

Types of Foundations

General Characteristics of Four Types of Foundations

Foundation Type	Description	Source of Funds	Decision-Making Activity	Grantmaking Requirements	Reporting
*Independent Foundation	An independent grantmaking organization established to aid social, educational, religious, or other charitable activities.	An endowment generally derived from a single source as an individual, family, or a group of individuals. Contributions to endowment limited as to tax deductibility.	Decisions may be made by donor or members of the donor's family; by an independent board of directors/ trustees; or by a bank or trust officer acting on behalf of the donor.	Board discretionary giving allowed but may have specific guidelines and give only in a few specific fields. About 70% limit their giving to local area.	Annual information returns (990-PF) field with IRS must be made available to public. A small percentage issue separately printed annual report.
Company-Sponsored Foundation	Legally, an independent grantmaking organization with close ties to the corporation providing funds.	Endowment and annual contributions from a profit-making corporation. May maintain small endowments and pay out most of contributions received annually in grants or may maintain endowment to cover contributions in years when corporate profits are down.	Decisions made by board of directors often composed of corporate officials, but which may include individuals with no corporate affiliation. Decisions may also be made by local company officials.	Giving tends to be in fields related to corporate activities or in communities where corporation operates. Usually give more grants but in smaller dollar amounts than independent foundations.	Same as above.
Operating Foundation	An organization that use its resources to conduct research or provide a direct service.	Endowment usually provided from a single source, but eligible for maximum deductible contributions from public.	Decisions generally made by independent board of directors.	Makes few, if any grants. Grants generally related to the foundation's program.	Same as above.
Community Foundation	A publicly sponsored organization that makes grants for social, educational, religious, or other charitable purposes in specific community or region.	Contributions received from many donors. Usually eligible for maximum tax-deductible contributions made from public.	Decisions made by board of directors representing the diversity of the community.	Grants generally limited to charitable organizations in local community.	IRS 990 return available to public. Many publish full guidelines or annual reports.

Source: The Foundation Center, 1997.