## Types of (non-governmental) Grantmakers*

### Private Foundations

Private foundations are generally founded by an individual, a family, or a group of individuals.

They are organized either as nonprofit corporations or charitable trusts. Typically, the donor or donors who establish a private foundation make a gift of cash or other assets that establish the initial "endowment." The foundation invests the endowment and the governing board makes grants available to charities using the income earned from the investment.

### Family Foundations

Family foundations are a common form of private foundations. Although not a legal term, grantmakers use the phrase "family foundation" to describe private foundations that are managed or influenced by the original donor or their family.

Family foundations are often characterized by:

- family members serving as the majority of board members on a voluntary basis
- concentrating giving locally in the donor’s community
- focusing on the philanthropic intent of the donors
- involving high participation from family members

They allow families to create a forum to work towards common social goals and promote giving to future generations.

### Corporate Foundations

A corporate foundation is a private foundation under the tax law that gets its funds from a profit-making company or corporation. It is independently created for the purpose of making grants. Corporate foundations:

- frequently assume responsibility for the company's philanthropic giving
- start typically with a single gift endowment that the company can add to as it wishes
- are often governed by company owners or key executives
- are subject to the same tax regulations as private foundations

### Independent Foundations

Independent foundations are a subset of private foundations. There is no legal definition of an independent foundation but grantmakers sometimes see them as distinct from family or corporate foundations because they are no longer controlled by the benefactor, benefactor's family, or corporation. Most of the country's largest foundations fall into this category.

### Operating Foundations

Operating foundations are private foundations that use the bulk of their income to provide charitable services or to run charitable programs of their own. They make few, if any, grants to outside organizations.

Examples include the operation of a museum, library, research facility or historic property.

Some private operating foundations also choose to make some grants to other charitable organizations. To qualify as an operating foundation, specific rules, in addition to the applicable rules for private foundations, must be followed.
Grantmaking Public Charities (or “public charities”)

There is no legal or IRS definition of the term “public foundation.” Public foundations are recognized as “public charities” by the IRS.

Grantmakers, however, refer to public foundations as a nongovernmental public charity that operates grants programs benefiting unrelated organizations or individuals as one of its primary purposes. Increasingly, public foundations are established to receive funds and make grants for:

- populations with special needs
- specific subject areas
- non-geographic communities of interest

Community Foundations

A community foundation is a tax-exempt, public foundation composed primarily of permanent funds established by many separate donors to solve community problems and improve the lives of people in a specific geographic area.

Community foundations provide an array of services to donors who wish to establish endowed funds without incurring the administrative and legal costs of starting private foundations. Several options include:

- Unrestricted Funds
- Field of Interest Funds
- Designated Funds
- Donor Advised Funds

Other

Corporate Giving Programs

Corporate giving programs are administered within a corporation and are distinct from “corporate sponsored, private foundations.”

Corporate giving programs make grants for limited purposes closely associated with the interests of the company, although this is not always the case.

Giving Circles

A giving circle is a type of pooled fund where individual members make grants together; sometimes called a “social investment club.” Giving circles are very flexible and allow members to express their creativity. Giving circle members organize around a common interest, such as environmental conservation or education reform.

Giving circles allow for a wide range of giving styles, sizes, philosophies/politics, and focus areas.

Each circle member contributes money to the fund. Members combine their resources for a bigger sum of charitable dollars.

*Content of this handout has been adapted from information on the Forum of Regional Associations of Grantmakers’ web site: http://www.givingforum.org/s_forum/sec.asp?CID=2480&DID=6104