Types of Foundations

Material adapted from the Foundation Center’s textbook “Foundation Fundamentals,” available from the Foundation Center.

Family Foundations (also known as Independent foundations) are the most prevalent type of private foundation. They are established by an individual or family through gifts or bequests, and vary widely in size, style of operation, and grantmaking interests. Only around 5% of independent foundations employ staff; instead, they are often managed by the donor family or trustees and often give to local charities or educational institutions with which family members are associated. Multi-faceted, issue-driven grantmaking—often dubbed “strategic philanthropy”—is more likely to be practiced by larger, staffed foundations.

Corporate Foundations generally receive their assets from a company rather than an individual or family. Although remaining closely tied to the company, the corporate foundation and company that established it are separate entities. Giving tends to focus on communities in which the company has operations or on activities that will raise awareness of the company in target markets.

Many companies also make gifts or grants directly without using the foundation mechanism, and these gifts can be significant in the overall fundraising strategies of a great many U.S. nonprofits.

Community Foundations are public foundations established to benefit specific geographic areas, whether it be a city, region, or state. Community foundations receive contributions from a great variety of sources, including private foundations. Their endowments are composed of an assortment of individual funds (which may bear the donors' names), funds restricted to certain program areas (such as public school education), and unrestricted funds that the foundation can use to initiate new efforts or supplement existing ones. Most employ staff to run the grantmaking and to attract additional resources to the foundation, and their grantmaking is usually overseen by a governing board representative of community interests.

Donor-advised funds originated within community foundations as a means to allow donors to establish a relatively small individual fund and to retain the right to direct gifts to eligible recipients. Donor-advised fund services are increasingly being offered by other types of organizations, such as federated giving programs or universities. Other entities such as Fidelity, Vanguard, or Schwab, have established "commercial gift funds," to handle donor-advised funds, and their giving reaches into the hundreds of millions of dollars each year.

Operating foundations, like other independent foundations, receive their assets from an individual or a small group of donors; however, most accomplish their charitable purposes by operating their own programs, rather than by making grants.

Corporate operating foundations have recently become popular as the means through which pharmaceutical companies distribute significant quantities of their medicines to people who cannot afford them. In-kind donations of products are reported on the Form 990-PF as part of the “total giving” of these foundations. Over the years, corporate foundations have occasionally reported gifts of works of art, land, or other non-cash items.

Other public foundations encompass a range of grantmakers that raise and dispense funds around a particular community of interest. Increasingly, public foundations have been established to receive funds and make grants for special populations or for specific subject areas. Women's funds, for instance, have been established in communities across the country to raise money and make grants to benefit women and girls. Other public foundations focus their giving on the arts, health, the environment, social change, or any number of issues at a local, regional, national, or international level.