

Resource A

Types of Foundations

STEP TWO took you through the logic and strategy of developing relationships with funders. This resource provides you with a brief “101” on the various types of foundations:

Community foundation. A community foundation is a tax-exempt, non-profit, autonomous, publicly supported, nonsectarian philanthropic institution with a long-term goal of building permanent, named component funds, established by many separate donors, for the broad-based charitable benefit of the residents of a defined geographic area, typically no larger than a state.

Corporate foundation. Also referred to as a *company-sponsored foundation*, a corporate foundation is established by a corporation but tends to operate separately from the company and to have its own dedicated staff. In most cases it is a separate legal entity that maintains close ties to the parent company, and the members of the foundation and company boards can overlap. These foundations tend to give to a broad spectrum of organizations; however, some establish giving policies that reflect the parent company’s interest. Often, corporate foundations provide grant support in the areas where their corporation has a base of operation.

Donor-advised fund. A donor-advised fund (DAF) “is a charitable giving vehicle set up under the tax umbrella of a public charity, which acts as sponsor to many funds. A donor-advised fund offers the opportunity to create an easy-to-establish, low cost, flexible vehicle for charitable giving as an alternative to direct giving or creating a private foundation. Donors enjoy administrative convenience, cost savings and tax advantages by conducting their grantmaking through a donor-advised fund.” Once the primary

domain of community foundations, DAFs are now being offered at major financial institutions such as Fidelity Investments, which has the largest DAF program in the country. DAFs are now the fastest growing charitable vehicle, with over 100,000 DAFs holding over \$17.5 billion in assets.¹ Unfortunately for grantseekers, nonprofits typically cannot apply for these funds, as the grants are recommended by the advisers to the funds.

Family foundation. “The term ‘family foundation’ does not have any legal meaning, but the Council on Foundations defines a family foundation as one in which the donor or the donor’s relatives play a significant role in governing and/or managing the foundation.”²

Operating foundation. An operating foundation is a private foundation that uses its resources to conduct research or provide a direct service. It is not uncommon for this type of foundation to engage in fundraising as a means of generating the revenue it needs to make grants.

Private foundation. Also referred to as an *independent foundation*, a private foundation is a nongovernmental, noncorporate, nonprofit organization with an endowment and a program managed by its own trustees or directors. The endowment has usually been donated by a single source, such as an individual, family, or corporation, and this donor also defines the mission and the program of the foundation.

Public foundation. Also referred to as a grantmaking public charity. These are foundations that raise money from the public—individuals, corporations, and other foundations—to provide grants. The IRS does not consider these as private foundations since their base of support is typically broad. Community foundations are recognized as public foundations, as are women’s funds (www.wfnet.org) and some health care conversion funds.

Notes

1. Definition from Wikipedia, http://en.wikipedia.org/wiki/Donor_advised_funds.
2. Definition from the Foundation Center, <http://foundationcenter.org/getstarted/topical/family.html>.