

Going Beyond the Private Foundation: An Exploration of Vehicles March 11, 2021

Description

The practice of family philanthropy is evolving and so too are the structures that social impact practitioners employ to accomplish their objectives. However, a number of questions remain on the minds of philanthropic families. What are the available vehicles that promote social impact? How do families leverage multiple vehicles successfully? What is the role of a private foundation in relation to other vehicles? Learn about the range of structures that advance the objectives of philanthropic families, explore the fundamental considerations, and understand how a portfolio of complementary vehicles may promote success.

Replay Link

View the webinar replay here: <https://youtu.be/9rGQ4SNQ3LM>.

Summary and Resource List

Webinar Takeaways

- Giving families can utilize a single vehicle or a combination of entities to achieve impact, including (*Structuring for Impact*, p. 19):
 - **Private foundation:** An independent legal entity set up for solely charitable purposes (501(c)3). Funded by a single individual, family, or business.
 - **Donor-Advised Fund:** Giving account offered by and housed in a public charity. The donor can advise on the charitable distribution but does not have legal control of the funds.
 - **Supporting Organization:** Type of public charity that carries out its exempt purpose by supporting other exempt organizations, usually other public charities.
 - **Trust:** Fiduciary arrangement that allows a third party, or trustee, to hold assets on behalf of a beneficiary or beneficiaries. There are multiple types of trusts.
 - **501(c)4:** Nonprofit organization used to advocate for change via public education/awareness and influence policy. May engage in lobbying and political activity. Can participate in politics and influence elections as long as it is less than 50% of their expenditures.
 - **Limited Liability Company:** A private business structure that combines the pass-through taxation of partnership or sole proprietorship with the limited liability of a corporation.
 - **Venture Capital Fund:** Investment fund that manages the money of investors who seek private equity stakes in startup and small- to medium-sized enterprises with strong growth potential.
 - **Operating Business/Organization*:** Business or nonprofit organization that provides a product or service that furthers the founder's social impact mission.

- **Personal Checkbook:** No separate impact entity, just use of personal funds for direct giving.
- **Family Office*:** A private investment firm that exclusively manages on or more families' wealth. Family Offices can take multiple forms. Some founders studied have established family offices that are primarily investment funds and provide minimal other services. Others have more "full service" family offices that provide a range of legal, tax and other services in addition to managing grants and impact investments.
- ** Can take multiple forms (LLC, Partnership, S Corp, C Corp, etc.)*
- The array of vehicles allows families to utilize different tools and approaches to achieve outcomes.
 - Some of the most well-known tools are grants, advocacy and lobbying, investments, and social enterprises.
- Giving families have begun to think differently about their assets, and how to use some or all for philanthropic purposes.
 - While all assets could be activated, many families think of their assets through different layers: assets as part of a giving budget (i.e. 5% distribution), additional assets set aside for a charitable purpose (i.e. foundation endowment or DAF), and assets that align with their values (i.e. personal portfolio).
- Vehicle choice depends on a number of important decision factors:
 1. Choice of impact tools: Do you want to use grants, investments, advocacy?
 2. Philosophy for achieving impact goals: Do you prefer a separated or integrated approach to giving?
 3. Prioritization of tax considerations: Are tax considerations the most important factor, or are other factors prioritized?
 4. Desired level of control vs. community: How much power over decision making do you prefer, versus a desire to have community voices represented?
 5. Comfort with public identity: Do you prefer to be more private or public with your philanthropy?
 6. Appetite for entity building: Do you want a lean team or to build a large organization?
 7. Leverage top talent: How do you bring in and compensate a strong team, if desired?
 8. Concern about conflicts of interest: How comfortable with you are with risk and/or the appearance of conflicts?
 9. Anticipation of evolution (family): Is next-gen engagement a priority? Do you want flexibility to evolve as time goes on?

Questions to Discuss with an Advisor

- Which assets do you want to activate for impact?
- What are your preferences for each decision factor? Which are highest priority?
- Which entities and operating models best support your preferences?
- How do you want to measure impact? Is a "good cause" good enough?
- What support do you need to do this?

Resources

Resources on Giving Vehicles

- Choosing and Using Multiple Vehicles for Family Giving (NCFP, 2018)
- Family Case Study: The Dobbs Fund: An Evolving Vehicle for Developing Younger Generations for Philanthropy (NCFP, 2017)
- Family Philanthropy and Donor-Advised Funds: A Guide for Generous Families (and Their Advisors) (NCFP, 2019)
- Getting Started: Family Giving Considerations Worksheet (NCFP, 2018)
- Operating for Impact: Choosing a Giving Vehicle (Rockefeller Philanthropy Advisors, 2017)
- Options for Family Philanthropy: Comparing Donor-Advised Funds and Private Foundations (NCFP, 2019)
- Resource Guide: Building an Impact Investing Team (Omidyar Network, 2020)
- Stanford PACS Guide to Effective Philanthropy - Chapter 4: Giving Vehicles: The Basics (Stanford PACS, 2020)
- Structuring for Impact: Creating Integrated Engines of Change (Walton Personal Philanthropy Group, 2019)

Contact Information for Panelists

- Will Fitzpatrick, Will Fitzpatrick PC, will@wfitzpatrick.com
- Mark Newhouse, Left Behind Workers Fund and Innosphere Fund, mark.a.newhouse@gmail.com
- Sharon Schneider, Integrated Capital Strategies, sharon@incapstrategies.com
- Eric Stephenson, Align Impact and the Cordes Foundation, eric@alignimpact.com

Featured Speakers



Will Fitzpatrick, principal of Will Fitzpatrick PC is sought out by high net worth individuals, family offices, foundations and social entrepreneurs who wish to integrate their nonprofit and for-profit activities. Sample client projects:

- Advising high net worth individuals on the creation of philanthropies that allow an integrated approach to grant making and impact investing.
- Guiding social entrepreneurs on the creation and legal implementation of structures that combine “for profit” and “nonprofit” activities and entities.
- Structuring impact investment funds that allow for a combination of purely philanthropic and commercial investors.

For fifteen years, Will supported the creation of many of Pam and Pierre Omidyar’s philanthropic endeavors around the world. In 2005, he was instrumental in conceiving and implementing Omidyar Network’s novel legal structure. Combining a private foundation and a for-profit entity, Omidyar Network functions with an integrated governance structure, one mission, and one staff. Will served as general counsel, secretary and a founding board member of First Look Media and The Intercept, Pierre Omidyar’s reimagined approach to journalism for the digital age.

Will served as counsel to diverse tech companies, including Google, Electronic Arts, and OpsWare, among others. Will is a member of the U.S. Program Advisory Committee for Human Rights Watch, and the Advisory Council for the International Center for Nonprofit Law. A frequent public speaker, Will is a lecturer at the University of California Berkeley School of Law.

Will worked for Bryan Stevenson at the Equal Justice Initiative, providing post-conviction legal assistance to death row inmates and working on issues around race and poverty. He clerked for Judge Myron Thompson of the U.S. District Court in Alabama. Will earned his JD from Columbia University and graduated with honors from Harvard College with a degree in American history and literature. He is licensed to practice law in California and New York.



Mark Newhouse spent much of his career delivering products and businesses that generated more than \$2.0 billion in revenue in the telecommunications, consumer electronics, and cleantech markets. Mark is a true pioneer in the field of Optical Communications. Any signal moving through the Internet may travel over some of the 30 million kilometers of LEAF® fiber, which he and Yanming Liu invented. Multi-wavelength optical amplifiers developed by the technology organizations he grew and ran may amplify that Internet signal. Optical switches pioneered and deployed by the Corning division that he founded and led may

then switch that Internet signal. Mark completed his time at Corning in Shanghai, where he was a Senior Vice President of Corning Incorporated.

Over the last several years in Colorado, Mark has been investing in and advising a variety of startup companies. In 2017 he was named a General Partner of the Innosphere Fund. He currently serves on the Board of Directors of SWIR Visions Systems, Epic River, and Boulder AI.

Since coming to Colorado, Mark has invested much of his time in exploring new models of philanthropy.

At the onset of the pandemic, Mark co-founded the Left Behind Workers Fund (LBWF), which is providing assistance to recently unemployed workers without documentation. The Left Behind Workers Fund is roughly half-way through distributing 25 million dollars in the form of direct cash assistance and rental assistance to help these workers and their families. These dollars first came from private sources, but LBWF has successfully advocated for public sector tax dollars, and for the first time the State of Colorado appropriated dollars specifically to support the needs of these Left Behind Workers.

He is the founder of the Social Venture Partners Impact Investing Group. He was an investor in NPX's first private-pay-for-success transaction and has helped NPX bring this new model of philanthropy to Colorado in the form of NPX's [Colorado Donor Impact Fund](#). He was also a Founding Circle Sponsor of Colorado Impact Days and currently serves on the Board of Directors of Denver Social Venture Partners, Impact Charitable, and The Denver Foundation.



Sharon Schneider is an entrepreneur, impact investor, philanthropy expert and strategy consultant to the next generation of social impact founders and family offices. She is Founder and Principal at Integrated Capital Strategies which specializes in setting up and working with hybrid impact organizations that use a range of tools to accomplish their social mission, from grants and investments to advocacy and even operating businesses.

Previously, Sharon served as Executive Director of the Telluray Foundation in Colorado and was the founding Director of the Walton Personal Philanthropy Group. She was also co-founder and CEO of the for profit social enterprise Moxie Jean, an online marketplace for high quality, gently used clothes. Moxie Jean won a Chicago Innovation Award in 2013 and was a 2012 portfolio company of renowned tech accelerator Excelsite Labs (now TechStars Chicago). Moxie Jean was acquired by Schoola in 2015. Before starting Moxie Jean, Sharon spent 12 years as a staff member and consultant to private foundations, including the Bill & Melinda Gates Foundation, the Pew Charitable Trusts, and dozens of small family foundations, on issues ranging from strategic planning and outcome management to engaging your family in philanthropy. Sharon has an M.A. from the University of Pennsylvania and a B.A. (summa cum laude) from the University of Toledo. She lives in Denver with her husband and their three children.



Eric Stephenson is Director of Operations at Align Impact and member of its investment committee, advancing the firm's work helping investors and their advisors form and implement effective impact investing and philanthropic strategies. For five years prior to joining Align Impact, Eric was the Portfolio Director at the Cordes Foundation, tasked with assessing, proposing and implementing a strategic plan towards 100% mission alignment across asset classes, and overseeing the Foundation's philanthropic initiatives. He was previously part of the fund investments team at Hamilton Lane and started his finance career with the global leasing group at Xerox.

Eric serves as co-chair of the Cordes Foundation, member of the advisory board for Duke University's CASE i3 Initiative on Impact Investing, and is a due diligence mentor at Harvard University's Initiative for Responsible Investment. He earned his BBA from Temple University, MA from University of the Pacific and is an active CAIA charterholder and alumnus of the SEO Career Program.