We work with business to create a just and sustainable world

Sample corporate members include:
- Alcatel-Lucent
- China Mobile
- Cisco Systems
- The Coca-Cola Company
- COSCO Container Lines Co.
- Duke Energy
- Ford Motor Company
- GE
- IBM
- Ramu Nico
- Wal-Mart
- Walt Disney

Funders and Partners
- The British Council
- Chinese Center for Disease Control and Prevention
- International Finance Corporation
- International Labour Organization
- Chinese National Research and Development Council
- David and Lucile Packard Foundation
- UN Global Compact
The BSR Approach

Member Network

Consulting Services

Research & Innovation

Cross-sector Collaboration
The Nonprofit and Foundation Sector in the USA
# History of Private Foundations in USA

<table>
<thead>
<tr>
<th>Early foundations formed in late 19th Century</th>
<th>General Purpose Foundations in the pre War Years</th>
<th>Post War Growth in Foundations</th>
<th>Tax Reform Act of 1969 and reduced economic growth of 1970s</th>
<th>Revisions to the Act and growing economy led to massive growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>•For the benefit of a particular institution or need, e.g. hospital or orphans</td>
<td>•1907 marked the first foundation created with an endowment and charter</td>
<td>•Growth in corporate sponsored foundations</td>
<td>•Legal control over foundations enacted</td>
<td>•Leap from 22,088 private foundations in 1980 to 77,095 in 2005</td>
</tr>
<tr>
<td></td>
<td>•Carnegie and Rockefeller foundations established</td>
<td>•Criticism by Congress &amp; public on foundation secrecy</td>
<td></td>
<td>•Growth in number of wealthy individuals</td>
</tr>
</tbody>
</table>
Nonprofits are largely self-sustainable.

Foundation giving is a smaller proportion than commonly perceived.

Source: Johns Hopkins University Comparative Nonprofit Sector Study

Source: Giving USA Foundation, Giving USA 2009
Three Main Types of Private Foundations

Private Foundations have a principal fund or endowment and must pay-out at least 5% of their assets/yr; whereas Public Foundations receive funding from numerous sources and must continue to seek money from diverse sources in order to retain its public charity status.

Independent or Family Foundations
Receive endowments from individuals or families

Company-Sponsored or Corporate Foundations
Receive funds from their parent companies, although they are legally separate entities.

Operating Foundations
Run their own programs and services and typically provide limited grants to outside organizations.
Top Foundations Have Significant Resources

The top 100 Private & Corporate Foundations distribute over US $15 billion a year: almost 1/3rd of all funding.

The top 5 Private Foundations distribute US $3.5 billion/yr

<table>
<thead>
<tr>
<th>Foundation Name</th>
<th>Grants made in 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bill &amp; Melinda Gates Foundation (WA)</td>
<td>$2,011,675,000</td>
</tr>
<tr>
<td>2. The Ford Foundation (NY)</td>
<td>526,464,000</td>
</tr>
<tr>
<td>3. The William and Flora Hewlett Foundation (CA)</td>
<td>379,400,000</td>
</tr>
<tr>
<td>4. The Robert Wood Johnson Foundation (NJ)</td>
<td>329,322,323</td>
</tr>
<tr>
<td>5. The David and Lucile Packard Foundation (CA)</td>
<td>301,979,479</td>
</tr>
</tbody>
</table>
Re-engineering America’s Cities:
The Citi, Ford, Rockefeller, Kellogg and 18 other foundations and financial institutions are working together to fund and manage Living Cities, addressing issues surrounding jobs, housing, climate change, and health care.
Supporting Children’s Health:
The Packard Foundation supports organizations in 25 states advocating for children’s health insurance, such as Georgetown’s Center for Children and Families which educates organizations about federal laws, shares best practices from other states, and facilitates a peer-to-peer learning environment.
Out of Disaster Comes Opportunities:
The Ford Foundation’s Gulf Coast Transformation Initiative supports grassroots efforts to rebuild inclusive, culturally and economically vibrant neighborhoods in communities devastated by the twin disasters.
Teaching Best Practices:
The Gates Foundation funds CARE to train groups of women farmers in better farm practices. Farmers learn better animal care, which, in turn, leads to cows producing more and higher quality milk.
Working Toward Malaria Eradication:
The Gates Foundation is speeding up malaria research, expanding access to life-saving drugs and prevention methods, and advocating for greater funding for and public awareness about malaria in partnership with several implementation partners.
Building Assets, Creating Opportunity in China:

Since 1990, the Ford Foundation has supported the development of Microfinance in China to help the poor build assets, not just income. By paving the way to ownership, new opportunities are created for economic development.
Foundation Regulation and Governance
Responsibility to whom?

- Government
- Owners/Shareholders
- Customers
- Media
- NGOs
- Watchdogs

Private Foundations
- Government
- Board of Directors/Trustees
- Donors
Private Foundation Regulation

• Foundations must define their bylaws identifying their board, giving priorities etc.
• Private Foundations file Form 990-PF containing information on:
  – Grants given;
  – Grant application process;
  – Assets; and
  – Board of directors.
• Increasingly regulated under state laws governing the operations of foundations as well as specific laws such as the California Nonprofit Integrity Act.
• IRS may conduct audits
• Information available to the public online through sites such as Guidestar

Guidestar provides access to IRS Forms 990 and other data including:
• Verify nonprofit legal status
• Basic organizational details (location, size, mission, assets)
• Detailed reports on mission, governance, activities, project results, revenue, spending
• Salary and compensation by location, type, revenue, assets, # of employees
Benefits of Improved Self-Regulation

Culture in-line with mission

Opportunities for greater operational efficiencies

Sensible risk management and increased public trust.

Reduce potential for corruption, misuse of funds, and ensure legal compliance
Nature of Boards and Implications

**Feature**
- Responsibility for governing foundations is vested in volunteer leaders.
- Most boards are self-selected and self-perpetuating.
- Successors are often selected by the board itself or the primary donor, not by outside organizations.
- Board is expected to function as guardian or steward to safeguard the public interest.

**Benefit**
- Access diverse experience
- Committed boards
- Selection of new members fills gaps in board composition
- No external, short-term, pressure on boards
- Donors can monitor/influence foundation
- Independent board members can limit donor control

**Limitations**
- Pool of board members
- Time of board members
- Ability and relevant experience of board members
- Selection criteria of board members
- Potential for conflict of interest between foundations and donors or board members other roles
- Boards become too close to foundation
BoardSource provides thinking and resources related to nonprofit boards, and engages and develops the next generation of board leaders.

The Independent Sector’s *Statement of Values and Code of Ethics for Nonprofit and Philanthropic Organizations* is intended as a model for use by nonprofit organizations and foundations nationwide.

The Panel on the Nonprofit Sector has released its *Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations*. The Guide outlines 33 practices designed to support board members and staff leaders as they strive to meet high standards of ethics and accountability.
Associations: Council on Foundations

- Association of 2,000 foundations and corporations striving to increase the effectiveness, stewardship, and accountability of the sector.
  - Principles and Practices for Effective Grantmaking
  - Stewardship Principles for Family Foundations
  - Stewardship Principles for Corporate Grantmakers
  - Proposed Governance Principles for Discussion with Large Foundations

- 41 National Standards for U.S. Community Foundations to unify and define community foundations and promote their integrity and public trust.

- As of April 2, 2009 there are 456 in compliance and 70 more are engaged in the compliance process.

Standards covering:
- Governance & Mission
- Finance & Legal
- Policies
- Gifts
- Funds
- Grants
- Education & Community Leadership
Former United Way Chief Guilty In Theft of More Than $600,000

A Federal jury today found William Aramony, the former president of United Way of America, guilty of stealing more than $600,000 from the charity and using the money to pay for vacations, luxury apartments and other benefits for himself and his teen-age girlfriend.

Randy I. Bellows, the Assistant United States Attorney who prosecuted the case, said the guilty verdict demonstrated that "when an individual abuses the trust placed in him, society won't tolerate it."

"This verdict sends a message to anybody charged with the responsibility for protecting a charity that they will be held accountable," he said.

- He was convicted on 25 counts including aiding United Way in filing false tax returns, and sentenced to 7 years in prison.
A Critical Media

- Media coverage tends to be negative, since good news is boring and bad news and scandals are more “newsworthy.”
- Investigative journalism into unethical activities.
- Increasingly focusing on impact, not activities.
- Important role in highlighting bad and good examples of grant making and Foundation activities.

Los Angeles Times

A TIMES INVESTIGATION

Dark cloud over good works of Gates Foundation
A Few Thoughts on Foundations in the Future
Challenges Ahead

• Executive compensation
• Misuse of charitable funds for personal benefit of trustees, family, or officers
• Fundraising fraud conducted under the guise of charity
• Poor management and oversight of charitable assets
• Charities and politics: (politicians create and manage own foundations; “charities” proving educational services as a facade for buying and selling influence)
Rising Opportunities

• Competitive application processes (and support completing them) help ensure maximum use of grants.
• Large amounts of focused funding can address the root causes of problems.
• Corporate foundations can utilize core competencies to leverage impact of funding.
• Expertise in impact evaluations often lead to continuous improvements in giving over time.
• Bringing grantees together to collaborate.
• Increased capacity building of grantees, and potential grantees.
Rapid Growth of the Private Foundations in China

• Although private philanthropy is deeply rooted in Chinese history, philanthropic foundations represent a new type of social organization in modern China.
• Major public entities expect foundations to support the State's modernization efforts rather than act as instruments of civil society.
• Foundation leaders, however, are seeking greater autonomy from their public sponsors and oversight bodies.
• Looking to the future, foundation leaders believe that as the foundation sector in China develops it will contribute to the development of other civil society institutions.
• Research by a charity information center is forecasting private foundations in China will overtake government and non-governmental organizations to become the main source of charity in the country.
The next Rockefeller?
Thank you for listening and BSR looks forward to working with you to drive the foundation sector in China

Aron Cramer
acramer@bsr.org

www.bsr.org