** Or do you prefer “group think,” where give and take contributes

to the most satisfactory outcome?
Consider:

- Do you enjoy collaboratives and partnerships? You're embarking on a vast learning journey — do you want fellow travelers?
- Are you more comfortable with a formal or an informal structure? Are you quick to decide or do you prefer some process that tests options?
- On the spectrum of responsiveness and initiative, where do you fall? Does receiving proposals generated by nonprofits operating in your priority areas fill you with inspiration and a sense of possibility? Would you rather investigate and identify the work you want done, develop a request for proposals (RFP), and invite interested and capable organizations to apply? Or do you prefer something in between?
- Will your decision making be donor driven, consensus-based or democratic?
- How much time do you realistically have to give to the work of starting and maintaining the foundation?
- What is your risk tolerance? Do you see yourself being as bold a grantmaker as you were in business? How much certainty do you need before

you are ready to act? Are you comfortable with R&D (research and development) and, therefore, likely to be interested in new, untested approaches? Or, do you prefer finding proven strategies and funding them to capacity?

Develop a Donor Legacy Statement

After you have had a chance to think about your values, motivations, and goals, consider writing a Donor Legacy Statement. Such a communication can be written, audio recorded, or videotaped — or a combination of these.

A Donor Legacy Statement is your opportunity to communicate to those who will work with you — and those who may provide leadership in the future having never met you. The statement may speak to donor vision, the passion behind the idea for the foundation and its work, the values that transcend family difference, and the deepest hopes for the foundation and the giving family.

Some entrepreneurs may be uncomfortable with such activities and they might not be part of a family culture that promotes such conversations. However, a simple written statement — however informal — can

be a source of inspiration and commitment among extended family members and others, now and well into the future. As you go through this process, you may choose to review statements from other foundations as inspiration. These samples may provide you with ideas for content and format but, ultimately, your statement will be most effective if it is uniquely your own.

“Providing the guidance of a statement of donor intent is not the ‘dead hand of the past’ as many claim. It is ...a ‘helping hand’ that provides insight into the values, vision, and purpose of the foundation.”

Charles Hamilton, Founder, The Hamilton Foundation and Editor, *Living the Legacy: The Value of a Family’s Philanthropy Across Generations*, 2000

Writing a Letter to the Family

I always encourage the founding couple to take the time and make the effort to write a lengthy statement, almost like a letter to the family. I advise them to state their reasons for starting the family foundation, and their specific goals and objectives, and describe the results they would like to see for their community and for the family. They should also make clear the types of philanthropic interests that are of no interest to them.

I suggest that they go through several drafts and at least a week to give them adequate time to reflect, consider, and make changes. If the children are willing to honor the wishes of their parents, and most are, the children have clear guidance as to what their parents really wanted. They receive a magnificent benefit from their parents — a gift, really — which is that they can thoughtfully carry out the wishes of their parents. That is more than a gift, it is a blessing, because the children feel good about doing it. The children also meet interesting people, learn, experience and enrich their lives. Only after doing the work for several years will they fully appreciate the magnitude of the “gift” from their parents.

I had a client whose father established a family fund at The Cleveland Foundation. Of his two sons, one became interested in carrying out his father’s wishes, and the other was not interested. The one who is interested lives in California and comes to Cleveland at least two or three times every year to ensure that the goals his father set are being pursued and accomplished. His affection for his father and his loyalty are deeply touching to all of us who understand what he is doing. Intent can create a connection that lasts the rest of your life. In philanthropy, you will meet wonderful people, you will do beautiful things, and you will gain great satisfaction. For this man, the happiest time of his life is to see the results of his father’s wishes working well.

Mal Bank, former general counsel, The Cleveland Foundation

Goals for the Participation of Family and Others

Once you've had a chance to consider the questions above, particularly those that relate to the kind of team you'll need, it is time to consider who will be part of that team and how you'll want to work together.

Thinking about goals for participation is urgent now because you are ready to develop a mission statement. You may want to think of your team in terms of who might help you craft that statement as well as those who might be implementing it.

Founders, whether an individual or a couple, are usually referred to as the First Generation (G1). Their children represent G2 (the siblings generation), and the grandchildren of the founder are the "cousins" generation and comprise G3. Beyond family, many foundations turn to others to be part of the start-up team. These may include legal and financial advisors, work colleagues, program experts, and representatives of the communities to be served.

Your choice to establish a private, family foundation suggests that you hope to have family members play a strong role. If that is not your

intention, you might instead choose another philanthropic structure.

For example, you might instead choose to be a donor advisor to a fund within a public foundation, like a community foundation or financial institution. You could endow a favorite nonprofit organization. You might still establish a private foundation but involve business colleagues, friends and others such as experts in your priority giving area. Many other possibilities are available to you; each is rich in potential for helping to achieve your goals.

Considering family early is a critical prelude to determining mission. You may have determined to set the mission on your own and invite family to join you in that pursuit. Conversely, you may want to work with your family to determine a shared mission — one of importance to all with maximum buy-in.

You may be most excited by the possibility of sharing the joy (and the work!) of the foundation — along with the decision-making — with your family members. That might be a fairly straightforward process if you have a few adult children and theirs is the only participation you are considering.

But for other founders, family may be a large, complicated, diverse, and dispersed group. Even for the donor with the small family, if you intend the foundation to exist beyond the second generation, questions of family participation need to be answered and, ideally, answered early. But before you begin to pick board and staff from within the family, there are more critical questions than whom. Specifically, why and how.

Why do you want to do this work with your family? The answer to this question may seem obvious to you but it might not be to your family members. They will benefit from knowing why this is important to you and why you want them, individually and collectively, to do this work with you. Are they being asked for what they are expected to bring to the foundation (time, commitment, expertise, judgment) or solely as a member of your family? Founders have learned that the context for the invitation and the way that context was communicated played a big part in the success of the family charitable enterprise.

Does your family know you are creating the foundation and that you want them involved? A donor once called an advisor for help with his donor legacy statement. He spoke lovingly and eloquently about his pride in his family and his eagerness

to work with them in such a special way. After some time, the advisor asked the donor if his family knew he was setting up the foundation. After a long pause, the donor replied, “No. Do you think I ought to tell them?” If you have sincere enthusiasm for working together, consider involving them as soon as possible. You don’t have to give up your opinions and preferences, but you may benefit from the insights and experiences of those who love you and know you well.

Many founders report that they were asked to name trustees before they thought about what they needed in terms of stewardship and support.

This is as true of family members as it is of those beyond the family that you may want to engage in the conversation about foundation mission. You already may have formed opinions about whether non-family members will serve on the foundation board. Engaging the perspectives of those you respect is a valuable and exciting part of discerning your mission and program strategy whether or not they are or will ever be board members.

To that point, in addition to why you want to involve others in this work, consider how they can be involved. Too many founders create personal and institutional stress by equating participation with board service. Embracing others (in the family and beyond) in conversations during the start-up period can result in more informed and meaningful work and a stronger statement of mission. Ad hoc advisors, interested family members, community panels and presentations, and consultants/fellows are available to you as you delve into the focus and content of your giving. All offer ways that critical voices and expertise can be sought without the requirement of a board position.

(For more on board selection and responsibilities, see the Governance chapter on page 100.)



Creating a Community of Concern

In surrounding yourself with the expertise, encouragement, and energy you'll need to fulfill your charitable purpose, family foundation trustee David Dodson says you are "creating a community of concern."

As you create your community of concern, think about all the possible voices that can add to both the quality of the process and your ability to serve your community:

- **The founder.** While seemingly obvious, few founders actually think about the role they want to play, particularly with regard to others. How will power and responsibility be shared? How well understood and articulated are your intentions? What are your expectations for adherence to your giving patterns and interests after you step down? Who will chair the foundation board? What sort of leadership plan — including identifying future leaders, training, and transition planning — would you like to see?
- **Spouses.** Frequently, a donor couple rather than an individual donor starts a family foundation. If that is the case with your foundation, how will you work together in leadership roles? Will you serve as equal leaders or will authority rotate? Are intentions and plans jointly established? What about succession? And, a sensitive and difficult question: what happens in the event of divorce or death?
- **Children.** The decision to involve children in the foundation may present both the most complicated and rewarding issues you'll face as you consider foundation leadership and involvement. As parents, we want to ensure that our children have a good home, a good education, and some measure of financial well being — the good things. But we also want to ensure that we do what we can to raise good children. Founders speak movingly of their hope that the foundation can provide an experience that fosters generosity, community involvement, empathy, and responsibility.

All these good intentions can be realized, but success is most likely if children are well introduced to the foundation and the family shares the goal of community service. At what age should that introduction occur? Opportunities abound for introducing children to giving and volunteering beginning in early childhood. They can appreciate the message of *The Giving Tree*, understand why you're leaving for the weekend to attend a foundation retreat, participate in a community service project or go along on an age-appropriate site visit... the possibilities are as endless as your imagination and commitment. Begin when you think it appropriate for your family, but don't wait too long.

Between the ages of 18 and 35, your children are working on their educations, establishing careers, and starting families. Free time and vacation days are in short supply. Build a community conscience in them early, and work with them to determine if their busy schedules and a role in the foundation can peacefully and satisfactorily coexist. If that's not possible, let them know they'll be welcome when their circumstances and interests change.

Sadly, it is all too common that adult children of foundation donors only "discover" the family foundation and their responsibility for it — a recipe for confusion, distress, even resentment — in their 40s and 50s. They may even be dealing with the death of a parent. What may be most sad is the opportunity missed; the opportunity parents and children might have shared in building a tradition of charitable service.

Will all your children serve? Will there be opportunities to inform and involve them beyond board service? Will there be a board qualifications/expectations process or will all children serve based on birthright? What about adopted or stepchildren? And, again, a related but painful question: how does the philanthropy affect other financial plans for or expectations of the children?

Open communication about money matters can prevent a situation where adult children feel anger that their “inheritance” was the philanthropy rather than a personal bequest, and they didn’t know about it. Visiting troubling issues of power, money, and poor communication on a nascent foundation distorts and detracts from the public purpose and will likely torpedo the founder’s hopes for a family endeavor.

- **Parents.** In an era of great fortunes made by the young, founders may wish to involve family, but have not yet committed to a partner or had children. These donors often involve their parents in the process. Parents may have long histories of community involvement, they may have retired and have more discretionary time available for philanthropic initiatives, and philanthropy may represent a wonderful new way for an entrepreneur and his or her parents to work together and get to know one another in a new, rewarding way. In such cases, again, role clarification is critical because the normal parent/ child power dynamic may be altered.
- **Other family members.** In some cases, donors reach out to siblings, nieces, nephews, and cousins to involve them in the giving. This, too, can be a rewarding experience. Issues of qualifications and responsibilities are much the same as they are for your children. A particular difference may arise in cases where the only significant family wealth is the founder’s and that wealth will pass only to the founder’s direct line. Then, sensitive issues can arise: power; prestige; even the ability to take time off and pay one’s own expenses to participate in foundation meetings and activities.
- **Legal, financial, and program advisors.** The counsel offered by your circle of advisors is key to success. But what role will they play? A board role can be enormously helpful as advisors lend the expertise that strengthens your deliberations and builds your confidence. Advisors can also dominate if they use their expertise to “shut down” discussion. All new donors need expert legal and financial advisors. Program advisors can help by adding expertise in the areas to be funded. Talk candidly with your advisors about your relationship and your need for their guidance. Determine if the boardroom, an advisory committee, or a consultancy/contract is the best way to access that guidance.
- **Friends and colleagues.** An increasing number of donors engage business colleagues and trusted friends early in their philanthropy. Respect and trust gained over the years become important sources of encouragement and support.
- **Community representatives.** As a foundation donor, you have the extraordinary chance to engage those the philanthropy will seek to serve. If you’re working in another part of the country (or world) or with a community or population group with which you are unfamiliar, the voices of your constituency groups can be powerful: keeping you both informed and sensitive to special circumstances and new developments.



Reflections of a Family Foundation Trustee

David Dodson, a longtime trustee of the Mary Reynolds Babcock Foundation, a family foundation in North Carolina, and a close observer of the Irwin-Sweeney-Miller family giving programs in Indiana, observes that a family's values and motivations are critical to the success of a family foundation. But, he continues, the purpose of family foundations should not be to simply perpetuate a family's interests. Instead, these institutions are most successful if they strive to be of value to something beyond the family circle.

As a result, Dodson advises family to commit to and support causes and organizations that reflect their passions.

But it doesn't end there.

Dodson encourages creative family foundations to ask themselves how they can take what they care about and use it to build a community of concern that is alert and responsive to changing circumstances. Often, it is most logical for a family to explore what it knows and loves and match those passions with the needs of the community it is looking to serve.

Dodson notes that the Miller and Babcock families don't seek to perpetuate old ways of doing things. Instead, each generation that becomes involved in the foundation strives to understand the needs and opportunities facing their communities of interest. The issues may change over time, but the family foundation continues to work on these issues with a spirit of caring and compassion.

With that in mind, families can build their giving not around their own interests, but rather around the community. If the community is at the center, it can surround that core with a vibrant family circle. Dodson says that families that operate in this way are more likely to be curious and compassionate in identifying ways to use their assets.

Those assets may extend beyond their financial resources and also include advisors and networks outside the immediate family. He cites his fellow Babcock trustee, Carol Zippert, and her assertion that family foundations can include those who are members of the "family of blood" and those who are members of the "family of the heart" — related by interests and values but not genealogy.

Suggestions for Involving Others in the Family Foundation

- **Be clear about the roles and expectations each person will play.** Writing down roles and expectations and making them understood — even before the invitation is extended — can save confusion and pain later on.
- **Consider developing a statement of board qualifications and expectations.** The universe of people who might be invited to serve on a board is vast. It may not seem like it in the earliest days of the foundation, but it gets larger as time goes on. Board qualifications can help family members and others understand what they must bring to the table. Board expectations can help them understand what they must do in service to the foundation.
- **Plan early.** It is often easier to determine whether your children's spouses will be eligible for board service, or whether to set age limits for board membership when neither possibility is in the immediate offing. It becomes more difficult when you're talking about real possibilities and real people. If you are forced to create a policy in the face of an immediate need, you don't have the chance to consider thoughtfully and objectively what's in the best interest of the foundation. At that point, the decision becomes personal, awkward, and potentially painful.
- **Visit the question of managing both your hopes for your family and the giving.** Reinforce the foundation's responsibility as a public trust — early and often. Appointing family members to the board can be the first opportunity to discuss how individual family members' interests might compete with the philanthropic interests of the giving program.
- **Consider setting terms and a rotation policy for service on the board.** Such a policy can help to renew the giving program, refresh the participants, and allow many more people to participate.
- **Recognize that there are lots of ways others can be involved beyond board service.** Committee membership, site visit participation, and advisory boards are just a few of the creative ways founders have engaged a creative circle. If participation in the philanthropy is perceived to be limited to board service, sheer logistical constraints will force you to disappoint many people. Moreover, you'll also miss the opportunity to engage a range of thoughtful, experienced voices.
- **Consider engaging an experienced family foundation consultant to help you and your board work through these issues.** Working with someone who is familiar with foundation practices, and sensitive to family dynamics and process, can help you to get off to a good start, set the stage for the quality of your future interaction, and participate fully in the conversation.

Mission Statements

With a solid handle on your values and goals, moving to the creation of a mission statement is an easier, if not an easy, process. Most family foundations have a mission statement. Whether or not you choose to accept or seek out proposals for funding, a mission statement communicates to all the impact you want to have.

Some founders prefer to prepare their mission statements on their own in the early stages of foundation formation. Some prefer to do this work with early advisors or board members. Still others prefer to offer some general guidance (often through the Donor Legacy statement) and leave the specifics to be crafted by successors.

It is not uncommon for older foundations to have very broad mission statements. Many famously wrote they existed “for the good of all mankind.” Over time, foundation boards can refine these general statements to be more specific about desired vision and impact.

On the other hand, some founders set out very specific statements of mission. In rare circumstances, such specificity has proven to be impossible to effect over time. Early trusts that instructed their successors to support the boys who lit Boston’s street lamps or some other such outlived purpose found themselves having to go through a complex legal process to amend the donor’s intent. These experiences remind founders

to consider mission in terms of their hopes for perpetuity.

Why Have a Mission Statement?

Every aspect of foundation stewardship benefits from a well-crafted mission statement. Mission statements can:

- **Give guidance to trustees.** As the governors, policymakers, and guardians of the foundation, trustees need a basis for developing a long-range strategy for the foundation. The mission statement provides that. A mission statement ensures that the foundation stays in focus, on task, and supported with appropriate resources.
- **Bring focus to grantmaking.** The core reason for a mission statement is to direct grants toward a particular social change, research activity, or other programmatic undertaking.

→ **Provide a framework for management.** Whoever manages foundation operations should start with a clear idea of the overall purpose of the enterprise. The mission statement offers a framework for determining management and administrative activities that support your mission and goals.

→ **Drive portfolio investment.** Cash needs, length of investment terms, program-related investments, and other dimensions of the investment strategy work best for foundation interests when they are tied directly to the time horizons, grantmaking levels, and policy outcomes expressed in the mission statement.

→ **Shape communications.** Founders have wide latitude deciding what and how much to communicate about foundation and grantee activities. Communications programs can both interpret and advance the foundation mission.

What a Mission Statement Does

The mission clarifies what the family hopes to accomplish through its grantmaking, and in what areas it will make grants to get there. All founding documents for charitable vehicles include some sort of statement of purpose; the actual term can vary from state to state. The law does not require a mission statement separate from this statement of purpose and many family philanthropies don't have one, especially in the formative years when the original donor is at the helm. The mission does state the purpose of the foundation or fund, but it goes far beyond that basic function.

The mission helps the family set a course that transcends generations. Older family members must ultimately hand over the torch to the young. Free and open conversations about the mission can give all the generations a chance to build upon the original donor's legacy, as well as express their hopes for the future and their vision for the family's philanthropy.

The mission enables the foundation to see where it is deviating from its expectations and goals so it can make course corrections. By including several goals in the mission, the family foundation can act more strategically, building in review of its goals in three or five years to see how far it has come, and whether it needs to revise its thinking.

The mission identifies gaps that the foundation or fund can fill. Most family foundations are small, with assets of less than \$5 million. Taking time to think and talk about mission can focus the family on applying their resources where they can do the most good.

The mission enables the organization to be more strategic. For example, a mission can allow for grantmaking through collaboration and matching grants, thereby harnessing the power of larger organizations and compounding the impact of a family's grantmaking.

The mission ensures that the family members are truly in sync. Family trustees sometimes think they're in agreement when they may not be. Discussion around the mission early on can reveal and help reconcile important philosophical differences.

The mission strengthens the role of the family in the foundation. As family foundations grow and, sometimes involve non-family members in the process, some families fear they will lose the family legacy and influence. By devising a clear mission, a family can assure that the foundation is headed in the direction that's right for them.

Key Questions in Developing a Mission Statement

- Who will participate in conceptualizing the statement?
- Who will manage the process of developing the statement?
- What other voices might be sought, such as grantees, the community, and other family foundations?
- Who will write the draft statement?
- How will editing and finalization be conducted?
- How will the statement be communicated to family members?

Developing the Mission Statement

How Specific? How Early?

A mission statement not only reflects the founder's values and interests, it reflects how early and how specific the foundation feels prepared to communicate its intentions. It can be cast in the founder's voice, the family's voice, or the foundation's voice. Some founders include the community voice. Voice and clarity of purpose can ensure that the statement offers momentum to the foundation during its early days and gives it the best chance to thrive over generations.

Experiences of family foundations demonstrate the diversity of approaches to determine the voice, spirit, and style of the mission statement.

“We're going slow on developing a grantmaking focus,” said Alison Goldberg, trustee and daughter of the founder of the Robert P. and Judith N. Goldberg Foundation in the early days of that foundation's existence. “Why? We have young family members, non-family board members with different interests, diverse interests in general, and very different political perspectives. We're experimenting, feeling what's right, and learning from each other.”

The Rockdale Foundation in Atlanta, Ga., also reports having a deliberately broad mission early on. Then executive director David Weitnauer noted that “this left room to experiment and learn from our grantmaking. After three years of experience, we conducted a strategic planning retreat and developed a more specific mission statement.” Two years later, the foundation conducted another retreat and made even more refinements to the mission.

Elliott White Springs' hopes, values, and intentions were clearly defined from the beginning. He knew exactly what he wanted to do, well before establishing his family foundation. Early in his career as a textile magnate, he sought ways to improve the lives of people in upstate South Carolina, thousands of whom had worked in his mills. In the midst of the Great Depression, he created a nonprofit organization to finance college education for local high school graduates. At the onset of World War II, he founded the Springs Foundation (now known as the Springs Close Foundation) to “promote the general welfare of the residents” of Lancaster, Chester, and York counties. The foundation continues this mission as a vital philanthropic force in the region.

“It’s important to give in an area where you have some special interest and passion.”

— Thomas Kubiak, Founder, The Oliver B. Merlyn Foundation

Accommodating Difference

Family foundations benefit from the passions and loyalties of the family and family members. Such passions sustain grantmaking through good times and bad and, quite often, ensure that loyalty to communities, causes, and grantee organizations is strong. But passions are not necessarily shared; a mission statement based on shared vision can be difficult to achieve. How much disagreement you are willing to accommodate is a key consideration in drafting your mission.

Some family foundations believe the mission statement should reflect the donor’s hopes for impact and it is that overarching vision that guides decision-making. All foundation priorities and grants are products of that vision and a shared board commitment to what will be done to pursue that vision. Their mission statements are written to guide what the board collectively believes to be in the best interests of the foundation over time. Their missions may be complemented by a vision statement that articulates, sometimes in very measurable terms, the ultimate impact they hope to have. Such foundations may even have a requirement that prospective board members are eligible for service

insofar as they are supportive of the stated mission.

For other family foundations, particularly in the first and second generations, inviting the interests of all participants to shape the grantmaking agenda allows the foundation to experiment, learn, and support family participation. These foundations may start with a more general mission that evolves over time. Board members often come to realize that they are dissatisfied with a scatter-shot approach even as they value the organizations they are supporting. At that point, the board may re-consider the expectations they have for their grants and look to a more focused, common approach.

When Jerry Taylor and Nancy Bryant set out to organize the Jerry Taylor and Nancy Bryant Foundation, differences in view about mission arose. Gerald wanted to address education; Nancy was interested in eldercare, and their son, Galen, was interested in helping immigrants get started. It fell to Nancy to iron out the differences and she went to work gathering information, talking to people, and educating herself. She worked out a multi-purpose mission with a discretionary grantmaking arrangement that proved to work well.

Like the Taylor/Bryant family, some families structure their grantmaking within specific, but very different, fields of interest. The fields of interest are determined most often by individuals or, occasionally, by branches of the family. Others have a quite focused mission but complement that with a discretionary grantmaking program that invites family members to support personal interests while advancing the core, shared mission. Such a system keeps the focus on core mission but takes the pressure of personal pleading off the table with the discretionary grants. NCFP’s Trends research shows that about 85% of family foundations allow some level of discretionary grantmaking. (For more on these grantmaking structures, see the Grantmaking chapter on page 200.)

Starting out with a broad mission that allows grantmaking to be determined by individuals or some other family segment (branches, for example) works most often only in the first and second generations. In later generations, accommodating individual interests is difficult if not impossible. By the third generation and beyond, the sheer numbers of potential participants along with differences of geography, point of view, and program priorities become so striking as to make it impossible to do anything but work toward a shared mission. Further, offering discretionary grants, especially to family board members, may exacerbate tensions about who gets to serve on the board.

The result can be a founding board mission statement that will likely evolve over time, although it continues to be grounded in the founding values and vision.

Creating the Statement

Approaches to drafting the mission statement are as varied as family styles. One founding couple might write a few thoughts out over an informal conversation. Another will convene a boisterous family meeting and, even though everyone talks at the same time, exciting ideas emerge.

Some ideas for the drafting process offered by family foundations include:

- Holding a retreat at a place of some historic importance to your family, a home, or a conference center. Choosing a location other than the place where other business is usually done can provide a setting more conducive to creative thought. The retreat can be a day or more, depending on what you want to achieve and how much your family can make available. The goal is to create an atmosphere of trust in which family/board members can focus on a subject of such importance and consequence;
- Creating a needs assessment of your region or areas of interest. It can be helpful to know what the community needs are, who is funding what, or how a critical issue can be addressed. Similarly, if you have an idea about what you would like to fund but little knowledge about how best to approach it, commissioning research can inform your mission and your grant choices. (See box on the John M. Belk Endowment's strategic planning process on page 49.)

- Appoint the founder, a family member, or a trusted outside person as discussion leader or facilitator. This person should be skilled in navigating complicated conversations and, perhaps most importantly, not avoid conflict. Conflict can hone a great idea or, if left to simmer, cause ongoing tensions. The trusted facilitator may or may not begin by interviewing participants ahead of time and may even offer a couple of possible statements for consideration;
- Consider asking a professional facilitator, ideally one experienced in working with family foundations, to help the family develop its views and ideas. Again, such a consultant may interview all participants ahead of time, whether or not a proposed draft is offered;
- Try to keep everyone, including members of different generations, involved in the process. Grandparents can often be an inspiring and mediating force between parents and adult children. These experiences can be motivating both in terms of interest in the grantmaking and in working in a family enterprise. For all ages, but perhaps younger family members particularly, the experience is an important learning opportunity, seeing what is required of mature adults dealing with complex, emotional and value-rich issues that are consequential for the whole family and the communities and causes to be served.
- Have one person or a small group draft the mission statement. Writing by committee can be frustrating. However, keep everyone informed of the process of developing the statement. Recognize that it is unlikely that everyone will be perfectly happy with all the wording but be prepared to discuss why some phrasing was chosen over others. The mission statement will start in the founder's vision and dream; it works best as the practical articulation of that dream. Since many feel an emotional insight into what would best serve the founder's dream, it is likely that attachment to language will be deeply felt and possibly heated.

When we were starting up, we organized a family retreat for my parents, my husband and myself. We hired a facilitator to guide the family through the process of developing a grantmaking program. We asked our parents to describe the reasons why they wanted to create a foundation, and we made an audiotape of my father's remarks —this was very wonderful. His words shed light on what's important to him, and they help other board members to focus. His remarks also will be helpful for future generations.

— Michele Goodman,
J.W. & H.M. Goodman
Family Charitable Foundation,
Hillsboro, Ore.

Elements of a Mission Statement

The elements of a mission statement are entirely up to the founder and family. Many family foundations combine some or all of the following elements with the Mission Statement.

- History of the family: its origins, values, patriarchs and matriarchs, business, interests, public service, traditions of philanthropy, etc.
- History of the foundation: founder, when founded, funding source, etc.
- The field of interest of the foundation (education, environment, etc.) and what the foundation intends to accomplish.
- Program focus and specifics of where grants are targeted.
- Key goals and desired outcomes.

How Much to Include?

As mentioned earlier, some foundations believe brief is better. A few examples include:

1. *The Sobrato Family Foundation*

“Our Mission: Make Silicon Valley a place of opportunity for all its residents. The Sobrato Family Foundation advances the Sobrato Family’s collective philanthropic interest by promoting access to high-quality education, career pathways, and essential human services.”

2. *The McCune Foundation*

“The McCune Foundation supports non-profit organizations that advance the quality of life for the people of southwestern Pennsylvania by fostering community vitality and economic growth to improve the region for current and future generations.”

3. *The Max M. & Marjorie S. Fisher Foundation*

“The mission of the Max M. and Marjorie S. Fisher Foundation is to enrich humanity by strengthening and empowering children and families in need.”

Creating Your Splendid Legacy

The quality and content of your mission statement is absolutely essential to your grantmaking, relationships, management, and communications. It may be, however, that the process of crafting is just as important: to your governance; to sustaining effective family participation; to your progress as a learning organization; and to your potential as a force for good in your areas of concern.

While your values and statement of those values may be the constant in your arc as an evolving family foundation, the mission statement may benefit from renewal — perhaps every five years or so. Not only will the re-examination ensure you are working to your goals with the outcomes and impact you expected, it will benefit from new knowledge and experiences. You will also revitalize your board, staff, and the family; ensuring that those who guide the foundation stay as fresh, committed, and excited as those who created the foundation.

Finally, a thoughtfully considered mission statement ensures that your Splendid Legacy — whether you created it or sustain it — continues to be a force for good.

—This chapter incorporates earlier work by Joseph Foote.

“Democracy does not give the people the most skillful government, but it produces what the ablest governments are frequently unable to create; namely, an all-pervading and restless activity, a superabundant force, and an energy which is inseparable from it and which may, however, unfavorable circumstances may be, produce wonders. These are the true advantages of democracy.”

— Alexis de Tocqueville



From Founder to Values to Mission to Strategy: Creating the John M. Belk Endowment

The John M. Belk Endowment was founded by the successful retail entrepreneur and former mayor of Charlotte, N.C. After his death, Belk's daughter and only child, M.C. Belk Pilon, set out to identify the mission and program priorities that would appropriately honor her father's values and lifelong charitable interests.

She began with numerous conversations with those who could help her best articulate her father's values. John Belk was well known and respected for his commitment to personal values that guided his professional and civic pursuits.

From there, she factored in both his longstanding commitment to higher education and his concern as an employer that North Carolina always have a robust workforce capable of earning family-sustaining wages. Reflecting her own as well as her father's values, she knew that, whatever the Endowment would fund, it would embrace the state's diverse population. After all, her father had been Charlotte's mayor during the tense period of school desegregation.

Next, she called in David Dodson, president of MDC in Durham and designer of MDC's foundation strategy process, *Passing Gear Philanthropy*. David worked with M.C., her fledgling board and new executive director to develop a plan for advancing the JMBE goals to improve access to and completion of a post-secondary credential and the development of a workforce ready to take on well-paying North Carolina jobs. MDC also conducted the research critical to understanding the economic and academic challenges likely to influence JMBE grantmaking.

M.C. and the foundation's executive director convened learning sessions with colleagues, educators, state and local government officials, community members, and others to make sure that had the best possible advice and were on the right track.

With their mission and mandate in place, the team further refined their strategy with the help an advisor/facilitator well familiar with preparing citizens for the jobs of the future. The result was a multi-year strategy with goals, activities, and targeted outcomes. The plan jumpstarted the Endowment's desire to begin to make a focused and impactful contribution as soon after their founding as possible.

