

# Foundation Expenses & Compensation

How Operating Characteristics  
Influence Spending

## Authors

Elizabeth T. Boris, Principal Investigator,  
Center on Nonprofits and Philanthropy, The Urban Institute  
Loren Renz, Principal Investigator, The Foundation Center  
Asmita Barve, The Foundation Center  
Mark A. Hager, The Urban Institute  
George Hobor, The Urban Institute

## Contributors

Amy Brimer, The Urban Institute  
Charles E. McLean, GuideStar



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### **Foundation Expenses and Compensation Study Advisory Committee**

Diana Campoamor, Hispanics in Philanthropy  
Gavin Clabaugh, Charles Stewart Mott Foundation  
Robert S. Collier, Council of Michigan Foundations  
Kit Conroy, New York Community Trust  
Elan Garonzik, The ELMA Philanthropies Services, (U.S.) Inc.  
Judith Kroll, Council on Foundations  
Melissa Ludlum, IRS–Statistics of Income Division  
La June Montgomery-Tally, W.K. Kellogg Foundation  
Terry Odendahl, Santa Fe Community Foundation  
James Allen Smith, Georgetown University  
Barron M. Tenny, The Ford Foundation  
Craig Ziegler, California HealthCare Foundation



## EXECUTIVE SUMMARY

Questions about how much U.S. grantmaking foundations spend on staff, trustees, overhead, and other administrative expenses—and how much is appropriate to spend—are at the forefront of current debates on foundation practices. Over the past several years, stories in the media have spotlighted foundations with questionably high compensation and expenses. In turn, this media scrutiny has prompted action by policymakers to address perceived improprieties. In the foundation field, it has sparked widespread discussion at the national and local levels about what constitutes appropriate practice.

Missing from these debates has been adequate information about current practices across a wide spectrum of foundations. This report provides a comprehensive look at expense and compensation patterns of the 10,000 largest independent, corporate, and community foundations (by giving) and documents how major differences in foundations' operating characteristics have an impact on their expense levels. The findings shed light on what factors are tending to drive administrative and operating expenses. Understanding foundations' program strategies and characteristics is key to understanding how much they spend.

This research, generated by a partnership of the Urban Institute's Center on Nonprofits and Philanthropy, the Foundation Center, and GuideStar, uses circa 2001 financial and programmatic data as reported on Forms 990-PF and 990 supplemented by survey data from the Foundation Center. To examine trustee and executive compensation patterns, the study uses individual-level compensation data on more than 51,000 officers, trustees, and key paid staff reported by these same 10,000 foundations. These foundations represent 16 percent of all 61,810 active grantmaking foundations identified by the Foundation Center in 2001. They account for 78 percent of all foundation giving and 77 percent of all foundation assets.

U.S. foundations vary substantially in the ways they accomplish their work, and those variations have a measurable impact on their expense levels. Most of the 10,000 largest foundations report modest expenses; the vast majority are unstaffed, and many are run largely by unpaid trustees. A small number of foundations have high ratios of expenses to qualifying distributions and some have compensation levels that are well above the typical ranges for their cohort. The overall picture is one of diversity—this is a heterogeneous group of institutions that can only be understood by disaggregating the data along the dimensions of size, type, and staffing and program characteristics.

Independent, corporate, and community foundations, by definition, have different auspices, governance, and structural characteristics. This report documents how major differences in operating characteristics affect the expense levels of private and community foundations. These findings suggest that, along with type and size, the missions and goals of foundations that lead to different staffing levels and types of expenses are important characteristics to consider when assessing foundations' charitable expenditures.

## Key Findings

### Operating Characteristics and Expense Patterns

**Of the 10,000 largest foundations, 30 percent report no charitable operating and administrative expenses.** Community foundations, nearly all of which employ staff, are most likely to report operating expenses. Corporate foundations, which are often staffed by company employees, are least likely. Twenty-seven percent of independent foundations do not report expenses, and they are likely run by donors, family members, and unpaid trustees.

**Staffing appears to be the most significant factor influencing charitable operating expenses.** Employment of paid staff significantly raises operating costs for all types of foundations, and expense levels increase along with staff size.

**Foundation size emerges as another important factor.** Larger givers reported lower expense-to-distribution ratios for a number of operating characteristics, suggesting greater efficiency with size.

**Among staffed independent foundations, charitable operating and administrative expenses range from less than 5 percent (for 41 percent) to 20 percent or more (for 14 percent); the median is 7 percent.** By comparison, 84 percent of unstaffed foundations fall into the 0 to 5 percent range, with a median of less than 1 percent.

**For staffed independent foundations, operating characteristics strongly associated with higher expense levels include international giving, direct charitable activities, and grants to individuals programs.** The staff-intensive nature of these activities can boost a foundation's expense levels. In contrast, donor-family involvement and operating as a non-endowed, or "pass-through," foundation tend to lower charitable expenditure levels. The lower levels of expenses for staffed family foundations compared to non-family foundations suggest that family members help to hold staff-related costs down by providing additional volunteer or low-cost labor for administering grantmaking programs. They may also contribute office space and provide administrative support.

**Compared with independent foundations, corporate foundations have lower expense-to-qualifying distribution ratios, and fewer operating characteristics show a clear relationship to expenses.** The median expense-to-qualifying distribution ratio for staffed corporate foundations is less than 1 percent. Close ties between foundations and their parent companies make it difficult to determine actual expenses and staff costs, as companies often assume foundation expenses. Nevertheless, staff size, scope of grantmaking, and presence or absence of direct charitable activities appear to have an influence on expense levels. In fact, direct charitable activities comprise a bigger share of the charitable disbursements of a few large corporate foundations than grantmaking does.

**Operating and administrative expense-to-charitable disbursement levels are more consistent across community foundations, nearly all of which are staffed, and large givers are less likely to benefit from economies of scale.** The median ratio of expenses to qualifying distributions ranges from 5 percent for smaller foundations to more than 7 percent for larger foundations. Operating characteristics and activities that appear to have a substantial impact on community foundation expense levels include staff size, engagement in direct charitable activities, and foundation age.

**The youngest community foundations have the highest ratios of charitable expenses to qualifying distributions.** Possible explanations include the existence of high start-up costs and the tendency for new community foundations to do very little grantmaking in their early years of operation while they raise funds and build their endowments. As grantmaking programs ramp up, administrative expense ratios decrease.

**Independent and community foundations with web sites have greater expense-to-qualifying distribution ratios than those without.** While it is unlikely that web sites alone influence expense levels, it seems possible that foundations that invest in maintaining web sites have other cost factors (e.g., higher communications expenses, higher professional fees, and/or larger staff) that exert an upward pressure on expenses.

### Compensation

**Of the 10,000 largest U.S. foundations, 66 percent do not pay any compensation to staff or trustees for conducting grantmaking and other charitable activities.** Among the nearly 3,400 that do, the median percentage of compensation to giving is higher for community and independent foundations (roughly 5

percent) and lower for corporate foundations (less than 2 percent). Roughly four in five foundations, regardless of type, compensate at less than 10 percent of giving.

**The largest foundations tend to compensate at the highest amounts, yet their median percentages of compensation to giving are among the lowest.** The median percentage of compensation to giving for independent foundations that give over \$50 million is 3 percent, compared with roughly 5 percent for the smallest givers. The difference is even greater for community foundations—3 percent compared to over 10 percent.

**Eighty-five percent of the more than 46,000 individual trustees serving foundations in the study receive no compensation.** Most of the 7,132 compensated individual trustees are found in independent foundations. While most of the compensated independent foundation trustees received less than \$10,000, a few received over \$100,000. Only 3 percent of corporate foundation trustees and less than 1 percent of community foundation trustees were compensated compared with nearly 20 percent of independent foundation trustees. Collectively, all compensated individual trustees received \$111.6 million in 2001.

**Institutional trustees typically receive higher compensation than individual trustees.** Institutional trustees, such as banks, law firms, and investment firms, often play important managerial roles in foundations. Of the 1,340 institutional trustees reported, 1,248 receive compensation, and most of these serve independent foundations. The largest category of independent foundation institutional trustees is paid in the \$30,000 to \$60,000 range.

**Compensation of foundation executives is strongly influenced by foundation size.** Of the 2,923 foundations reporting paid staff in 2001, 1,005 foundations list executive directors, presidents, or chief executive officers. While the median salary of executives overall was roughly \$100,000 in 2001, the median executive compensation in foundations with over \$200 million in assets was \$200,000. The median executive in foundations with less than \$10 million in assets received approximately \$50,000.

## RECOMMENDATIONS FOR CHANGES TO FORMS 990 AND 990-PF

While this study yields insights on how different operating styles can hike or curtail expenses, it also reveals shortcomings in the data and in the current reporting of foundation information to the IRS. For starters, foundations should be educated as to the importance of Forms 990-PF and 990 as the most visible summary of their finances. Changes in the forms themselves should be made to clarify information about expenses and compensation, especially related to certain categories of expenses, direct charitable activities, and individual trustee and staff compensation. Such changes will facilitate better understanding and more in-depth explorations of foundation practices.



# INTRODUCTION

This report focuses on the expenses and compensation of the 10,000 largest independent, corporate, and community foundations (ranked by giving) as reported for 2001. It provides a comprehensive review of charitable administrative and operating expense patterns and compensation levels across different types and sizes of grantmaking foundations; it explains how they are influenced by different organizational characteristics and operating styles. This study appears at a timely moment, with policymakers engaged in debates concerning the nonprofit sector and foundation leaders discussing appropriate and improved practices for their field.

While there are public policy concerns immediately at hand, this study confronts questions that have raised perennial issues for foundations. The assets that are bestowed on foundations are intended to serve a public purpose; they are not destined for the personal benefit of foundation managers or trustees. Yet to pursue the public good knowledgeably, effectively, and responsibly, foundations must often expend some of their resources on internal administrative tasks. At times, some foundations have concluded that it is best to operate their own charitable programs, thus incurring still larger administrative expenses. The question of how much is too much to spend on administration, compensation, and program operations is at the core of current concerns.

This report asks a fundamental question: how much do foundations expend on administration, especially compensation, and on the charitable programs that they themselves operate? And this question leads to another: what factors are tending to drive administrative and operating expenses? Even the most casual observer of foundations will quickly perceive the diversity within the sector and will understand that foundations administer and fund programs of countless variety, in places near and far, pursuing goals with a wide array of tactics and strategies. Understanding foundations' program strategies and characteristics is key to understanding how much they spend. Answers to these questions yield yet another question, one that is particularly relevant to policymakers, regulatory authorities, and foundation and nonprofit leaders: what additional data should be reported or collected to better understand foundation expense levels?

Some of what we now know about expenses has come to light recently through stories in the press that have focused a spotlight on foundations with questionably high compensation and administrative expenditures. In turn, this media scrutiny has sparked interest within the halls of Congress, the Internal Revenue Service, and the offices of state attorneys general; their inquiries have culminated in a series of proposals to address the perceived improprieties. At the same time, foundation officials, professional associations, and research organizations have also begun to pose their own questions about appropriate administrative expenses and compensation for staff and trustees, as well as the levels and composition of distributions that qualify as charitable; they, too, have advanced proposals for greater self-regulation, better reporting, and stricter enforcement of existing laws.

Often missing from these debates has been adequate information about current practices coupled with sufficient aggregate data for determining appropriate administrative expense and compensation levels.

Neither government oversight nor foundation self-regulation can be effective without such information. This report begins to fill this need. It cautions against constructing a “one size fits all” approach to setting standards. It emphasizes the need to consider the impact of foundation type and size and the diverse goals and missions of foundations on staffing levels and expenditure patterns. It also points to the gaps in our understanding of foundation operations and practices, suggesting the need for further research and for revisions to current reporting requirements. This information is critical to informed public policy debate. It will assist policymakers in shaping sound policies that are capable of improving foundation accountability without creating unnecessary and potentially burdensome legislation. The study also serves as an important resource for foundation leaders as they assess their organizations’ practices and internal policies. In the end, this study can also serve as a baseline for analyzing future trends.

An interim report, released in July 2005, focused mainly on independent foundations, which represent the vast majority of the largest 10,000 foundations. This report presents complete findings on the expense and compensation patterns of independent, corporate, and community foundations.

## DIMENSIONS OF THE STUDY

This research comes out of a partnership of the Urban Institute’s Center on Nonprofits and Philanthropy, the Foundation Center, and GuideStar. It is based on summary data from two datasets, briefly described in the figures below. The first includes financial and programmatic data circa 2001 on the 10,000 largest independent, corporate, and community foundations (ranked by giving) as reported on Forms 990-PF and 990, which are filed annually with the Internal Revenue Service, and supplemented by annual surveys conducted by the Foundation Center. The second consists of compensation data on the 51,533 individual officers, directors, trustees, key employees, and institutional trustees reported on Forms 990-PF and 990 for the same 10,000 foundations.

Figure 1.1 provides an overview of finances for the foundations in the first dataset. The largest 10,000 U.S. grantmaking foundations represent 16 percent of the total 61,810 independent, corporate, and community foundations identified by the Foundation Center in 2001. These foundations are responsible for 78 percent of all foundation giving and 77 percent of all foundation assets. Most of the largest foundations are independent, including family foundations.<sup>1</sup>

Figure 1.1 also highlights charitable operating and administrative expenses and qualifying distributions, the main foci of the report. Charitable operating and administrative expenses are costs incurred by foundations related to their charitable mission. They represent one component of qualifying distributions. Qualifying distributions are all disbursements that count toward the mandated 5 percent payout requirement for private foundations.<sup>2</sup>

Another focus of the report is compensation. Figure 1.2 provides a breakdown of the number of foundations in the study that compensate and the total amount of compensation that is included in charitable operating and administrative expenses and therefore qualifies toward the mandated 5 percent payout.

One-third (33.9 percent) of the 10,000 largest foundations reported aggregate compensation, for a total greater than \$800 million. This report uses a second dataset to take a closer look at these foundations and

**Figure 1.1. Aggregate Finances of the 10,000 Largest Foundations\* (2001) by Foundation Type**

	<i>Independent</i>	<i>Corporate</i>	<i>Community</i>	<i>Totals</i>
Number	8,876	807	317	10,000
Assets (MV) (\$)	333.7 B	13.2 B	25.2 B	372.1 B
Total giving (\$)ª	19.2 B	2.9 B	1.9 B	24.0 B
Charitable operating and administrative expenses (\$)ª	1.5 B	201.0 M	169.0 M	1.9 B
Qualifying distributions (\$)ª	21.2 B	3.1 B	2.1 B	26.4 B

\*Ranked by giving.

ªSource: Form 990-PF, part I, line 25, column d. For community foundations, Form 990, part II, lines 22 and 23, column B.

ªSource: Form 990-PF, part I, line 24, column d. For community foundations, Form 990, part II, lines 24–43, column B.

ªSource: Form 990-PF, part XII, line 4. For community foundations, we use total program expenditures (Form 990, part II, line 44, column B) as a proxy for qualifying distributions.

**Figure 1.2. Foundations that Compensate and the Aggregate Amount of Compensation that Qualifies as Charitable**

	<i>Independent foundations</i>	<i>Corporate foundations</i>	<i>Community foundations</i>	<i>Total</i>
Foundations reporting charitable compensation <sup>a</sup>	3,068	126	194	3,388
Charitable compensation (\$)	715.9 M	24.3 M	60.2 M	800.4 M

<sup>a</sup>Source: Charitable compensation: Form 990-PF, Part I, sum of lines 13–15, column d, for private foundations. Form 990, Part 2, sum of lines 25–29, column B, for community foundations.

their compensation practices.<sup>3</sup> This complementary dataset provides a detailed account of trustee and executive pay.

The various components of charitable operating and administrative expenses are analyzed in Section II of the report. A key purpose of the research is to identify foundation characteristics and operating styles that affect expense levels for the different types of foundations. Therefore, Section III details the effects of size, staffing, scope of giving, and other factors on charitable expenses. Section IV provides more detailed information on compensation levels across all foundation types, including aggregate compensation as a percentage of giving and levels of individual trustee, institutional trustee, and executive compensation. A concluding section summarizes key findings of the study and engages the current public policy debate.

Throughout this study, differences in foundation size and type are considered in assessing charitable expenditures. Asset level, giving level, and number of staff are used to categorize foundations by size. While size categories are fairly straightforward and commonly understood, foundation types are not and therefore merit further explanation. The following descriptions shed light on important differences among various types of foundations as they relate to foundation operating and administrative costs.

## TYPES OF FOUNDATIONS

U.S. foundations resist easy definition. Not only are there important operational and legal distinctions between private foundations and other types of charitable organizations, but sharp contrasts also exist among different types of grantmaking foundations. Independent, corporate, and community foundations have different auspices, governance, and structural characteristics. Even among foundations of the same type, foundations vary substantially not only by size but also in the ways they accomplish their work, the geographic scope of their giving, and the kinds of programs they undertake. These differences have a pronounced effect on charitable expenditures.

### Private Foundations: Independent and Corporate

Private foundations, which include independent and corporate foundations, derive their funds from a single source and their activities are governed by specific rules and regulations set in the tax code. Of these regulations, two have special bearing on this study of expenses: private foundations are required to distribute for charitable purposes a minimum of 5 percent of the average monthly value of that year's assets, which must be paid out by the end of the following year; and they must file with the IRS annual information Form 990-PF, which includes financial information, grants awarded, direct charitable activities, and other charitable expenses that qualify toward the payout requirement.

Independent foundations, which comprise the vast majority of U.S. grantmaking foundations and include family foundations, derive their funds from one or more related individuals (or a family). While they may administer grants and programs through the efforts of a mix of paid and unpaid people, only about one-quarter of the independent foundations included in this study are staffed. Three-quarters operate through the efforts of unpaid trustees (see pages 12–15). Functionally, independent foundations may operate as endowed foundations, which finance their grants and expenses from earnings on their endowments, or as pass-throughs, which receive annual or periodic gifts from living donors from which expenditures are made. In terms of scope of giving, they may operate programs locally, nationally, or internationally. Although the principal activity of independent foundations is grantmaking, they may

## 4 ■ Foundation Expenses and Compensation

accomplish their mission through a range of activities, including foundation-administered programs and program-related investments.

Both independent and corporate foundations are subject to the same regulations. However, they differ substantially in their operations.

Corporate foundations, while legally independent grantmaking organizations, maintain close ties to the companies that provide their funds. They are governed by a board of directors, often composed of corporate officials, which may include individuals with no corporate affiliation. Like independent foundations, corporate foundations may draw on the efforts of a mix of people to administer grants and programs, including paid staff. However, staffing is often provided directly by the parent company and not reported as an expense to the foundation. The parent company may also donate other goods and services that reduce foundation expenses, such as office space, equipment, printing, web site and other communications services, and even consultants. Corporate foundations may operate locally (in one or more locations), nationally, or internationally. Even when they operate internationally, however, administrative functions and costs may be assumed by local affiliates of the company and therefore not appear as expenses of the foundation. The undocumented contributions of parent companies and affiliates to corporate foundation operations make it difficult to determine the true costs of their activities and to compare their expense levels with other types of foundations.

### Community Foundations

Unlike private foundations, community foundations are publicly supported organizations made up of funds contributed by many donors and governed by a board of private citizens chosen to be representative of the public interest and for their knowledge of the community. Among the primary functions of community foundations beyond grantmaking are to professionally manage the assets of their component funds and to build charitable endowments through fundraising. Because of these diverse functions, even small and relatively new community foundations have paid staff, which in turn exerts upward pressure on their expense levels. They rely on revenue generated by their endowments and fundraising to pay for staffing and other administrative costs. Community foundations primarily make grants to charitable organizations within a particular city, county, state, or other geographically defined area, although they may administer funds intended to benefit other geographic areas.

As public charities, community foundations are not subject to private foundation regulations, including the payout requirement. They also have different reporting requirements. While they must file an annual informational return, Form 990, this form differs from Form 990-PF in several ways. For example, it categorizes certain expense items differently and does not track direct charitable activities, program-related investments, set-asides, and other “charitable” expenditures that are calculated in satisfying the private foundation payout requirement.

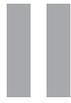
The differences outlined above in reporting requirements, structural characteristics, and operations of different foundation types are reflected through variations in the charitable expense patterns of independent, corporate, and community foundations. The following section focuses on how the components of charitable administrative and operating expenditures vary across foundation types.

### NOTES

1. Since this study focuses on grantmaking foundations, operating foundations are not included. While they may do some grantmaking, operating foundations use the bulk of their resources to provide charitable services or to run charitable programs rather than to distribute grants.

2. For more information on regulations and requirements for private foundations, see “Appendix B: Regulation of Private Foundations,” in Foundation Center, 2005, *Foundation Yearbook: Facts and Figures on Private and Community Foundations*. (New York: Foundation Center.)

3. Due to the complex process associated with assembling the compensation dataset from Forms 990, descriptive statistics from this dataset are not provided here. The appendix provides a full explanation for how these data were compiled.



# COMPONENTS OF FOUNDATION CHARITABLE EXPENSES

This section focuses on the breakdown of charitable operating and administrative expenses by category and compares how the composition of these expenses varies across foundation types. The impact of foundation size on select charitable expense categories for independent, corporate, and community foundations is also explored.

## KEY FINDINGS

- Independent, corporate, and community foundations differ in the composition of their charitable administrative and operating expenses. In general, compensation and the residual categories “other expenses” and “other professional fees” represent the most significant portions of these expenses. However, their shares differ across the three foundation types.
- The impact of foundation size on the distribution of selected categories of charitable operating and administrative expenses varies by foundation type, and only shows a consistent influence on community foundations.

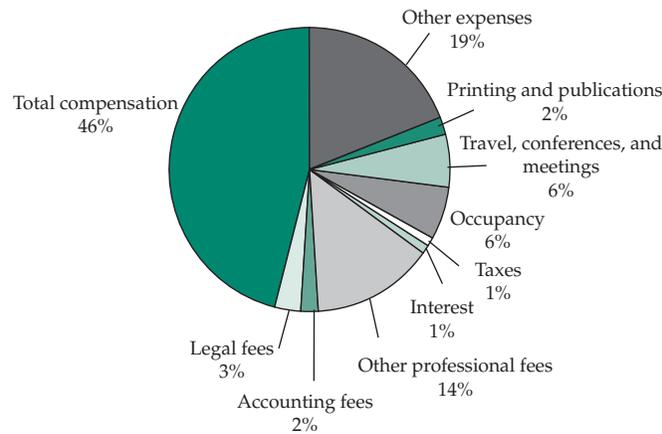
## CHARITABLE OPERATING AND ADMINISTRATIVE EXPENSES<sup>1</sup>

Charitable operating and administrative expenses are costs incurred by foundations related to their charitable mission, including expenses for grants administration and non-grant charitable activities. As described earlier, charitable expenses are one component of mandated qualifying distributions. Investment-related expenses are not included among charitable expenses; they do not count as qualifying distributions.<sup>2</sup>

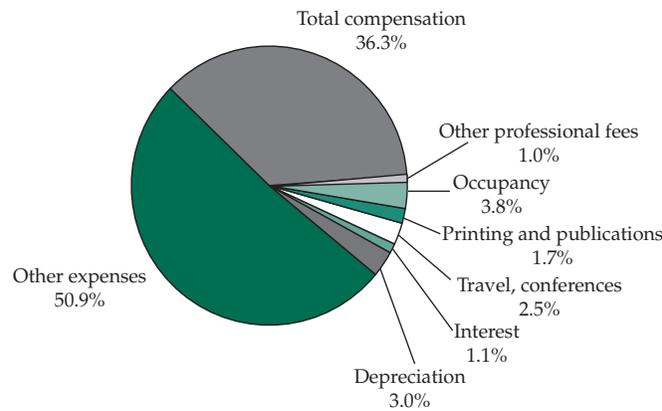
Among the top 10,000 foundations, 6,982 reported charitable operating and administrative expenses; the remainder reported none. Twenty-seven percent of independent foundations in the study reported no charitable expenses. The equivalent share was higher for corporate foundations (37 percent) and slightly lower for community foundations (25 percent). Foundations that do not report expenses are likely being run by donors and their families, unpaid trustees, corporate staff, or community volunteers. Expenses are probably covered by donors for independent foundations, by corporations for corporate foundations, and by community groups, local banks, and businesses for community foundations.

Figure 2.1 divides the sum of charitable operating and administrative expenses into its component parts by foundation type. The principal expense categories include compensation and benefits; professional, legal, and accounting fees; other professional fees; occupancy costs; printing and publication costs; travel; other expenses; and taxes.

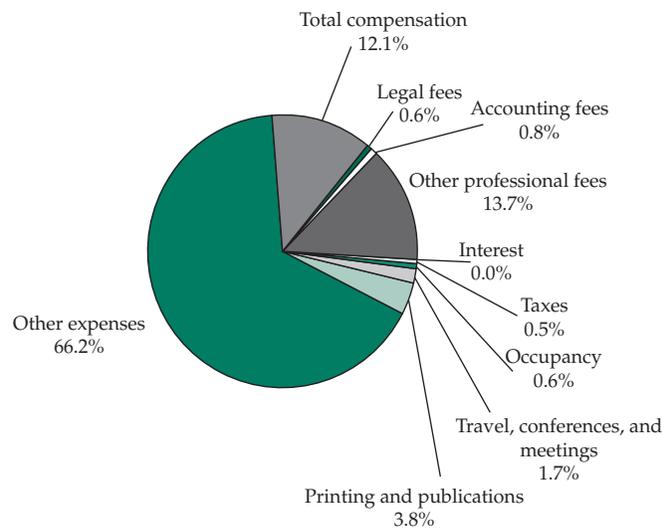
**Figure 2.1. The Distribution of Charitable Operating and Administrative Expenses for Independent, Corporate, and Community Foundations**



**Independent foundations (n=8,876)**



**Community foundations (n=317)**



**Corporate foundations (n=807)**

“Other professional fees” and “other expenses” are vaguely defined expense categories. The former often refers to consulting services associated with administration, program development, or information technology. Understanding the largely undifferentiated “other expenses” category is more difficult. It is a residual category for expenses that do not fit into one of the major line items on Forms 990 and 990-PF and it also appears to be a catchall category for those who do not take the time to allocate items to the correct lines on the forms.

An investigation intended to clarify this expense category showed that the composition of “other expenses” differs by foundation type. For a sample of the largest independent foundations, the top three types of expenses in this category by dollar amount were personnel (17 percent), equipment and supplies (14 percent), and project development (4 percent). For the largest corporate foundations, expenditures by just a few of the largest grantmakers for special fundraising events and public service advertising dominated the “other expenses” category.<sup>3</sup> For a sample of the largest community foundations, the top three expenses within the “other expenses” category were consulting and management (30 percent), investment and custodial (26 percent), and program development/evaluation (18 percent).<sup>4</sup> Notably, the research showed that community foundations often report professional fees under “other expenses” since unlike the Form 990-PF, Form 990 does not include “other professional fees” as an expense category.

While these findings shed some light on “other expenses,” this is an area for improvement, both in the expense categories on Forms 990 and 990-PF and in reporting by foundations. Additional analysis can help to identify useful modifications to the forms and promote more accurate reporting.

Figure 2.1 compares the breakdown of expenses for the three foundation types and reveals that:

- For independent foundations, compensation was the dominant expense category, making up 46 percent of charitable operating and administrative expenses.
- Community foundations spent the second largest share of their charitable expenses on compensation (36 percent), while corporate foundations spent less on this category (12 percent) than other foundation types.
- Corporate foundations reported 66 percent of their charitable operating and administrative expenses as “other expenses.” This was the largest share reported by any type of foundation.<sup>5</sup>
- Community foundations allocated 51 percent of expenditures to “other expenses,” the largest component of charitable operating and administrative expenses for those foundations.
- By contrast, independent foundations allocated far less to this category (19 percent).
- “Other professional fees” represented 14 percent of total charitable operating and administrative expenses for independent foundations and 14 percent for corporate foundations. As noted above, community foundations do not report “other professional fees,” as the Form 990 does not provide that option.

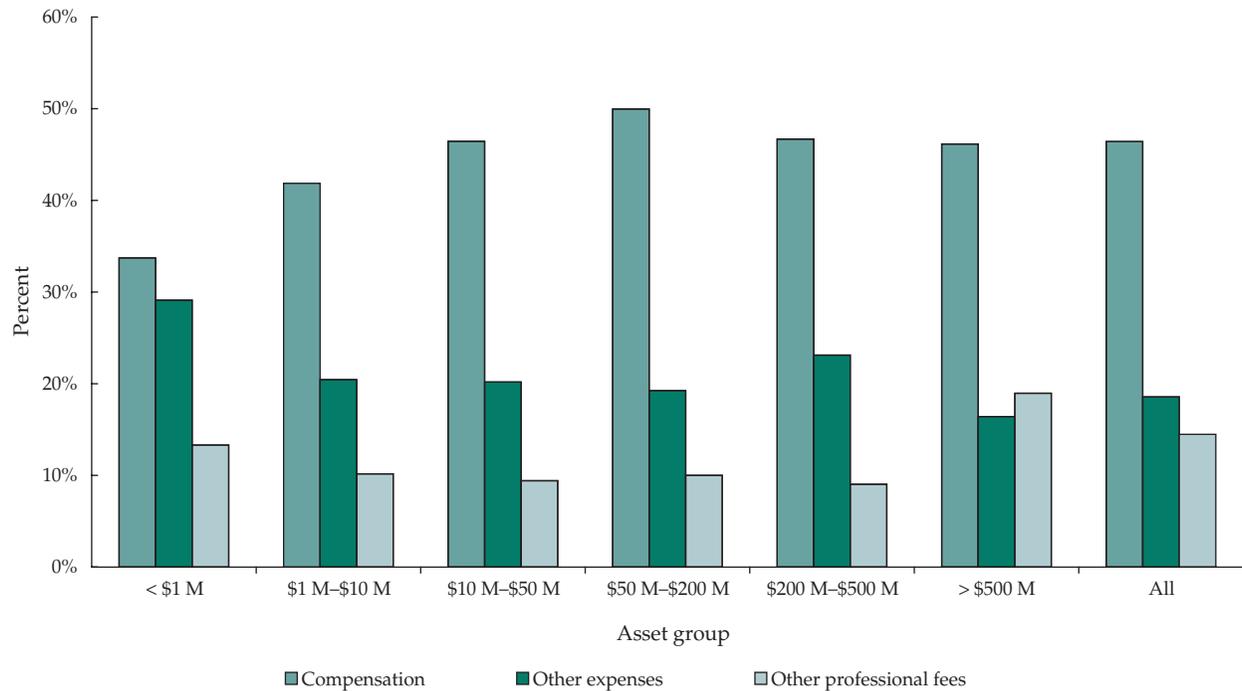
In sum, compensation and “other expenses” were significant shares of total charitable operating and administrative expenses for all three types of foundations, but the percentages varied. Corporate foundations and independent foundations spent a similar percentage of their charitable expenses on “other professional fees.” Among other designated expense categories, travel, occupancy, printing and publications, accounting fees, legal fees, and taxes ranged from 0 to 6 percent of total charitable operating and administrative costs, regardless of foundation type.

Figures 2.2 through 2.4 show the impact of foundation size on selected expense categories as a share of total charitable operating and administrative expenses for independent, corporate, and community foundations. Foundations are divided into six asset groups, determined by the fair market value of their reported assets in 2001.

Figure 2.2 reveals the following patterns of expenses for independent foundations:

- Compensation as a percentage of total charitable operating and administrative expenses varied within a narrow range of 42 percent to 50 percent for independent foundations with assets ranging from \$1 million to over \$500 million. The share of compensation was the lowest (34 percent) for foundations with assets under \$1 million.
- The share of “other expenses” to charitable operating and administrative expenses was the highest for the smallest independent foundations (29 percent) and the lowest for the largest foundations (16 percent). The percentage of “other expenses” varied very little, between 19 and 23 percent, across other size categories.

**Figure 2.2. Compensation, Other Expenses, and Other Professional Fees as a Percentage of Charitable Operating and Administrative Expenses: Independent Foundations (N = 8,677)**

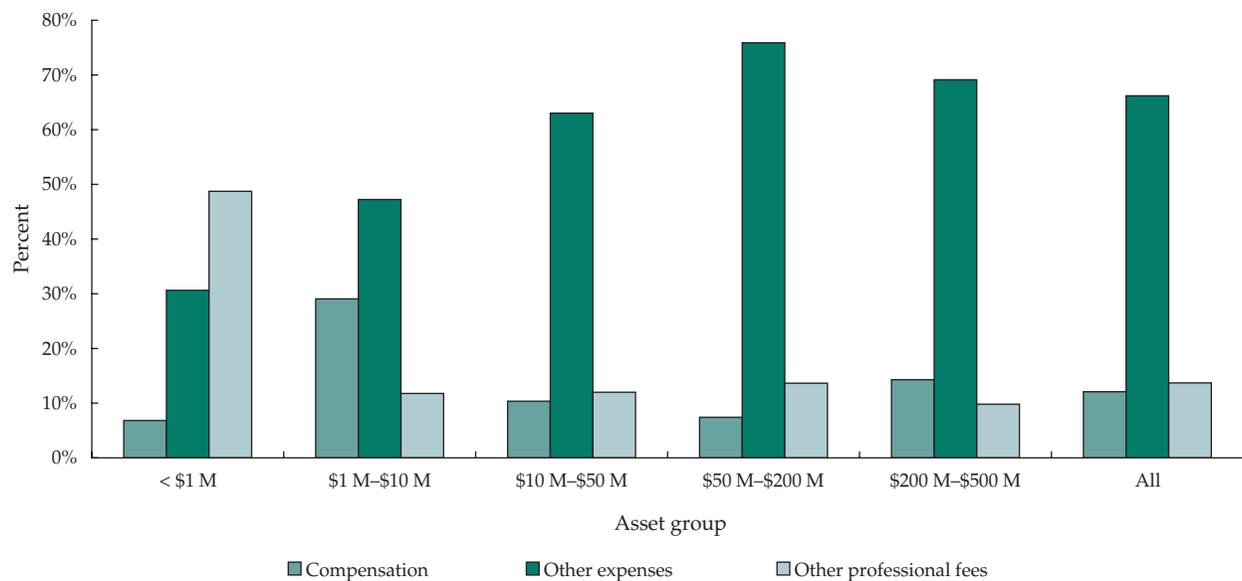


- The percentage of “other professional fees” was the highest for the smallest (15 percent) and largest (19 percent) foundations, but remained fairly stable across the other asset groups (9 to 10 percent).

In general, the three largest expense categories of independent foundations did not demonstrate any specific pattern across asset levels, suggesting that size may not be a good determinant of the composition of these expenses.

The following figure examines size and the charitable operating and administrative expenses of corporate foundations.

**Figure 2.3. Compensation, Other Expenses, and Other Professional Fees as a Percentage of Charitable Operating and Administrative Expenses: Corporate Foundations (N = 772)**



- Compensation as a share of total charitable operating and administrative expenses was fairly stable across asset levels, ranging from 7 percent to 14 percent, spiking to 29 percent only for foundations in the \$1 million to \$10 million asset range.
- Size does appear to have an impact on the “other expenses” category, with the share increasing from 31 percent for the smallest foundations to 76 percent for foundations with assets of \$50 million to \$200 million.
- “Other professional fees” made up the greatest proportion of charitable operating and administrative expenses for the smallest foundations, with a 49 percent share. They represented a smaller percentage of charitable expenses compared to “other expenses” in all other asset categories.

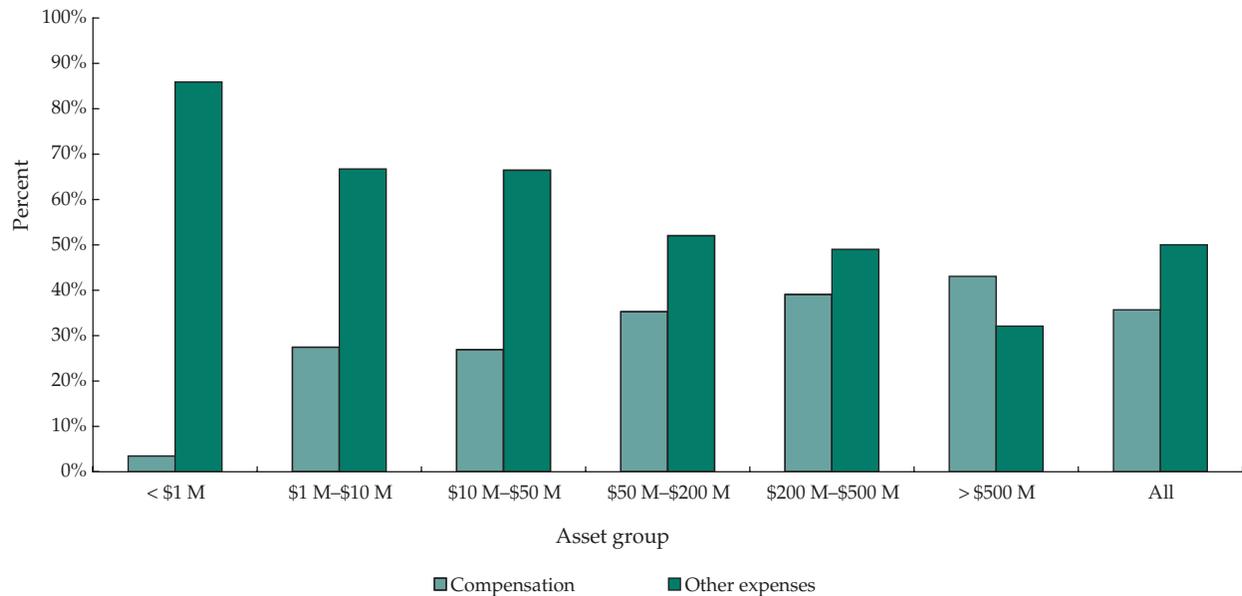
In summary, foundation size influences the distribution of selected categories of charitable operating and administrative expenses of corporate foundations. Specifically, other expenses as a share of these expenses generally increased along with asset size. However, the effect is not consistent. The largest corporate foundations did not spend as high a percentage on “other expenses” as foundations in the \$50 million to \$200 million asset range.

Finally, figure 2.4 details the impact of size on select charitable expenses of community foundations. Since community foundations do not report professional fees separately, they are not included in the figure.

- Compensation as a percentage of charitable operating and administrative expenses varied from 3 percent for the smallest community foundations to 43 percent for the largest.
- The share of “other expenses” also varied by size from 86 percent for the smallest community foundations to 32 percent for the largest.

The impact of size on the distribution of charitable operating and administrative expenses was more pronounced for community foundations than for independent and corporate foundations. The compensation-to-charitable expenses share increased consistently with asset size whereas the share of other expenses decreased across asset levels. Community foundations usually employ staff, and the number of staff tends to increase with asset size. As staffing levels increase, perhaps better reporting and less reliance on consultants may drive down costs reported in the “other expenses” category. The impact of staffing on expenses will be explored in the next section.

**Figure 2.4. Compensation, Other Expenses, and Other Professional Fees as a Percentage of Charitable Operating and Administrative Expenses: Community Foundations (N = 316)**



## SUMMARY

For all foundations, compensation and “other expenses” dominate charitable expenses. “Other professional fees” also represent a sizeable proportion of charitable expenses for independent and corporate foundations. Foundation type affects the distribution of these expenses, with different types of foundations spending varying amounts on the major expense categories.

For independent foundations, total compensation is the largest expense category, accounting for 46 percent of charitable expenses, followed by “other expenses” (19 percent) and “other professional fees” (14 percent). For corporate foundations, “other expenses” dominate charitable operating and administrative expenses with a 66 percent share. In comparison to the other foundation types, compensation occupies a considerably smaller percentage of charitable operating and administrative expenses for corporate foundations (12 percent), representing the third largest expense category, next to other professional fees (14 percent).

Community foundations spend the bulk of their charitable operating and administrative expenses on “other expenses” (51 percent) and compensation (36 percent). They do not report professional fees, but as noted above, the “other expenses” category often subsumes the expenses that would otherwise be classified under “other professional fees.”

The impact of size on charitable operating and administrative expenses varies by foundation type, and it is inconsistent. Size is a weak determinant of the composition of charitable operating and administrative expenses for independent foundations, and it somewhat influences the distribution of expenses in corporate foundations. It only has a clear and consistent impact on community foundations. Compensation tends to increase as a proportion of charitable expenses for larger foundations while “other expenses” tends to decrease.

Given the diversity of foundations, the following section explores how charitable expenditures of the three different types of foundations vary with different operating characteristics and activities.

## NOTES

1. Charitable operating and administrative expenses: Form 990-PF, Part I, line 24, column d. For community foundations, Form 990, Part II, line 22 subtracted from line 23, column B.

2. See List of Variables in the appendix for definitions of terms.

3. A few large corporate foundations with high levels of spending on direct charitable activities account for a substantial share of the total “other expenses” amount reported by all corporate foundations.

4. Community foundations may invest assets for other organizations and may regard these activities as “program expenses,” rather than as administration and general expenses. Form 990 is limited in its ability to capture accurately the financial flows and program activities of community foundations.

5. As noted in note 3 above, a few large corporate foundations report a large proportion of the “other expenses,” yet even without them “other expenses” remains the largest category of expenses for corporate foundations. Further analysis is required to understand the types of costs allocated to this category.



# FOUNDATION OPERATING CHARACTERISTICS AND CHARITABLE EXPENSES

One of the primary purposes of this study is to determine whether certain foundation characteristics and operating styles influence charitable operating and administrative expense patterns more than others. This section examines specific characteristics that were found to be associated with large and/or interesting variations in charitable expense levels for each foundation type. We use the ratio of charitable operating and administrative expenses to qualifying distributions as a measure of expense levels. The analysis tests several characteristics as appropriate for each foundation type, including giving size; whether or not a foundation is staffed; staff size; donor-family involvement; foundation age; geographic scope of giving; and presence of direct charitable activities, program-related investments, grants to individuals, and web sites.<sup>1</sup> To account for the influence of foundation size on expenses, foundations in the study are grouped into “giving groups” defined by the total amount of grants paid in 2001.

## KEY FINDINGS

- Operating characteristics affect expense levels of independent, corporate, and community foundations differently owing to the inherent differences among the three types of foundations.
- Staffing appears to be the single most important variable impacting charitable operating costs, regardless of the type of foundation.
- Foundation size emerges as an important factor in the study. Larger givers reported lower median charitable operating and administrative expense-to-qualifying distribution ratios for a number of operating characteristics, suggesting the presence of greater operating efficiency associated with size.

## INDEPENDENT FOUNDATIONS

Charitable operating and administrative expenses are one component of qualifying distributions. Qualifying distributions are all disbursements that count toward the minimum 5 percent payout requirement for private foundations, described earlier. In addition to charitable operating and administrative expenses, they include grants, charitable loans and other program-related investments, set-asides, and amounts paid to acquire assets used for charitable purposes. The sum of charitable operating and administrative expenses represents 7 percent of qualifying distributions for the 8,876 largest independent foundations.

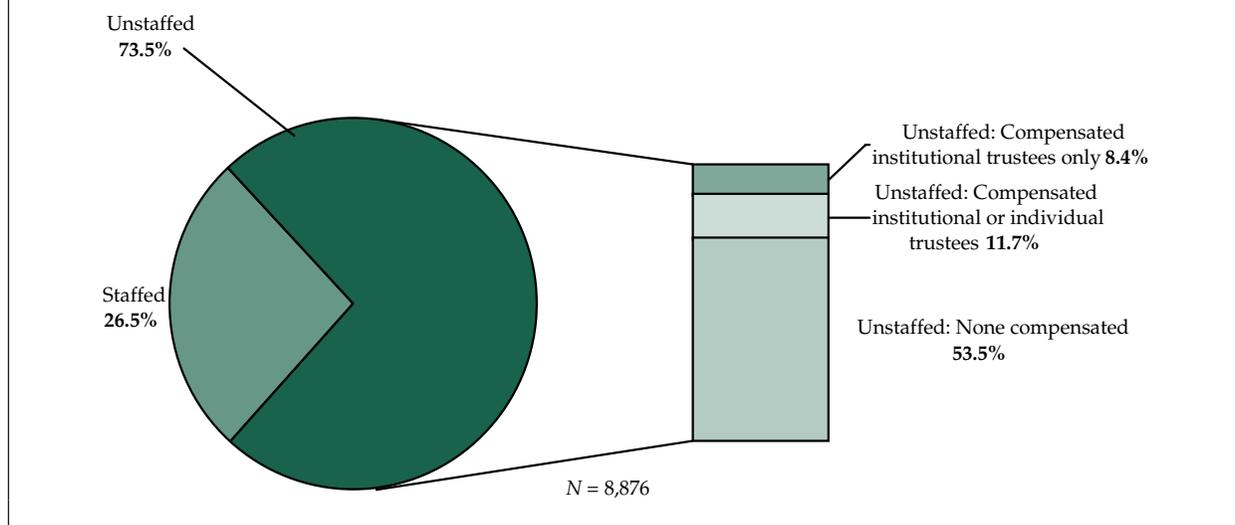
The following subsection focuses on how charitable operating and administrative expense ratios of independent foundations vary by operating styles. Of those studied, characteristics and activities that showed notable impact for independent foundations include staffing, donor-family involvement, whether

or not the foundation is endowed, scope of giving (local, national, or national/international), engagement in direct charitable activities, giving to individuals, and maintenance of web sites.

### Staffing Configurations of Independent Foundations

Foundations administer grants and programs through the efforts of a mix of people, including paid staff; consultants; representatives from banks and law and investment firms; compensated and uncompensated trustees; and other volunteers. Only about one-quarter (2,350) of the independent foundations in the study reported having paid staff in 2001. This leaves nearly three-quarters that operated through the efforts of trustees and volunteers.

The majority of unstaffed independent foundations (4,745) operate without paying compensation to anyone. Of the 8,876 independent foundations in the study, 743 (8.4 percent) compensated banks and other institutional trustees only. Another 1,039 (11.7 percent) compensated institutional and/or individual trustees rather than paying staff to operate the foundation.



### Influence of Paid Staff

As illustrated in the inset, roughly one-quarter of the independent foundations have paid staff. Figures 3.1 and 3.2 show the impact of paid staff on the relationship between charitable operating and administrative expenses and qualifying distributions. To consider the influence of foundation size on expenses, foundations are divided into six giving groups based on the total contributions paid in 2001, ranging from under \$500,000 to over \$50 million.

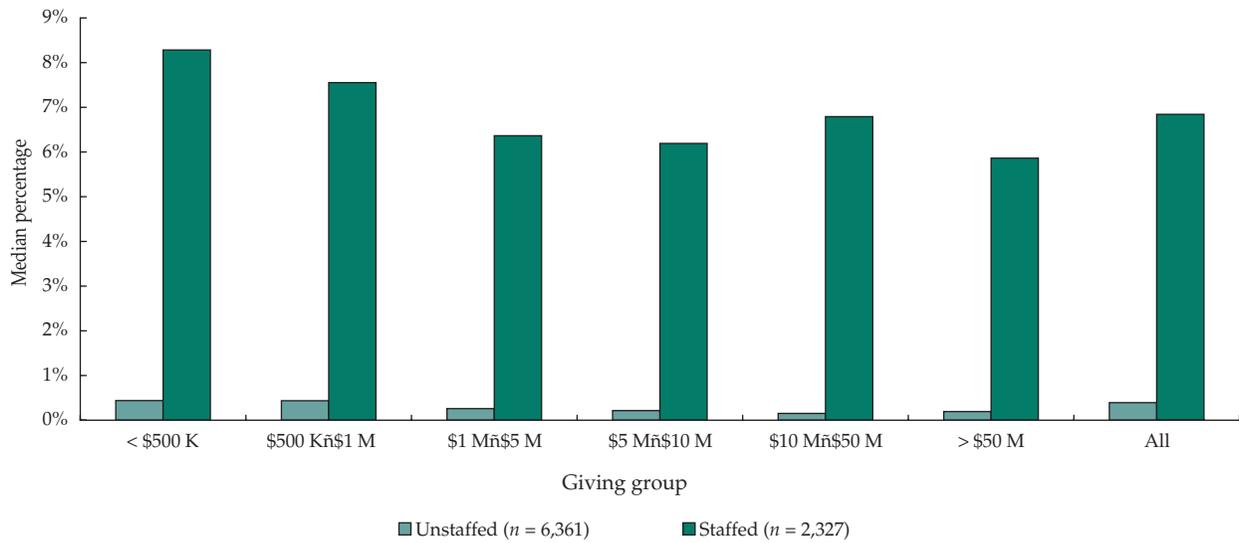
Figure 3.1 shows the following expense patterns:

- Staffed foundations spent substantially higher percentages of qualifying distributions on charitable operating and administrative expenses. This finding holds in all giving groups.
- For staffed foundations, however, the median percentage declined by giving size from 8.3 percent for the smallest givers to 5.9 percent for those giving \$50 million or more, suggesting economies of scale.
- For unstaffed foundations the pattern is similar, although expenses were tiny for all giving groups.

Whereas the medians reported in figure 3.1 show typical charitable operating and administrative expense percentages, figure 3.2 shows the distribution of these foundations (regardless of giving size) across ranges of charitable operating and administrative expenses as a percentage of qualifying distributions.

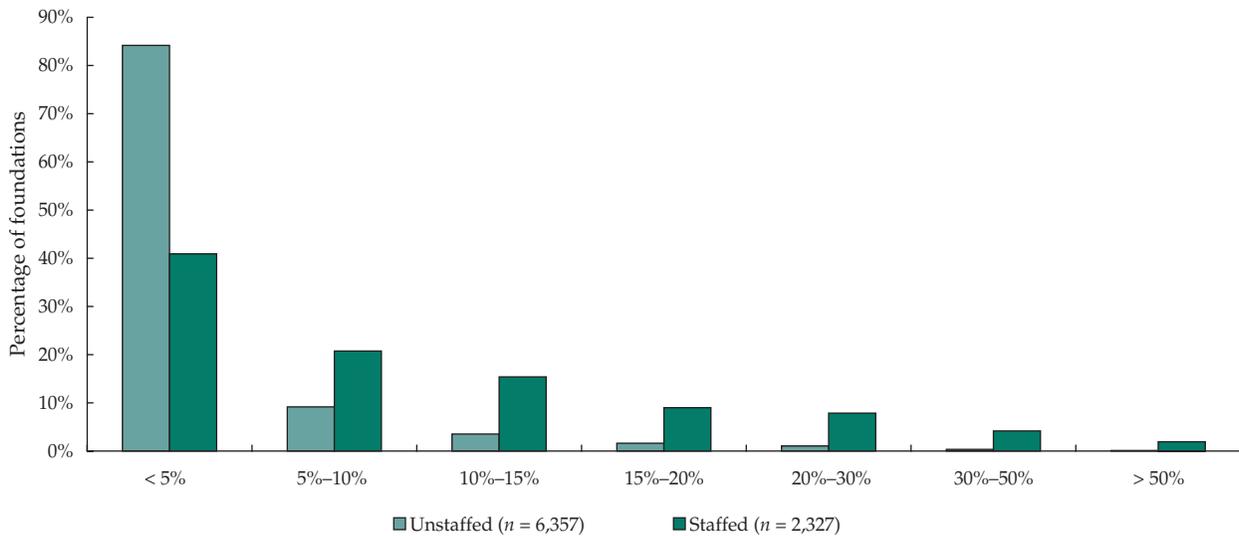
- For both staffed and unstaffed independent foundations, the largest single range category was 0 to 5 percent; 84.2 percent of unstaffed foundations and 40.9 percent of staffed foundations fell into this range.

**Figure 3.1. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Staffed and Unstaffed Independent Foundations (N = 8,688)**



Note: Careful readers will note that 8,688 does not represent all 8,876 independent foundations in the study. Throughout the report, numbers vary because individual cases are missing data on a variable of interest. In figure 3.1, for example, some cases are lost because qualifying distributions are not known.

**Figure 3.2. Range of Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Staffed vs. Unstaffed Independent Foundations (N = 8,684)**

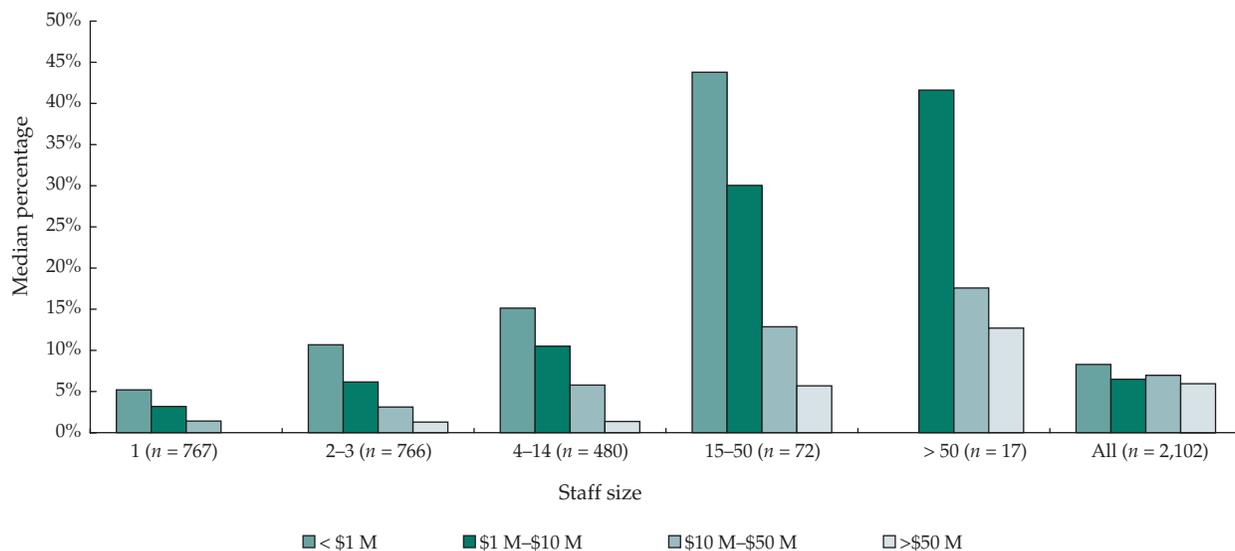


- At the other end of the distributions, 96 unstaffed foundations (1.5 percent) and 325 staffed foundations (14.0 percent) had charitable operating and administrative expenses of 20 percent or more of qualifying distributions.

Since paid staff represent a substantial charitable operating and administrative expense, the following figures include only staffed independent foundations. The intent is to focus on the expense patterns of foundations with similar operating styles.

### Influence of Staff Size

As figure 3.2 demonstrates, staffing significantly influences the relationship between charitable operating and administrative costs and qualifying distributions. The next figure shows how expense levels of staffed

**Figure 3.3. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Staff Size (Staffed Independent Foundations, N = 2,102)**

*Note:* While figure 3.3 compares median expense levels of four foundation size groups across five different staff size categories, presenting different foundation size levels in a single chart may be misleading. For example, only one foundation with giving over \$50 million has staff between 2 and 3 (not shown in the chart). At the other extreme, no foundations with giving under \$1 million and only one foundation with giving between \$1 million and \$10 million report having more than 50 staff.

independent foundations vary across different staff sizes. Foundations are divided into four giving groups defined by the total grant money given out in 2001, ranging from under \$1 million to over \$50 million.

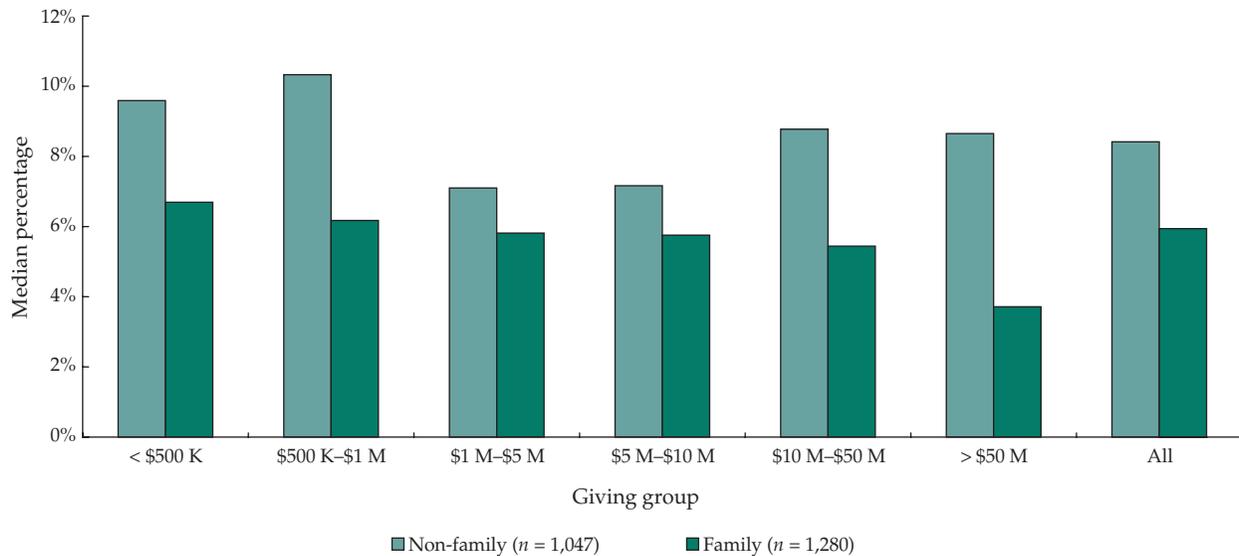
- Charitable operating and administrative expenses as a percentage of qualifying distributions consistently increased with number of staff for each giving group. For example, the median expense ratio of foundations with giving between \$1 million and \$10 million rose from 3.2 percent for the 205 foundations employing 1 staff to 41.6 percent for the single foundation with more than 50 staff.
- For each staff size category, expenses as a percentage of qualifying distributions declined by giving size, suggesting the presence of economies of scale. For example, in the 4 to 14 staff size category, expenses as a share of qualifying distributions was 10.5 percent for the 270 foundations with giving between \$1 million and \$10 million compared to 1.4 percent for the 11 foundations with giving over \$50 million.
- The most typical staff size for the 41 foundations with giving over \$50 million was between 15 and 50. The 15 large foundations that fell into this staff size category had a median expense ratio of 5.7 percent.

Staffing is a significant determinant of charitable operating and administrative expense levels in independent foundations. However, economies of scale enable smaller costs-to-qualifying distribution ratios for larger givers with a particular staff size compared to smaller givers with the same staff size.

### Influence of Family Involvement

Family foundations are a subset of independent foundations that report or demonstrate measurable donor or donor-family involvement.<sup>2</sup> Of the 8,876 independent foundations included in this dataset, 5,127 (57.8 percent) meet the criteria for family foundations defined by the Foundation Center. Figure 3.4 shows the difference in the median ratios of charitable operating and administrative expenses to qualifying distributions of staffed family and non-family independent foundations by six giving size groups.

**Figure 3.4. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Family vs. Non-Family (Staffed Independent Foundations, N = 2,327)**



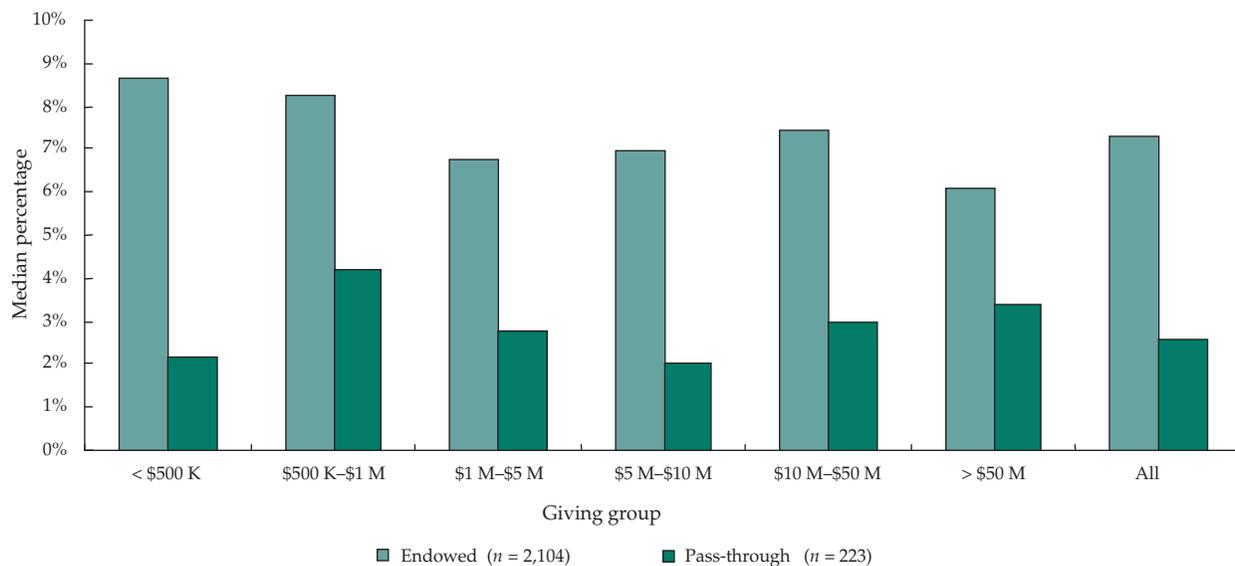
Note: Figure 3.4 pertains only to the 1,280 staffed family foundations. Among all independent foundations in the study dataset, 5,127 were classified as having donor-family involvement.

- Staffed family foundations had lower median charitable expenses than non-family foundations in all giving categories.
- For family foundations, the median charitable expense ratio consistently declined as giving increased, from 6.7 percent for the smallest givers to 3.7 percent for those giving \$50 million or over, suggesting the presence of economies of scale.
- Non-family independent foundations did not report the same economies of scale. Moreover, the difference in charitable expense levels between family and non-family independent foundations was greatest for the largest foundations—less than 4 percent compared to over 8 percent.

The lower levels of charitable operating and administrative expenses for family foundations compared to non-family foundations suggests that family members may help to hold staff-related costs down by providing additional volunteer or low-cost labor for administering grants and other programs. Family members may also contribute office space and perform other volunteer administrative functions, such as legal and accounting, thereby lowering expense levels.

### Influence of Endowed vs. Pass-Through

The vast majority of staffed independent foundations pay for grants and other expenses from earnings on their endowments. Foundations with living donors, however, may operate as pass-throughs, with grants and expenses funded through periodic gifts to the foundation from the donor(s). To distinguish between endowed and non-endowed foundations in this study, foundations are defined as pass-throughs if the total amount of their giving in 2001 represented more than 20 percent of the year-end value of their assets.<sup>3</sup> Figure 3.5 compares how charitable operating and administrative expenses as a percentage of qualifying distributions differs between endowed and pass-through foundations.

**Figure 3.5. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Endowed vs. Pass-Through (Staffed Independent Foundations, N = 2,327)**

- 223 of the 2,327 staffed independent foundations in the dataset were pass-throughs. The vast majority of these foundations (83.4 percent) are small, with giving less than \$5 million. Only two of the 41 foundations with giving over \$50 million met the criteria for pass-throughs.
- Endowed foundations reported much higher ratios of charitable operating and administrative expenses to qualifying distributions than pass-throughs. This finding was consistent across all giving groups.

Although direct investment expenses are excluded from charitable operating and administrative costs, the higher charitable expense levels associated with endowed foundations compared to pass-through foundations suggest that these foundations employ larger and more specialized staff. They may also incur higher legal and professional fees. Endowed independent foundations are also likely to be older than pass-throughs and therefore able to reap fewer benefits from direct donor and donor-family involvement.

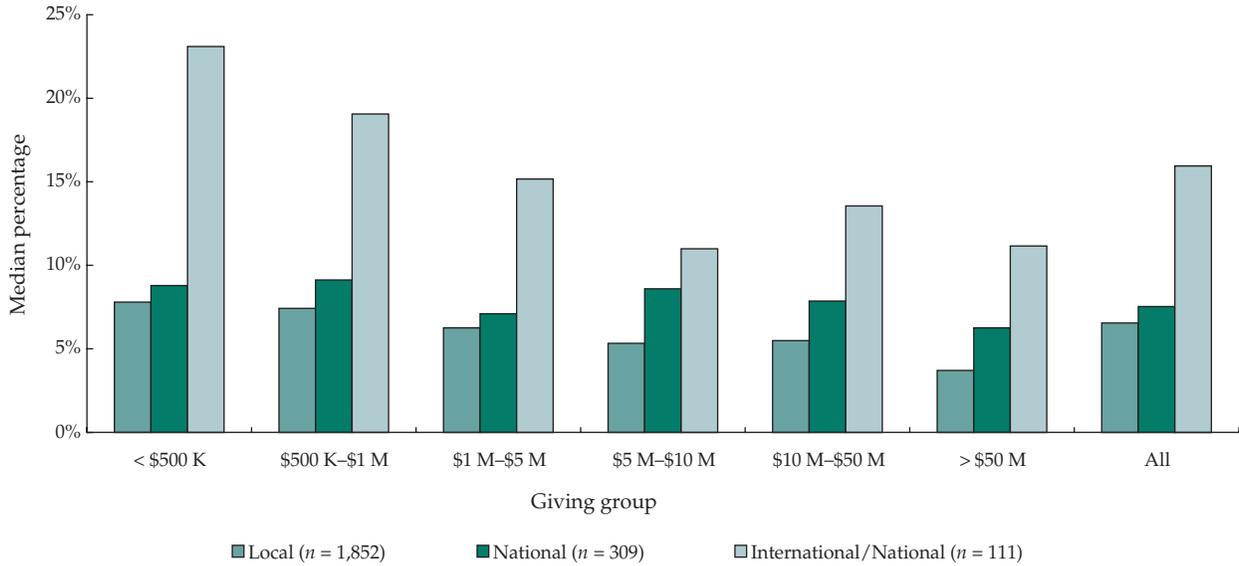
### Influence of Geographic Scope of Giving

The influence of scope of giving on expense ratios is the subject of figure 3.6. The geographic scope of giving is taken from foundation survey responses and foundation grants lists.<sup>4</sup> Most staffed independent foundations give locally: 1,852 (81.5 percent) primarily gave only locally or within their state; 309 (13.6 percent) gave nationally, and 111 (4.9 percent) gave on a national and international basis. Findings on expense patterns exhibited in figure 3.6 include:

- Foundations that gave internationally incurred higher costs than those that limited their giving to the local or national level. These higher expenses may be due to greater travel- and communications-related costs as well as costs associated with conducting due diligence on non-U.S. applicants and grantees.
- The higher cost of international giving is consistent across giving groups. Nevertheless, median expense ratios for international funders declined with giving levels, from 23.1 percent for the smallest giving group to 11.2 percent for the largest giving group.
- These economies of scale hold for local givers as well; however, the trend does not hold for national-level givers.
- The difference between the cost ratios for international versus local and national organizations was greatest for foundations giving less than \$500,000 in annual grants.

In general, foundation expense ratios increased with the geographic scope of grantmaking—especially with international grantmaking—suggesting the need for larger staff to manage distant grantmaking programs and operations and also higher costs for items such as travel, communications, and use of consultants. The financial burden of international grantmaking is the heaviest for the smallest foundations.<sup>5</sup>

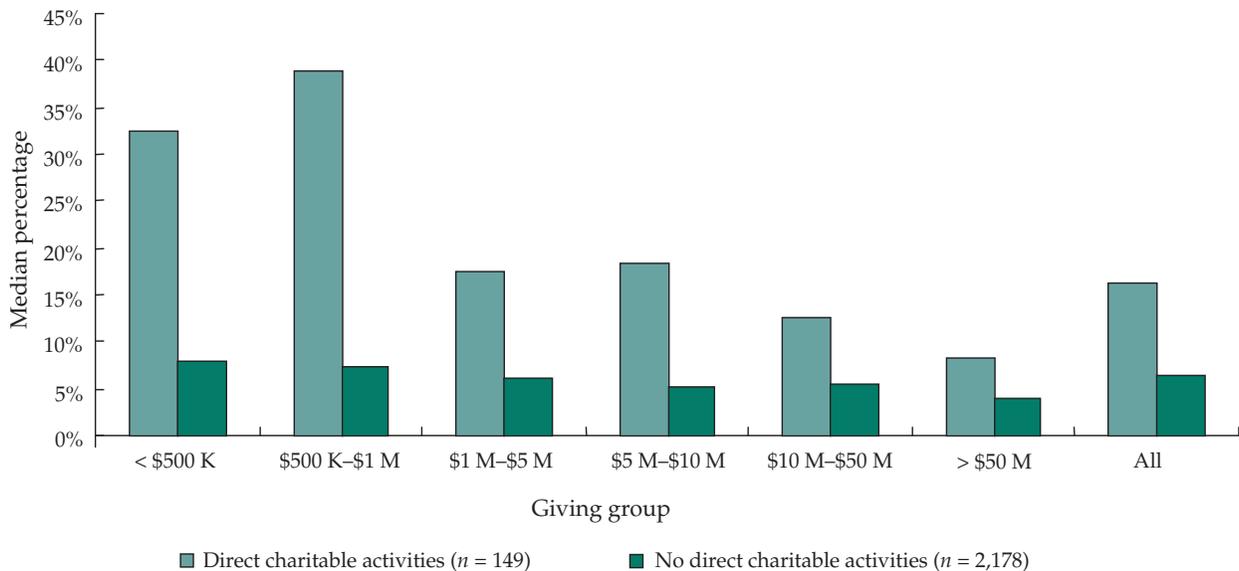
**Figure 3.6. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Geographic Scope of Giving (Staffed Independent Foundations, N = 2,272)**



**Influence of Direct Charitable Activities**

Figure 3.7 illustrates how the share of charitable operating and administrative expenses differs between staffed independent foundations with and without direct charitable activities. Only 149 of the 2,327 staffed independent foundations reported these kinds of foundation-administered programs in the Foundation Center survey or on Form 990-PF.<sup>6</sup> In 2001, direct charitable activities for independent foundations included operation of charitable facilities and provision of charitable services; research, fellowship, and awards programs conducted by foundations; technical assistance for grantees; organization of conferences; and maintenance of conference sites for use by nonprofits.

**Figure 3.7. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Direct Charitable Activities (Staffed Independent Foundations, N = 2,327)**



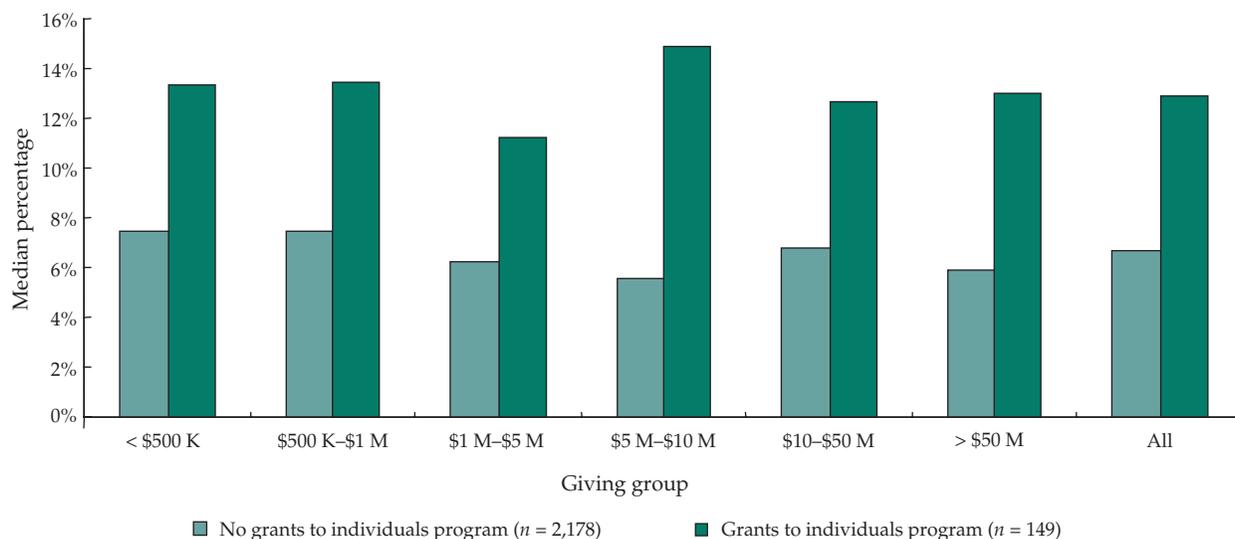
- Staffed independent foundations that engage in direct charitable activities had higher median expense-to-qualifying distribution ratios than those that did not engage in direct charitable activities.
- Charitable expense ratios declined sharply with amount of giving from a median of more than 30 percent for those that gave less than \$1 million to less than 10 percent for those that gave in excess of \$50 million.
- For a small number of independent foundations, direct charitable activities represented a larger proportion of their charitable disbursements than grantmaking. While these foundations are not classified legally as operating foundations, they appear to function more like operating foundations than grantmaking foundations.

The high expense levels reported by foundations operating their own programs may be attributed to a couple of factors: (1) the staff-intensive nature of such programs and (2) the allocation of resources created by these activities, which may reduce the size of the foundations' grantmaking programs. The difference between the expense ratios of foundations with direct charitable activities and those without is most pronounced in the smallest giving category. As noted above, staffing itself represents a higher cost for small foundations.

### Influence of Grants to Individuals Programs

The next figure illustrates how the ratio of charitable operating and administrative expenses to qualifying distributions differs between foundations with and without grants to individuals programs. Grants to individuals may be in the form of scholarships, fellowships, grants, awards, and prizes.<sup>7</sup> To distinguish foundations that make occasional grants to individuals from those that have full-fledged programs, foundations with grants to individuals programs are defined as those that contribute 10 percent or more of their grant dollars to individuals. Only 149 of the 2,327 independent staffed foundations in the study dataset met this criterion for 2001.

**Figure 3.8. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Grants to Individuals Programs (Staffed Independent Foundations,  $N = 2,327$ )**



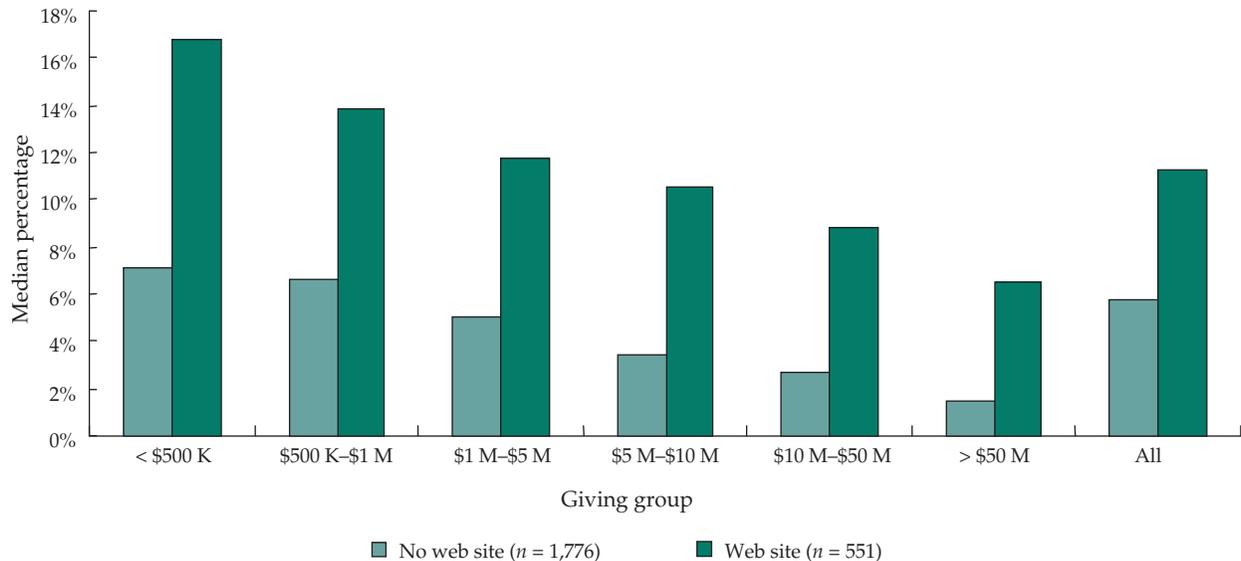
- Foundations that made grants to individuals were associated with higher expense levels than those that did not.
- The higher expense ratios were consistent across all giving levels.
- Larger and smaller foundations that made grants to individuals reported nearly comparable median charitable expense ratios, ranging between 11.2 and 14.9 percent; there was no evidence of economies of scale.

The higher expense ratios associated with foundations making grants to individuals reflect the resource-intensive nature of such an activity. Operating a grants to individuals program is likely to involve a larger staff to manage the program and oversee large numbers of grant applications and grants, and also higher costs associated with advisory committees, outreach and communications efforts, and compliance with legal and reporting requirements.

### Influence of Maintaining Web Sites

Figure 3.9 illustrates how median percentages of charitable and administrative expenses to qualifying distributions vary between staffed independent foundations with and without web sites. We included web sites in the analysis as an indicator of larger communications and outreach efforts by the foundations that maintained them.<sup>8</sup> The bulk of the larger foundations in the dataset have web sites, while a majority of the smaller foundations do not. For example, 37 of the 41 foundations (90.2 percent) with giving over \$50 million have web sites compared with only 65 of the 703 foundations (9.2 percent) giving less than \$500,000.

**Figure 3.9. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Web Sites (Staffed Independent Foundations,  $N = 2,327$ )**



- Foundations with web sites reported notably higher charitable expense-to-qualifying distribution ratios than those without.
- The higher charitable expense levels for foundations with web sites are consistent across giving groups. Nevertheless, median expense ratios for foundations with web sites declined with giving levels from 16.7 percent for the smallest givers to 6.4 percent for those giving \$50 million or more.

While the presence of web sites appears to be associated with higher expense levels, it is unlikely that web sites alone influence these levels. Rather, it seems possible that foundations that invest in developing and maintaining web sites have other cost factors (e.g., higher communications expenses, higher professional fees, and/or larger staff) that exert an upward pressure on expenses.

### Summary

For independent foundations, maintaining a large staff, conducting international programs, engaging in direct charitable activities, and maintaining a web site (a possible indicator of a larger communications effort) raises expense levels; however, the increase is greater for smaller than for larger givers. Making

grants to individuals also exerts an upward pressure on expense ratios. By contrast, donor-family involvement and operating as a pass-through foundation tend to lower charitable expenditure levels.

## CORPORATE FOUNDATIONS

Corporate foundations are subject to the same minimum 5 percent payout requirement as independent foundations and the same IRS filing requirements. For example, they must report identical categories of charitable operating and administrative expenses as well as other disbursements that count toward qualifying distributions. Yet corporate foundations differ from independents in both the extent and the composition of their charitable expenses. As noted earlier, the relationship of these foundations with their parent company provides them with access to “free” administrative, technical, and staffing support not available to independents. This support, in turn, is reflected in their comparatively low expense ratios.

For the 807 largest corporate foundations in this study, the sum of charitable operating and administrative expenses represents 6 percent of the total qualifying distributions that meet the payout requirement.<sup>9</sup>

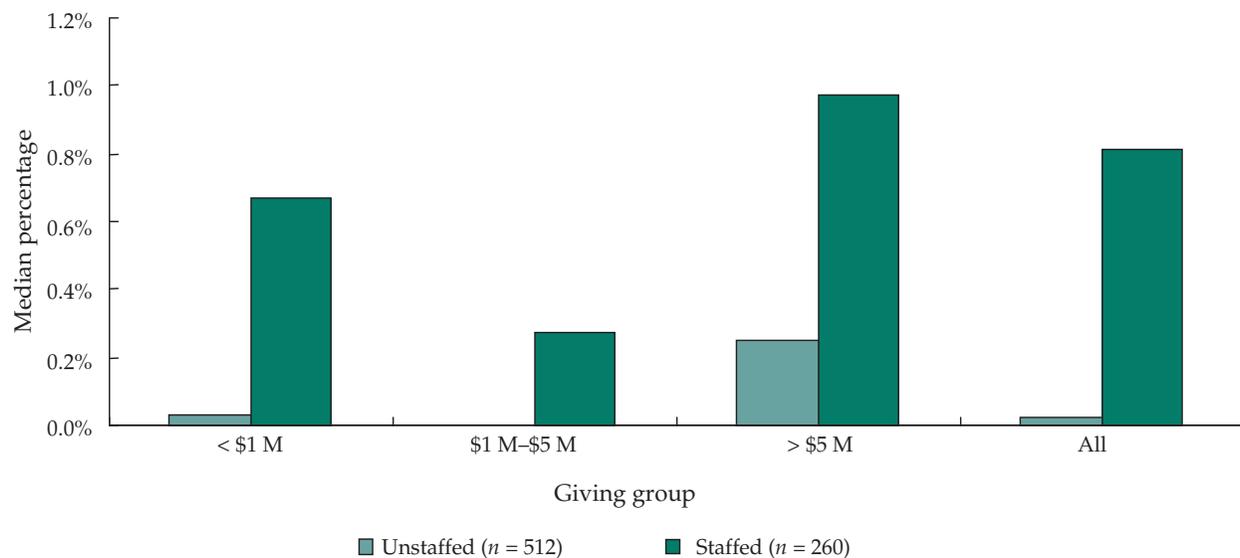
This subsection of the report examines how certain operating styles affect the ratio of charitable operating and administrative expenses to qualifying distributions in corporate foundations. Compared with independent foundations, fewer characteristics tested in this study showed a clear relationship to expenses. This finding in part underscores the difficulty in determining actual corporate foundation expenses, since expenses paid directly by the parent company are not reported on Form 990-PF. Still, staff size, presence of direct charitable activities, and geographic scope of giving were found to impact corporate foundation expense levels.

### Influence of Paid Staff

Only 260 or less than one-third of the 807 larger corporate foundations in the dataset reported paid staff in the Foundation Center’s annual survey or reported staff compensation on Form 990-PF. Thus, it appears that a majority of corporate foundations are staffed or administered by employees of the parent companies, which bear the cost of compensating these individuals. The close ties between corporate foundations and their parent companies make it difficult to compare data on corporate foundation staff size and compensation with data on independent and community foundations.

Figure 3.10 illustrates the influence of paid staff on the relationship between charitable operating and administrative expenses and qualifying distributions of corporate foundations. Due to the relatively small number of corporate foundations in the dataset reporting paid staff, foundations are divided into three size groups.

**Figure 3.10. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Staffed and Unstaffed Corporate Foundations (N = 772)**



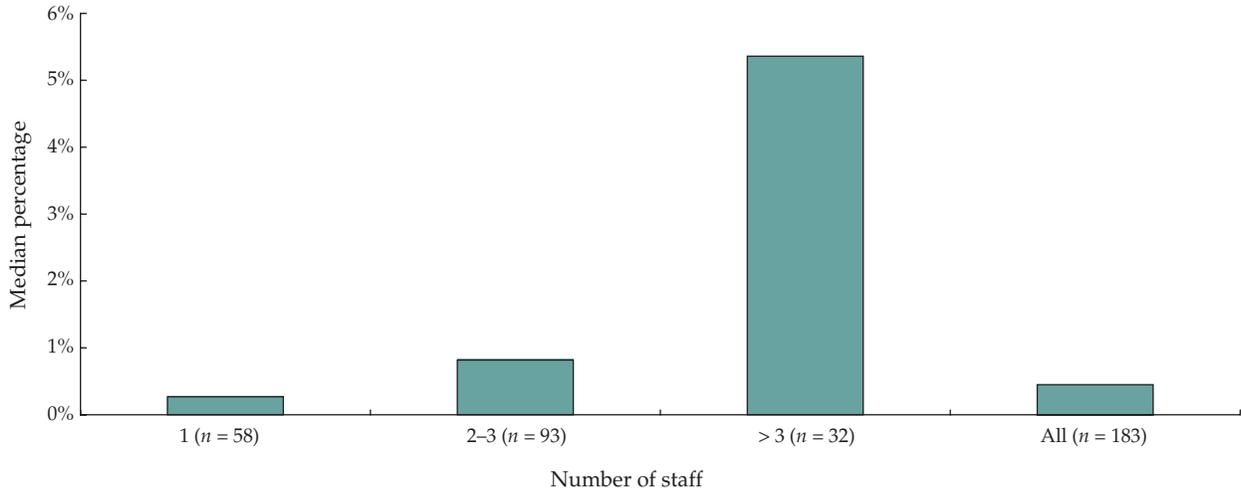
- Staffed corporate foundations recorded higher median expense ratios than unstaffed foundations regardless of foundation size. While staffing had an effect on expense levels, expense-to-qualifying distribution ratios were relatively low for both staffed and unstaffed corporate foundations.<sup>10</sup>

Support in the form of technical and specialized services, staffing, and infrastructure from the donor company contribute to the comparatively low expense ratios for staffed and unstaffed corporate foundations.

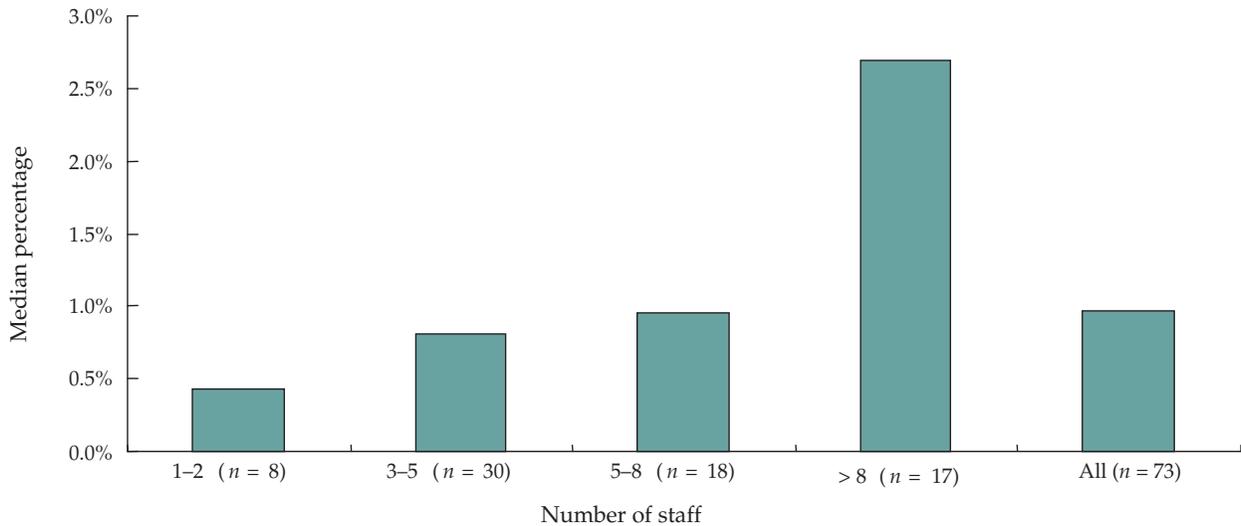
**Influence of Staff Size**

Figures 3.11 and 3.12 show how an increase in staff size affects the ratio of charitable operating and administrative expenses to qualifying distributions for small and large corporate foundations. Foundations contributing less than \$5 million in 2001 are classified as small and those making grants totaling \$5 million or over are termed large. Separate staff size categories were created for small and large corporate foundations based on the distribution of staff.

**Figure 3.11. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Giving Less than \$5 M (Corporate Foundations, N = 183)**



**Figure 3.12. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Giving \$5 M or Over (Corporate Foundations, N = 73)**



- Corporate foundations with the largest number of paid staff reported higher ratios of charitable expenses to qualifying distributions than staffed foundations overall (5.3 percent versus 0.4 percent for foundations giving less than \$5 million, and 2.7 percent versus 1 percent for foundations giving \$5 million or over). This finding holds for both small and large corporate foundations.
- Among corporate foundations giving less than \$5 million, charitable expense levels consistently increased with number of staff, from 0.3 percent for those with one staff to over 5 percent for those with four or more (figure 3.11).
- Charitable expense levels in large foundations also increased consistently with size of staff—from 0.4 percent for those with one or two staff to 2.7 percent for those with nine or more (figure 3.12)—but the difference in expense levels associated with various staff sizes was less pronounced than for the smaller corporate foundations. Moreover, large corporate foundations with the most staff had lower expense ratios than small foundations with the largest staff (2.7 percent versus 5.3 percent), suggesting the existence of economies of scale.

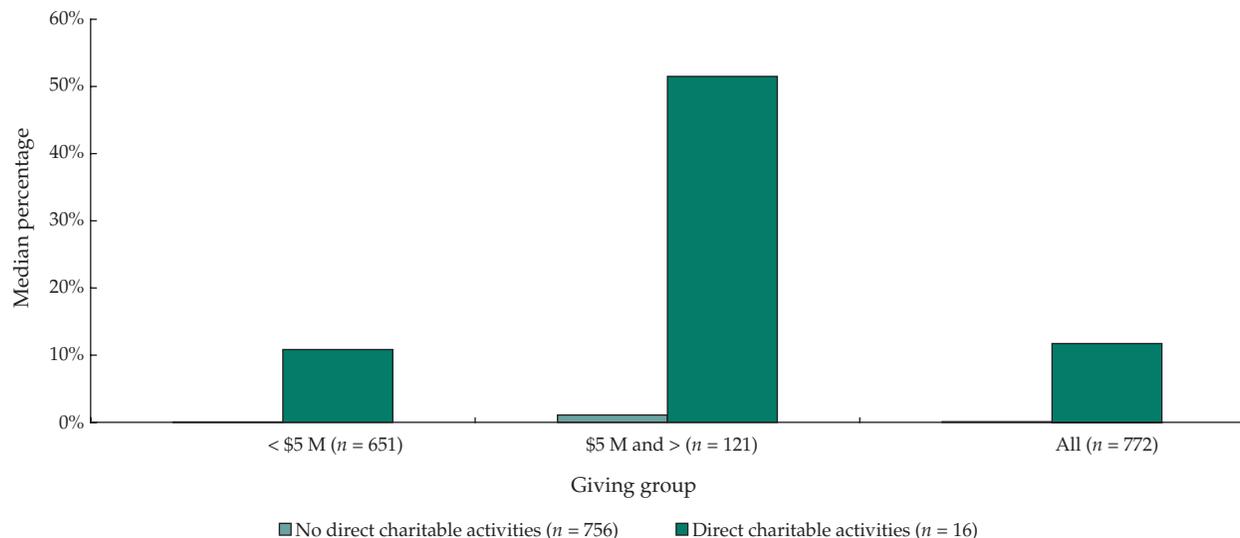
These analyses suggest a relationship between staffing and expenses for corporate foundations that report paid staff. However, as noted earlier, information on the staffing patterns of corporate foundations overall is limited and somewhat unreliable because corporate foundations are often staffed with corporate employees who may not be on the foundation payroll. Therefore, the remaining analyses of how operating styles affect the expense levels of corporate foundations focus on all corporate foundations rather than just those that report staff.

### Influence of Direct Charitable Activities

Figure 3.13 shows how charitable administrative and operating expense levels differ for small and large corporate foundations that engage in direct charitable activities and those that do not. Only 16 corporate foundations reported foundation-administered programs and other direct charitable activities in addition to grants. In 2001, these activities included walkathons and other fundraising events to support medical research, financial assistance programs, professional guidance and training programs, production and dissemination of public information materials (e.g., related to health promotion and affordable homeownership), and technical and strategic support. For some corporate foundations, direct charitable activities represented the majority of their expenses.

- Corporate foundations that engaged in direct charitable activities had notably higher expense ratios than those that did not.
- Large givers that engaged in direct charitable activities reported higher median percentages than givers making grants of less than \$5 million (51.5 percent versus 10.8 percent). For several of these large donors, spending on direct charitable activities represented the vast majority of their charitable expenses, far exceeding grantmaking.

**Figure 3.13. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Direct Charitable Activities (Corporate Foundations,  $N = 772$ )**

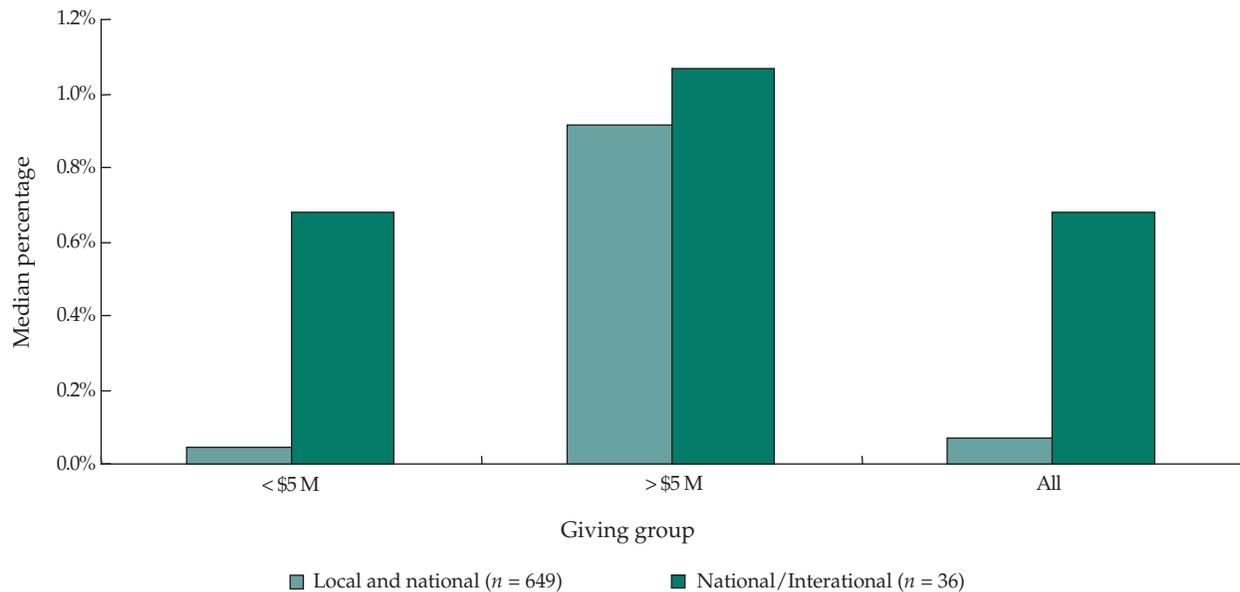


Engaging in direct charitable activities appears to raise charitable operating and administrative expense levels of corporate foundations even more than number of staff. Not only do operating programs often require large staff but also they compete with the foundations' grantmaking programs for resources. The impact of such programs on foundation giving coupled with the high cost of staffing elevate expense-to-qualifying distribution ratios for foundations engaging in direct charitable activities.

### Influence of Geographic Scope of Giving

Figure 3.14 focuses on the influence of geographic scope of giving on charitable expense ratios for large and small corporate foundations. It compares charitable operating and administrative expense levels for two categories of geographic scope: local and national, and national/international. Because local corporate foundations often make grants in areas of company operations across many locations, they resemble national foundations in geographic scope. For this analysis, therefore, the local and national categories were combined to more accurately reflect corporate foundation operations.<sup>11</sup>

**Figure 3.14. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Geographic Scope of Giving (Corporate Foundations,  $N = 685$ )**



- Corporate foundations with a national/international geographic focus reported higher median percentages than those with a local or national scope only.
- Large corporate foundations with national/international giving programs reported higher expense ratios than small foundations.

Although geographic scope of giving showed an influence on charitable expense levels, expense-to-qualifying distribution ratios were relatively low for corporate foundations, even for those giving internationally. This suggests that some of the higher costs associated with the international grantmaking of independent foundations, such as travel, higher staffing levels, and overseas offices, may be covered in part or whole by the parent company or foreign affiliate.

### Summary

Staff size, grantmaking scope, and presence or absence of direct charitable activities are important factors to consider when evaluating the charitable expenditures of corporate foundations. While other operating characteristics that were evaluated in the study did not appear to have an impact on cost ratios, the results were inconclusive given the fact that some of the costs of corporate foundations are borne by parent companies and may not be accounted for in the analysis.

## COMMUNITY FOUNDATIONS

As discussed earlier, community foundations differ from private foundations, both operationally and in terms of federal regulations. For example, unlike private foundations, community foundations are not subject to the 5 percent annual payout requirement.<sup>12</sup> As a result, the Form 990 filed by community foundations does not specifically track payout or qualifying distributions. For the purposes of this study, we use total program services expenses (which includes grants paid and administrative expenses related to grantmaking and other charitable programs) as a proxy for qualifying distributions.<sup>13</sup> The total of program service expenses minus grants paid is used as a substitute for charitable operating and administrative expenses.<sup>14</sup>

The sum of charitable operating and administrative expenses represents 8 percent of qualifying distributions for the 317 largest community foundations in this dataset.

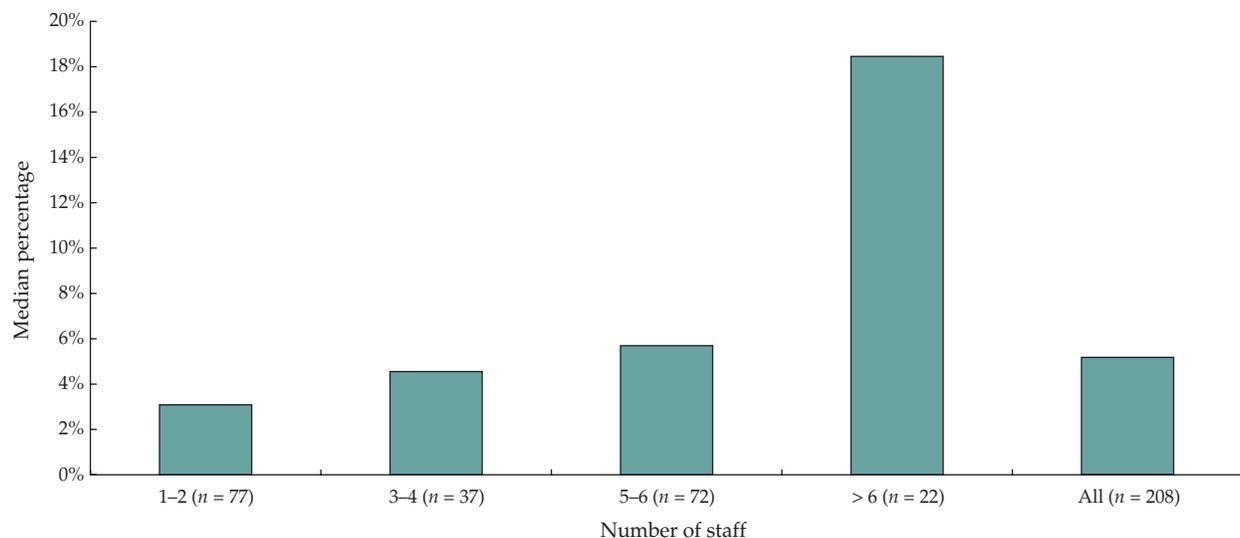
This subsection of the report focuses on how charitable expense levels of community foundations vary by foundation operating styles. Operating characteristics and activities that appear to have an impact on community foundation expense ratios include staff size, foundation age, engagement in direct charitable activities, and presence of web sites.

### Influence of Staff Size

Of the 317 community foundations in the study, 306 (96.5 percent) reported paid staff in the Foundation Center's annual survey or reported staff compensation in Form 990. Unlike independent and family foundations, which may draw on family members and other volunteers to administer programs, and corporate foundations, which may draw on their parent corporations' resources, most community foundations depend on paid staff to manage foundation operations.

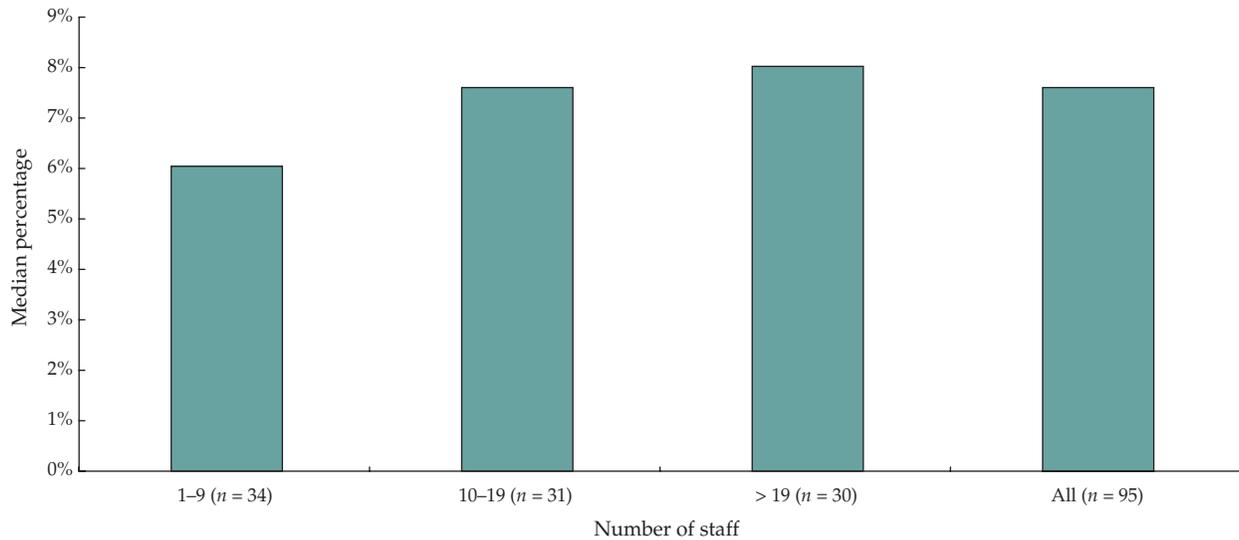
The next two figures explore the influence of staff size on charitable expenses as a share of qualifying distributions. Staff size categories are based on the distribution of community foundations in the study dataset across staff number. To account for differences in staff size of large and small community foundations, separate staff size categories were created for foundations giving less than \$3 million and those giving \$3 million or over.

**Figure 3.15. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Giving Less than \$3 M (Community Foundations, N = 208)**



- For small foundations, median charitable operating and administrative expenses as a percentage of qualifying distributions increased with staff size from 3.1 percent for those with up to two staff to 18.5 percent for those with seven or more staff.
- The pattern of median charitable expense shares across staff size categories in large foundations is similar to that in small foundations: expense levels increase with an increase in number of staff.

**Figure 3.16. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Giving \$3 M or Over (Community Foundations, N = 95)**



- Increases in staff size have a stronger influence on expense levels of the smaller community foundations than of the larger ones. For example, small foundations with the largest staff level (7 or more) reported a median expense ratio of 18.5 percent, while large foundations with the most staff (20 or more) reported a ratio of 8 percent.

Staff size is a significant indicator of expense levels in community foundations, regardless of foundation size. Nevertheless, foundation size does affect the magnitude of expense ratios: cost levels of smaller foundations are more strongly affected by staff size increases compared to those of larger foundations.

Since nearly all of the 317 community foundations in this study are staffed, the remaining analyses cover all the community foundations in the dataset; they do not differentiate between staffed and unstaffed foundations.

### Influence of Foundation Age (Establishment Period)

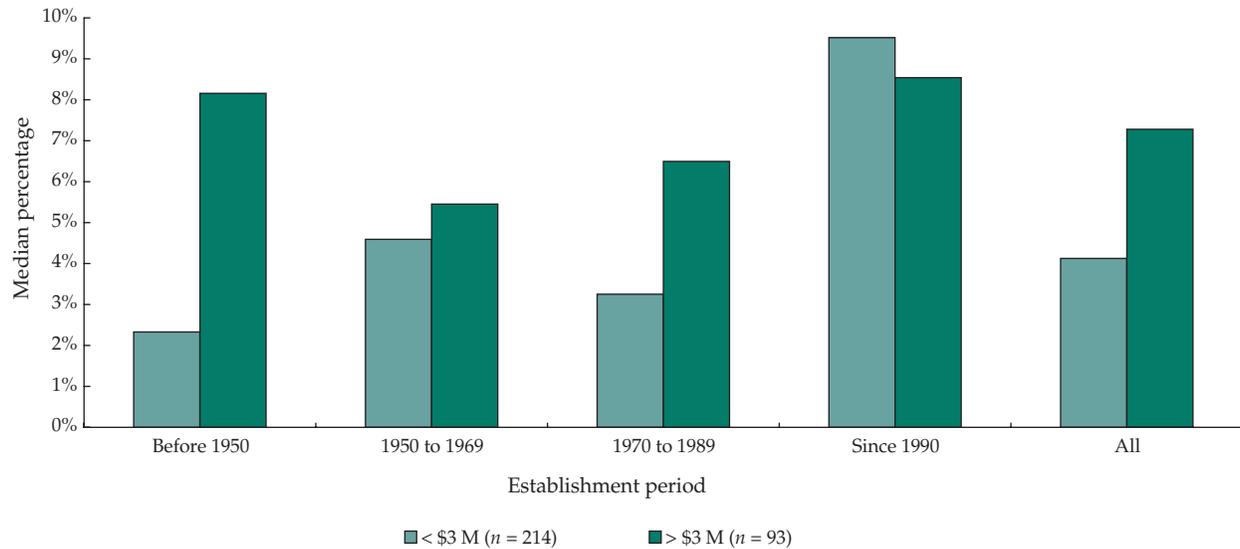
Figure 3.17 illustrates how age affects the relationship between charitable operating and administrative expenses and qualifying distributions for small and large community foundations.<sup>15</sup> Foundations are grouped into four establishment periods ranging from before 1950 to since 1990.

- Whether large or small, the youngest community foundations had the highest median ratios of charitable expenses to qualifying distributions.
- Among larger community foundations, expense levels were highest for the youngest foundations—those formed since 1990—and for the oldest foundations.
- In contrast, among smaller community foundations, while expense levels were also the highest for the youngest foundations, they were the lowest for the oldest foundations.

The higher median expense levels for new community foundations suggest the existence of high start-up costs. Another possible explanation for the elevated expense ratios is that new community foundations typically engage in very limited grantmaking in their early years of operation while they raise funds and build their endowments. As grantmaking programs ramp up, administrative expense ratios decrease.

Also, it appears that as small community foundations mature, more evolved organizational and grantmaking techniques result in operational efficiencies that lower charitable expense levels. In large foundations, however, these economies diminish as the organizations grow in scope, confront new organizational and logistical challenges, and play more diverse non-grantmaking roles in their communities, such as convening local stakeholders around important community issues.

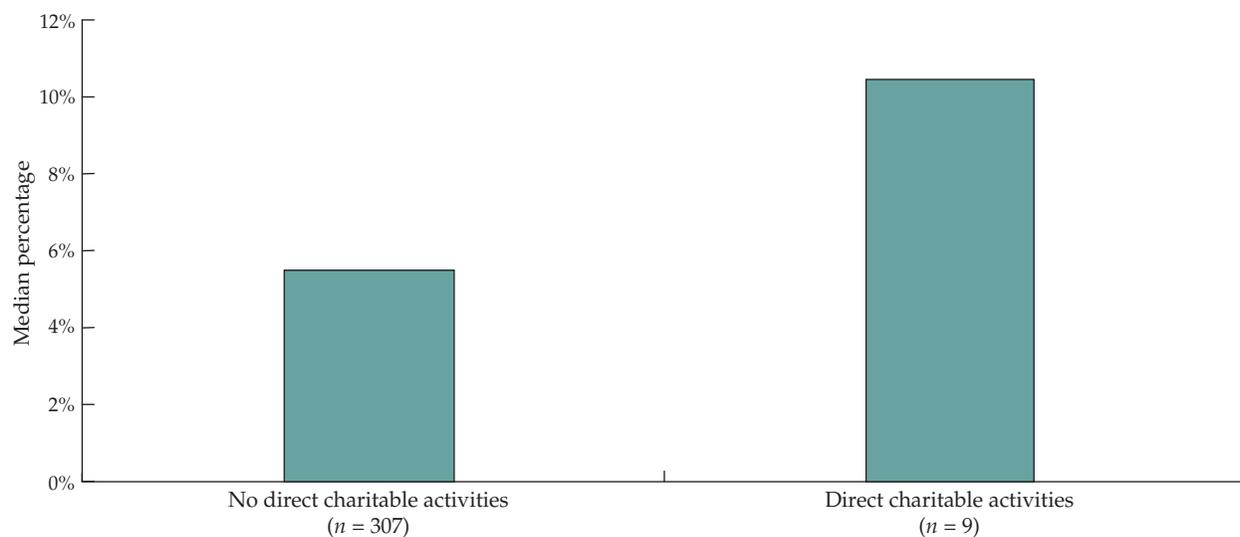
**Figure 3.17. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Foundation Age (Community Foundations,  $N = 307$ )**



### Influence of Direct Charitable Activities

Figure 3.18 shows how the charitable expense share of qualifying distributions varies between community foundations that engage in direct charitable activities and those that do not.<sup>16</sup> Only nine community foundations in the study dataset reported such activities for 2001. A review of their programs revealed a wide range of activities, from operating community service and leadership training programs, to organizing cultural and educational programs, to providing technical support and other resources to enhance nonprofit management.

**Figure 3.18. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Direct Charitable Activities (Community Foundations,  $N = 316$ )**



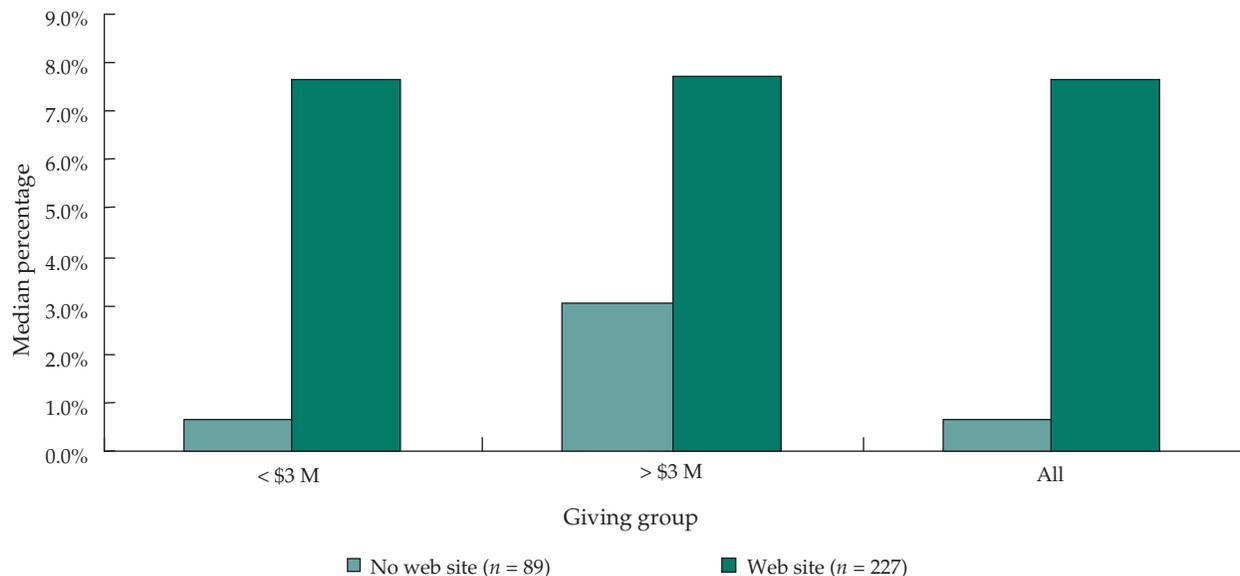
- Similar to private foundations, community foundations that operated their own charitable programs had a higher overall median expense-to-qualifying distribution ratio compared to those that did not—10.4 percent versus 5.5 percent.
- Among these nine community foundations, charitable expense ratios ranged from a low of 5.4 percent to a high of 96.7 percent.<sup>17</sup>

For community foundations engaging in direct charitable activities that reported high percentages of expenses to qualifying distributions, operating programs represented a large share of the foundations' charitable operating and administrative expenses. In fact, research showed that a few community foundations functioned more as operating foundations than as grantmaking foundations.

### Influence of Maintaining Web Sites

Due to the very public nature of the role played by community foundations in the areas they serve and because they are constantly seeking new donors, community foundations are much more likely than other types of foundations to create and maintain web sites. For example, almost 72 percent of the community foundations in this study have web sites, compared with about 24 percent of staffed independents. Investment in the creation and maintenance of web sites is thought to be indicative of a larger communications effort by foundations. We therefore included the variable in this analysis. Figure 3.19 demonstrates how charitable operating and administrative expenses as a percentage of qualifying distributions vary with the presence or absence of web sites for large and small community foundations.

**Figure 3.19. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions: Web Sites (Community Foundations, N = 316)**



- Almost all of the community foundations giving \$3 million or more (93 of the 95) maintained web sites.
- Foundations with web sites had greater expense levels compared to those without; this finding held true for small and large community foundations.

While the presence of web sites is accompanied by higher expense-to-qualifying distribution ratios in community foundations, it is unlikely that web sites alone influence these high ratios. As found earlier for independent foundations, it seems that the existence of web sites may be an indicator of other cost factors such as higher overall communications costs, higher professional fees, and/or larger staff, which may in turn influence community foundation expense levels.

### Summary

For community foundations, having paid staff, engaging in direct charitable activities, and maintaining web sites exert an upward pressure on charitable expense ratios. Young community foundations, regardless of size, have higher expense levels, suggesting the presence of high start-up costs associated with establishing community foundation operations.

## NOTES

1. Other variables tested in the analyses include asset size, number of grants, average grant size, level of compensation paid to trustees, and presence of publications. None of these variables showed a consistent pattern of influence on expense levels for independent, corporate, or community foundations.

2. The Foundation Center uses a number of objective and subjective criteria to identify independent foundations with donor or donor-family involvement: (1) if a foundation identifies itself as a “family foundation” in the Center’s annual survey; (2) if the foundation has “Family” or “Families” in its name; (3) if a living donor’s surname matches the foundation’s name; or (4) if at least two trustees’ surnames match a living or deceased donor’s name.

3. Of the 8,876 independent foundations in this dataset, 1,764 qualified as pass-through foundations according to the study’s criteria.

4. The Foundation Center surveys foundations, examines their grants lists annually to ascertain geographic scope of giving, and codes foundations as local, national, national/international, or international only.

5. While overall expense ratios for international giving may be higher, international funders who work mainly in developing countries point out that the benefit derived per grant dollar is much higher in these areas than in the U.S. In fact, many small to medium-sized foundations engage in international work precisely because they believe that their grant dollars will have a greater impact on the problems of the most impoverished countries.

6. Another 543 filled in information on Form 990-PF, Part IX-A mainly about their grant programs, suggesting that this part of the form is poorly understood and used inconsistently.

7. The Foundation Center collects data on a foundation’s grants to individuals separately from its grants to organizations through its annual foundation survey and from grants lists.

8. The Foundation Center collects data on foundation web sites using web site tracking software and through regular staff searches to identify newly formed sites.

9. The ratio of the sum of charitable operating and administrative expenses to qualifying distributions drops to just 2.3 percent if four large corporate foundations with substantial direct charitable activity are excluded. The lower ratio is much closer to the median expense-to-qualifying distribution ratio (0.8 percent) shown in figure 3.10.

10. Compensation as a percentage of total charitable operating and administrative expenses was the lowest for corporate foundations (12 percent) compared to independent foundations (46 percent) or community foundations (36 percent).

11. The Foundation Center applies the same criteria for classifying independent and corporate foundations by geographic scope: in the absence of specified guidelines, foundations giving in ten or more states are classified as national while those giving in fewer than ten states are classified as local. In practice, however, most “local” independent foundations give in only one or two states. In contrast, many “local” corporate donors give in areas of company operation across several states. Since local and national corporate foundations may differ only slightly in their grantmaking scope, they are grouped together in figure 3.14.

12. A private foundation (whether independent or corporate) must pay out annually for charitable purposes at least 5 percent of its average asset value, regardless of its income each year.

13. Form 990, Part II, line 44, column B.

14. Form 990, Part II, line 44, column B—Part II, lines 22 and 23, column B.

15. The Foundation Center collects data on the year of foundation establishment from the initial Form 990-PF or Form 990 filed by each foundation and through its annual foundation survey.

16. The Foundation Center collects information on foundation-administered programs through its annual survey.

17. The foundation with the charitable expenses-to-qualifying distribution ratio of almost 97 percent reported organizing of cultural, educational, and athletic events in its community as its primary charitable mission. The foundation’s direct charitable activities alone accounted for close to half (47.2 percent) of all its charitable disbursements, while giving accounted for slightly over 3 percent.

# IV

## FOUNDATION COMPENSATION PATTERNS

The final purpose of this study is to explore compensation amounts and patterns for the different types of foundations. This report provides the first analysis of executive and trustee compensation levels across a large representative group of foundations. The results provide context and data to inform foundation boards and staff and the current public policy debates.

In this section, we consider two measures of compensation levels: total aggregate compensation that is included in qualifying distributions, and individual-level trustee and executive compensation.<sup>1</sup>

### AGGREGATE COMPENSATION

Aggregate compensation includes staff salaries and benefits and all forms of trustee remuneration and reimbursement that are included in qualifying distributions.<sup>2</sup> Two-thirds (66.1 percent) of the 10,000 largest foundations did not report any aggregate compensation; among the nearly 3,400 that did, compensation patterns varied by foundation type. To derive a value of compensation that has meaning across foundations of various sizes, we compared aggregate compensation with total giving. The next two figures illustrate how the ratio of aggregate compensation to giving varies by foundation type. Findings associated with figure 4.1 include:

- The median percentage of compensation to giving was higher for community and independent foundations (roughly 5 percent) and lower for corporate foundations (nearly 2 percent).
- Among community foundations, compensation percentages declined by giving group, suggesting economies of scale related to these expenses.
- The median percentage of compensation to giving for independent foundations that gave over \$50 million was 3 percent, compared with roughly 5 percent for the smallest givers.

In sum, smaller community foundations reported the highest ratios of compensation to giving. These percentages did not vary much by giving group for independent and corporate foundations. Furthermore, the compensation-to-giving ratio was comparatively lower across all giving groups for corporate foundations.

**Figure 4.1. Compensation as a Percentage of Giving for Foundations that Compensate (N = 3,388)**

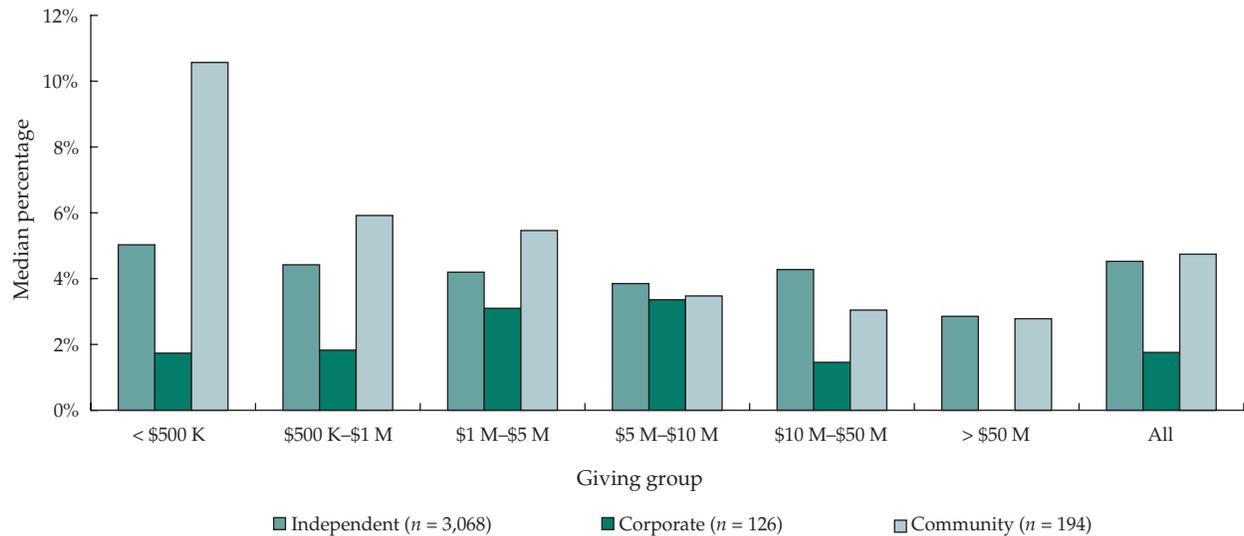
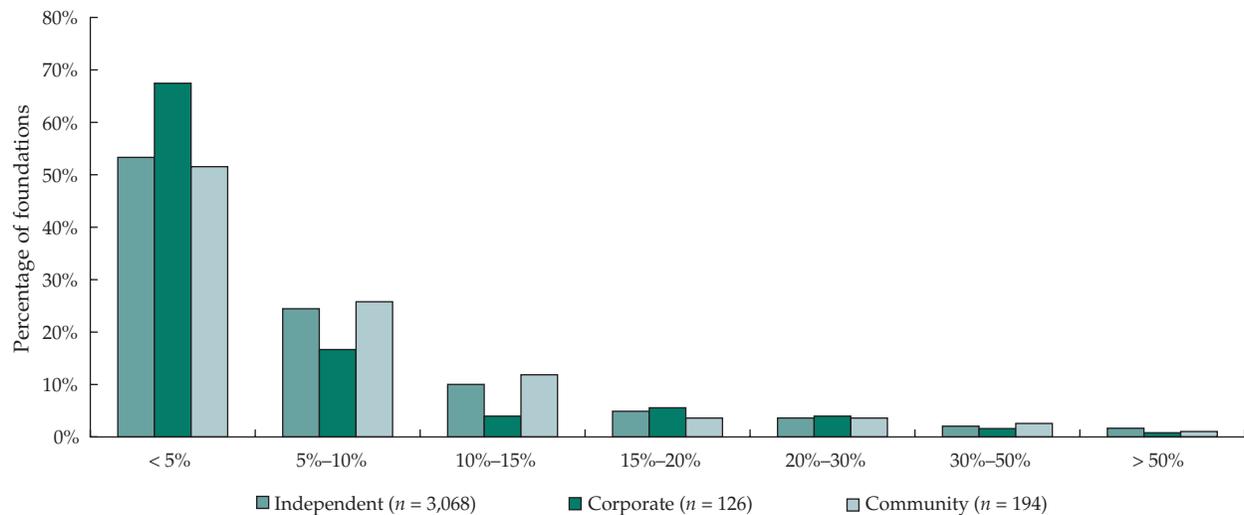


Figure 4.2 illustrates the distribution of independent, corporate, and community foundations across different ranges of the ratio of compensation to giving. The bars in the chart represent the share of foundations that fall into specific ranges.

**Figure 4.2. Range of Compensation to Giving for Foundations that Report Compensation (N = 3,388)**



- Of the nearly 3,400 foundations that reported compensation, roughly four in five, regardless of type, compensated at less than 10 percent of giving. Most foundations fell below 5 percent.
- Nevertheless, a small number of foundations reported compensation to giving greater than 30 percent. A handful, mainly independent foundations, reported compensation to giving over 50 percent.<sup>3</sup>

A preliminary investigation into the small number of foundations reporting compensation of over 30 percent of giving showed that payment of deferred compensation to retiring executives in 2001 and execution of large operating programs contributed to the low levels of giving relative to expenses in several of these foundations. Nevertheless, this group deserves further study.

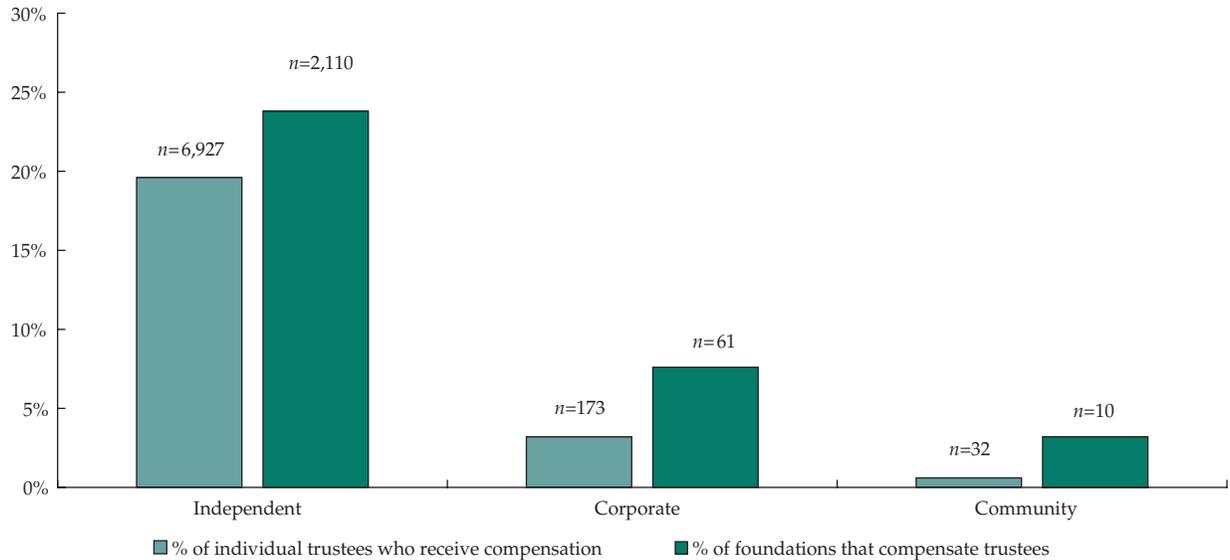
## TRUSTEE AND EXECUTIVE COMPENSATION

The remaining examination of compensation focuses on compensation paid to individual trustees, institutional trustees, and foundation executives. Data for this analysis come from foundation reporting on the titles, number of hours worked, and compensation amounts of officers, directors, trustees, and key employees.<sup>4</sup> Compensation includes any combination of remuneration, fringe benefits (current or deferred), and expense accounts.<sup>5,6</sup>

### Individual Trustee Compensation

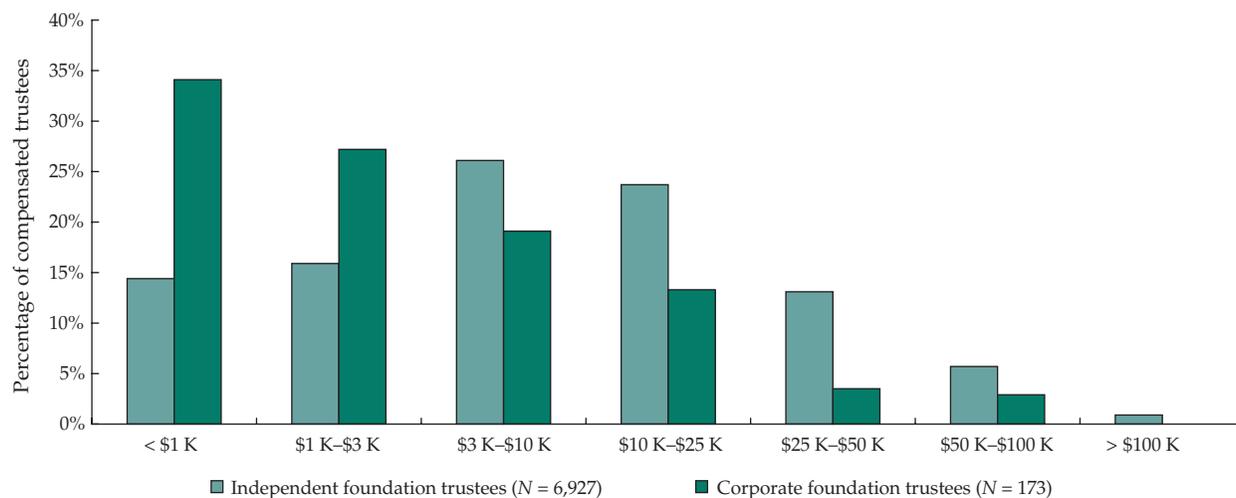
Individual trustees are members of a foundation’s governing board who spend a limited amount of time primarily providing governance for the foundation. Since Forms 990-PF and 990 do not ask foundations to separate trustees from key staff, users must make inferences about the primary role of such officers listed on the form. We considered the titles, hours worked, salaries, benefits package, and relative position in the foundation to identify each person as either a staff member or a trustee. The 10,000 foundations in the study reported a total of 46,526 trustees, not including staff who also serve as trustees. Figure 4.3 shows the number of these trustees that are compensated and the number of foundations that compensate trustees.

**Figure 4.3. Individual Trustee Compensation Patterns**



- Trustee compensation patterns vary by foundation type.
- Nearly one-fourth (23.8 percent) of independent foundations compensated trustees. Fewer corporate (7.6 percent) and community foundations (3.2 percent) did so.<sup>7</sup>
- Of the 2,181 foundations that compensated trustees, 2,110 (96.7 percent) were independent foundations.
- Nearly 20 percent of independent foundation trustees received compensation, while only 3.2 percent of corporate foundation trustees and less than 1 percent of community foundation trustees were compensated.
- Of the 7,132 compensated trustees, nearly 7,000 represented independent foundations.

Collectively, the 7,132 compensated individual trustees received \$111.6 million in 2001. The median compensation was \$7,750; the 75th percentile was \$20,036. The average (mean) compensation was \$15,637; when uncompensated trustees are included, the mean drops to \$2,417. Independent foundations are more likely to compensate individual trustees than other foundation types. Levels of compensation are detailed further in figure 4.4, which examines compensation ranges for individual trustees of independent and corporate foundations. The 32 compensated community foundation trustees were too few to include in the analysis.

**Figure 4.4. Compensation Ranges for Compensated Individual Trustees**

- The largest categories of independent foundation trustees were paid in the ranges of \$3,000 to \$10,000 and \$10,000 to \$25,000; four-fifths of independent foundation trustees received less than \$25,000, and 56 percent earned less than \$10,000.
- At the high end of the spectrum, 1 percent of independent foundation trustees (69 individuals) received over \$100,000; the highest paid individual trustee in 2001 received \$211,538.
- Eighty percent of the 173 compensated corporate foundation trustees received less than \$10,000 in remuneration, benefits, and expense allowances. In fact, 34 percent received less than \$1,000, suggesting that they were mainly reimbursed for expenses.

Not only is individual trustee compensation more common for independent foundations, but trustees of these foundations also receive greater compensation. As illustrated above, only 69 foundation trustees receive more than \$100,000 in compensation, and all are from independent foundations.

### Institutional Trustee Compensation

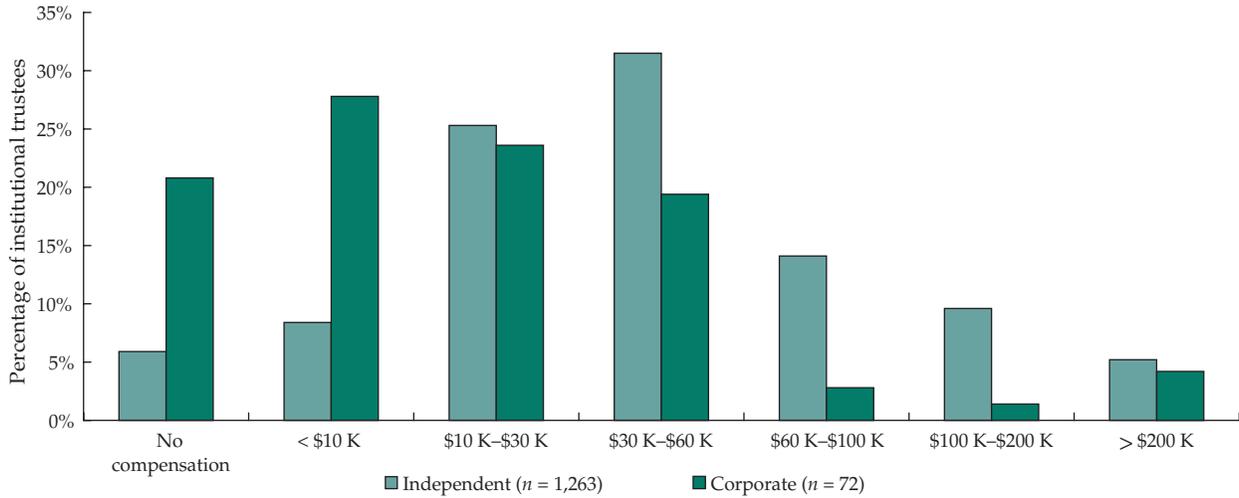
Of the 10,000 foundations in the study, 1,213 listed a bank, law firm, investment firm, or other institution among their trustees.<sup>8</sup> Some foundations listed more than one institutional trustee, so the number of institutional trustees numbered 1,340. Institutional trustees typically play important managerial roles in foundations: managing assets, keeping books, providing legal representation, and filing regulatory documents. Among all foundations in the study, 743 provided compensation to an institutional trustee only, suggesting that these institutions were running the foundations (see Inset, page 12).

Figure 4.5 illustrates the distribution of institutional trustees in independent and corporate foundations across various ranges of compensation. Of the 1,340 institutional trustees reported, 1,248 (93.3 percent) received compensation; these included 1,186 independent foundation trustees and 57 corporate foundation trustees. Both compensated and uncompensated trustees are included in figure 4.5. The five compensated institutional trustees listed by community foundations are too few to include in this analysis.

- Institutional trustees typically received higher compensation than individual trustees; the median compensated institutional trustee received \$39,049.
- Institutional trustees received higher compensation from independent foundations than from corporate foundations: the largest category of independent foundation institutional trustees was paid in the \$30,000 to \$60,000 range, compared with less than \$10,000 for corporate foundation institutional trustees.<sup>9</sup>
- Five institutional trustees received in excess of \$1 million in 2001; 191 received over \$100,000 each.

Past research on trustee compensation has not separated individual trustees from institutional trustees. By doing so, this study has been able to document that institutional trustees collectively received \$83.2 million in 2001. Similar to individual trustee compensation, institutional trustee compensation is largely a practice of independent foundations.

**Figure 4.5. Compensation Ranges for Institutional Trustees (N = 1,335)**



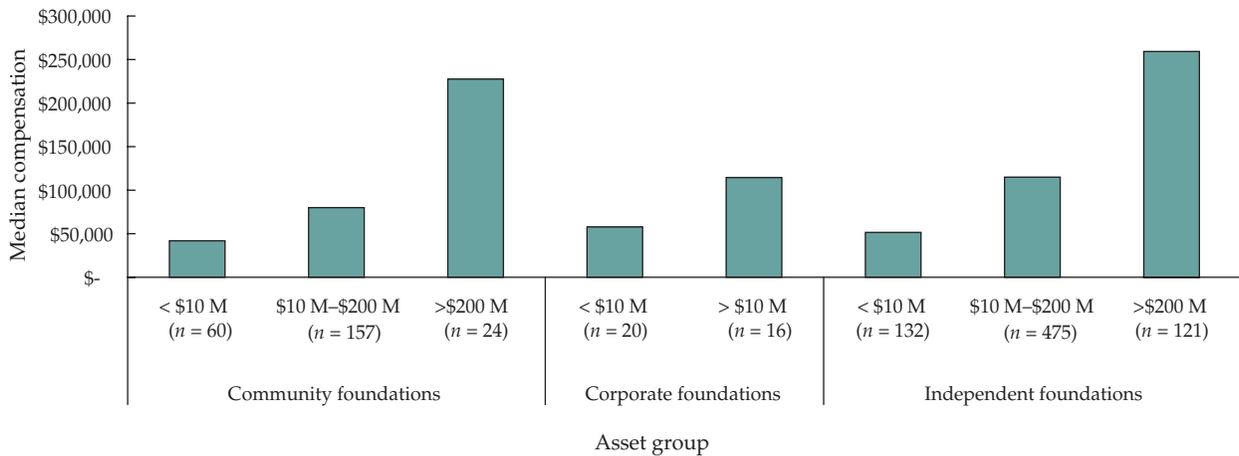
**Foundation Executive Compensation**

This report defines foundation executives as presidents, chief executive officers, and executive directors who regularly spend a substantial amount of time operating the daily affairs of the foundation. While some executives also serve on their foundation’s governing board, they are counted here as staff and are not included in analyses of trustees.<sup>10</sup>

Of the 2,923 foundations reporting paid staff in 2001, 1,005 foundations (34.4 percent) listed a paid staff member with the title executive director, president, or chief executive officer.<sup>11, 12</sup> Only paid staff are included in the analysis; uncompensated executives are not included.

Figure 4.6 shows the median compensation of foundation executives across different asset categories for independent, corporate, and community foundations.

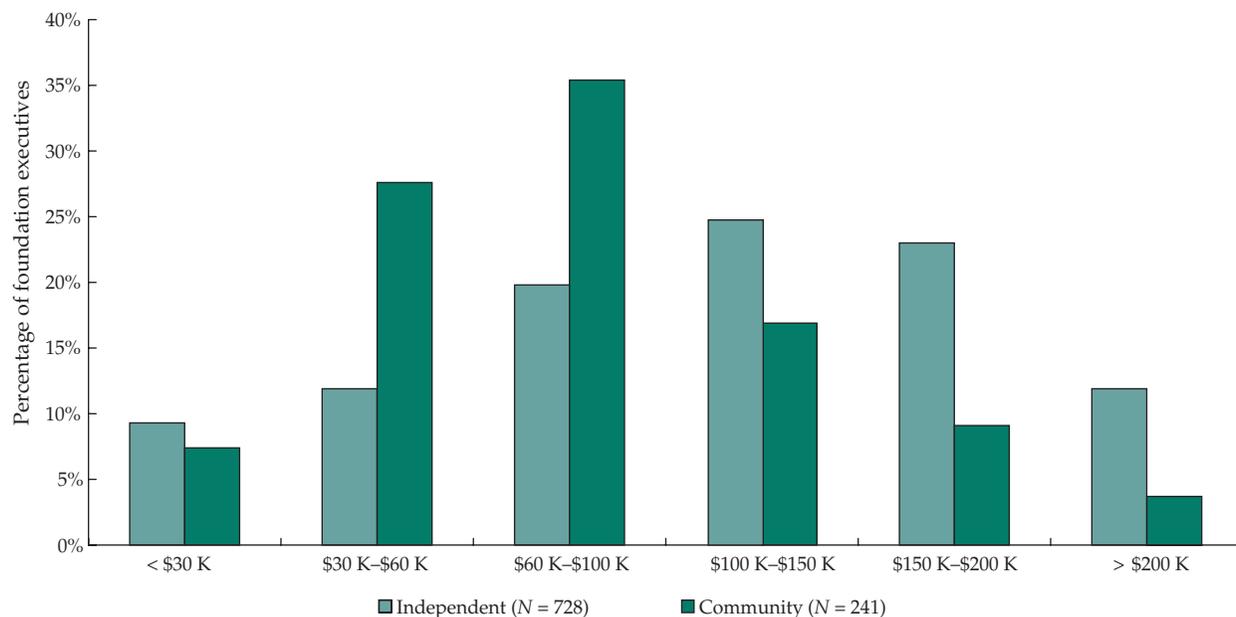
**Figure 4.6. Median Compensation of Foundation Executives by Foundation Type and Asset Size**



- Asset size exerts a greater influence on executive compensation than foundation type. While the median salary of executives overall was \$100,209, the median executive compensation in foundations with over \$200 million in assets was \$200,000. In contrast, the median executive in foundations with less than \$10 million in assets received approximately \$50,000 in compensation in 2001.<sup>13</sup>
- Compensation paid to executive staff in 2001 ranged widely from a low of \$88 paid to an executive director and trustee with a 20-hour workweek to highs of over \$1 million paid to three presidents. The top compensated executive in 2001 received nearly \$2 million, due largely to a \$1.5 million bonus for his participation in the sale of appreciated foundation assets.

Figure 4.7 illustrates the distribution of compensation for foundation executives in independent and community foundations. The 36 compensated executives listed in corporate foundation 990-PFs are too few to establish a trend across compensation categories.

**Figure 4.7. Compensation Ranges for Foundation Executives**



- Community foundation executive compensation peaked in the \$60,000 to \$100,000 range, with one-third of compensated executives falling into this category.
- Executive compensation in independent foundations was more evenly dispersed across compensation categories ranging from \$60,000 to \$200,000.

While community foundations infrequently compensate trustees, they are the most likely to compensate executives. However, most community foundation executives received less than \$100,000 in compensation.

## SUMMARY

Two-thirds of the foundations in this study reported no compensation. Among those that did compensate, community foundations had the highest ratio of aggregate compensation to giving. This was especially true for the smallest community foundations (giving less than \$500,000). Among independent and corporate foundations, the compensation-to-giving ratio varied only modestly across the different giving groups (from roughly 2 to 5 percent), although corporate foundations consistently reported lower ratios.

The practice of compensating individual trustees is most common among independent foundations. While most of the compensated independent foundation individual trustees received less than \$10,000, a few received over \$100,000. In contrast, among corporate foundations, no individual trustee received more than \$100,000. In fact, 80 percent of corporate foundation individual trustees who were compensated received less than \$10,000.

The story is similar for institutional trustees. Independent foundations are more likely to compensate institutional trustees. A few institutional trustees of both independent and corporate foundations received compensation greater than \$200,000. As noted earlier, the majority of institutional trustees were the sole recipients of compensation in their foundations, suggesting that they are compensated at higher levels because they are running the foundation. However, additional research is needed to better understand the various functions performed by these institutions and the associated pay scales.

Finally, compensation of foundation executives is clearly influenced by foundation size. Those with greater assets, irrespective of foundation type, compensated at higher levels. Unlike trustee compensation,

executive compensation is more common in community foundations. Most community foundation executives were compensated in the \$60,000 to \$100,000 range. Most independent foundation executives were compensated in the \$100,000 to \$200,000 range. Fewer than 40 corporate foundations in the sample reported compensating an executive. This finding suggests that executive compensation was paid directly by the foundation's parent company.

## NOTES

1. See Methodology in the appendix for descriptions of these two measures of compensation.
2. For private foundations, aggregate compensation includes Form 990-PF, Part I, lines 13–15, column d (sometimes referred to as “charitable” compensation); for community foundations, it includes Form 990, Part II, lines 25–29, column B. Aggregate compensation reported in the next two figures specifically excludes investment-related compensation.
3. Of the 20 independent foundations with the highest ratios of compensation to giving, 10 report direct charitable activities or other operating programs and 19 report staff.
4. This summary does not consider compensation of other categories of officers (such as vice presidents or chief financial officers) or of non-executive staff. Data come from Form 990-PF, Part VIII for private foundations and Form 990, Part V for community foundations.
5. While compensation, benefits plans and deferred compensation, and expense accounts and other allowances are reported separately on Form 990-PF and Form 990, our working data file does not capture these distinctions.
6. Trustee and executive compensation may include investment-related compensation.
7. These percentages apply only to the 10,000 largest U.S. foundations. Since compensation is more likely in larger foundations, percentages would be much lower if all foundations were considered.
8. These data reveal nothing about the individuals employed by institutional trustees who provide management and investment services to foundations.
9. Corporate foundations were also much less likely to pay institutional trustees, suggesting that these institutions might be serving the foundation as part of other compensated activities rendered directly to the corporation.
10. Research staff analyzed data and categorized individuals by position. This process is detailed more thoroughly in the appendix.
11. When a foundation listed more than one executive staff member (for example, both an executive director and a president who functions as a staff member), we selected the one with the highest compensation. In some foundations, such employees as chief financial officers draw higher salaries than chief executive officers. For comparability purposes, however, only foundation executives were considered.
12. Many of these foundation executives are also members of the board of directors. They were included as staff in this analysis if their combination of salary, hours worked, benefits package, and relative position in the foundation suggested that they function as executive staff in addition to their trustee duties.
13. Only one corporate foundation with assets of \$200 million or more reported executive compensation, suggesting that compensation of corporate foundation executives may be paid directly by the company.





## CONCLUSIONS

U.S. grantmaking foundations vary substantially in the ways they accomplish their work, and those variations have a measurable impact on their expense levels. Most of the 10,000 largest foundations report modest expenses; the vast majority are unstaffed, and many are run largely by unpaid trustees. Larger foundations incur higher costs, although there appear to be economies of scale in that their expenses relative to others with similar operating characteristics are generally a smaller proportion of their qualifying distributions. A handful of foundations have high ratios of expenses to qualifying distributions and some have compensation levels that are well above the typical ranges for their cohort. Some of these cases are explainable by substantial operating programs, large staff size, or one-time payment of deferred compensation to an executive upon retirement. Others cannot be explained with the data available. The overall picture is one of diversity—this is a heterogeneous group of institutions that can only be understood by disaggregating the data along the dimensions of size, type, and staffing and program characteristics.

Independent, corporate, and community foundations, by definition, have different auspices, governance, and structural characteristics. This report documents how major differences in operating styles affect the expense levels of private and community foundations. These findings suggest that, along with foundation type and size, the missions and goals of foundations that lead to different staffing levels and types of expenses are important characteristics to consider when assessing the charitable expenditures of foundations.

For independent foundations, which represent the vast majority of the grantmakers documented in this report, employment of paid staff has a substantial impact on charitable operating costs, and expense levels consistently increase along with number of staff. Giving level is also an important factor. Staffed foundations with the lowest giving levels, for example, spend proportionally more on charitable operating and administrative expenses. Grantmaking scope also affects charitable operating costs. International giving results in higher median operating costs for all sizes of staffed foundations. Finally, staffed foundations that engage in direct charitable activities beyond grantmaking, such as operating a facility or conducting research, those that maintain web sites (considered a possible indicator of a larger communications effort), and those that make grants to individuals have higher median charitable expenses than those that do not. Similar to having paid staff, conducting international programs, engaging in direct charitable activities, and maintaining web sites raise expense ratios more for the smaller than for the larger givers, suggesting economies of scale. By contrast, donor-family involvement in foundations and operating as pass-throughs (rather than as endowed entities) tend to lower charitable expenditure levels.

For corporate foundations included in this study, fewer operating characteristics show a clear relationship to expense. This finding in part underscores the difficulty in determining actual corporate foundation expenses, given these foundations' close ties to their parent companies. For example, less than a third of the corporate foundations in the study report paid staff, suggesting that staff is employed directly by the company. Staffing and other "free" administrative support are in turn reflected in comparatively low charitable expense-to-qualifying distribution levels for many corporate foundations. Nevertheless, having

a larger staff size, conducting international programs, and engaging in direct charitable activities tend to increase the expense levels of large and small corporate foundations. In fact, for a few corporate foundations, direct charitable activities represent the majority of their expenses, far exceeding grantmaking.

Community foundations differ from private foundations, both operationally and in terms of federal regulations and annual reporting requirements. Nevertheless, community foundations documented in this study share a few patterns of expenses with private foundations: having a larger staff size, engaging in direct charitable activities, and maintaining web sites exert an upward pressure on charitable expense levels. Cost levels of smaller foundations are more strongly affected by staff size than are those of larger foundations. Unlike for private foundations, age is also an important factor. Young community foundations, regardless of size, have higher expense levels, suggesting the presence of high start-up costs associated with establishing operations and raising funds, as well as limited grantmaking activity during this early period.

The report also considers compensation, the largest component of charitable expenses. Two-thirds of the 10,000 largest foundations do not report any compensation. Among those that do, the median percentage of compensation to giving is higher for independent and community foundations (roughly 5 percent) and lower for corporate foundations (under 2 percent). The largest foundations tend to compensate at the highest levels, yet their median percentages of compensation to giving are among the lowest. A handful of foundations report compensation at 50 percent or more of giving. A review of those reporting the highest percentages show that nearly all are staffed and more than half report direct charitable activities or other foundation-administered programs.

Trustee compensation practices also vary by foundation type. Over 80 percent of the more than 46,000 individual trustees serving foundations in the study receive no compensation. Most of the 7,140 compensated individual trustees are found in independent foundations; in 2001, they collectively received \$111.6 million. Individual trustee compensation ranges from incidental reimbursements of expenses to payments of over \$100,000, with a median of \$7,750 in 2001. Institutional trustees, such as banks and law firms, receive much higher compensation, on average. Separating these two types of trustees and further distinguishing between compensated staff and non-staff trustees are important contributions of this study. Among paid staff, executive compensation varies by foundation size: medians of \$50,000 for the smallest and \$200,000 for the largest foundation chief executives, with a few executives receiving over \$1 million in 2001.

This project provides a framework and a dataset that will be the basis for examining expense and compensation patterns of private and community foundations over time.

While the study has already yielded insights on the impact of differences in foundation operating styles on charitable expenses, conducting this research has made us aware of many shortcomings in the data and in the current reporting of foundation information to the Internal Revenue Service. Information reported on Forms 990 is subject to the limitations of the financial reporting systems used by foundations and to the rigor of those filling out the forms. While many forms are completed by accounting professionals who sign their names attesting to the accuracy of the reports, many others are incomplete and inaccurate.

There is an ongoing need for education of foundations on the importance of Forms 990-PF and 990 as the most visible summary of their finances—available to anyone with the click of a mouse. Providing assistance to foundations to properly complete these forms, as some regional associations have done, and promoting better designed forms, as the Foundations Financial Officers Group is doing, is part of the solution. Electronic filing of the IRS forms will be another important step forward.

Changes in Forms 990-PF and 990 should allow for more in-depth exploration of expenses and compensation, especially related to reporting of different types of expenses, direct charitable activities, and trustee and staff compensation. Investigators working on this project have already submitted recommendations about Forms 990-PF and 990 to the Panel on the Nonprofit Sector convened by Independent Sector. For a summary of recommendations on changes to the forms that will improve transparency, see the inset.

## RECOMMENDATIONS FOR CHANGES TO FORMS 990 AND 990-PF

This study of Foundation Expenses and Compensation revealed areas of the Forms 990 that should be improved to promote greater transparency. Electronic filing of the forms will permit better differentiation of expenses and more precise instructions at the point of completion, with very little, if any, associated costs.

### RECOMMENDATIONS FOR FORM 990-PF

Identify and pull out major categories of expenses associated with “other expenses” and “other professional fees” to recognize the growing reliance on those items as foundations increasingly turn to consultants instead of paid staff and undertake direct charitable activities that are not easily captured in current categories.

- “Other expenses” (Part I, line 23): This category has become a catchall that obscures a significant amount of operating expenditures. The Form 990-PF should list two to four frequently reported components of those expenses currently not itemized. For example, based on preliminary research, one component might capture equipment, supplies, and maintenance, and another might capture insurance, bank fees, and dues, permitting “other expenses” to become a smaller residual category.
- “Other professional fees” (Part I, line 16c) should provide choices—for example, evaluation, administrative, technology, and communications services—so that the residual is a small, undifferentiated set of services.
- Direct charitable activities (Part IX-A): These activities, which include foundation-run programs and charitable-purpose facilities, are not clearly defined and are only partially listed on Form 990-PF. The form should provide a section to describe and account for all direct charitable activities and a separate column should be provided for reporting expenses attributable to those activities.

### RECOMMENDATIONS FOR FORM 990

- “Other Expenses” (Part II, line 43a–43e) on Form 990 should be revised as suggested above.
- Form 990 should add a category for “other professional fees” broken down as suggested above.
- Form 990 should be revised to better reflect the realities of community foundation activities in two areas: direct charitable activities (foundation-run programs) and expenditures related to supporting organizations and other affiliated funds.

Feedback from community foundations revealed that Form 990 exaggerates expenses (relative to giving) of community foundations that have affiliated trusts and supporting organizations. This situation requires further analysis and better instruments.

### RECOMMENDATIONS FOR BOTH FORM 990-PF AND FORM 990

- Separate board/trustee and staff officers in the compensation of officers section of both forms (Part VIII of Form 990-PF and Part V of Form 990).
- Add a question to ascertain if officers are primarily paid employees (hours per week) or primarily board members (hours per week).

Transparency requires better reporting of salaries of foundation employees and compensation (if any) of trustees. Foundation executive staff members are often foundation board officers along with non-employee board members. The way the Forms 990 are currently configured, one cannot readily tell if a person is an employee or trustee or both. Adding a question that asks if an officer is a paid employee would improve information. While there may still be ambiguity, it will be much easier to assess a person’s role and compensation level. More complete reporting of hours of work or service will also improve information on compensation patterns.



# APPENDIX

## A. METHODOLOGY

**Study Datasets:** This report is based on summary data from two datasets. The first is a foundation-level dataset that includes the 10,000 largest independent, corporate, and community foundations (ranked by giving) as reported for 2001 on Forms 990-PF and 990, which are filed annually with the Internal Revenue Service, and supplemented by survey research conducted by the Foundation Center. The second dataset consists of the 51,533 individual officers, directors, trustees, key employees, and institutional trustees reported on Forms 990-PF and 990 for the same 10,000 foundations.

**Data Providers and Sources:** GuideStar supplied most of the Forms 990-PF and 990 expense and compensation data for the study. The Foundation Center provided key financial data from foundation reports and foundation operating and programmatic characteristics gleaned from its annual survey and analysis of grants lists. The National Center for Charitable Statistics at the Urban Institute filled in missing data from its core dataset. Urban Institute staff merged the data by employee identification number to create the datasets for the study.

**Variables in the Analysis:** In 2004, for the first phase of the project, the study partners identified variables for the analysis based on data that were already available in the GuideStar and Foundation Center databases. In 2005, for the second phase, they identified additional key data fields, chiefly components of charitable administrative expenses and qualifying distributions, which needed to be digitized for the study. (See list of variables used in the study at the end of this section.) GuideStar digitized the new variables for the majority of foundations, supplemented with work by the Foundation Center. The Urban Institute merged the new data into the datasets that had been compiled in the initial phase of the project.

**Foundation-Level Dataset:** The foundation-level dataset was used for the analyses presented in Section II, Components of Foundation Charitable Expenses, and Section III, Foundation Operating Characteristics and Charitable Expenses. As in any study of this type, researchers had to deal with missing cases and missing variables as they checked the data and merged the IRS data with the survey data. For a small percentage of top 10,000 cases, 990-PF or 990 data were not available for 2001 from GuideStar, but data were available from the Foundation Center or the National Center for Charitable Statistics. In other cases, GuideStar data and Foundation Center survey data from immediately surrounding years were used to fill gaps in the set. In the latest study phase, an effort was made to improve the consistency of data, especially for the top 1,000 foundations. Nearly all top 1,000 foundations now have complete 2001 records. Included in the top 1,000 are five large jointly administered foundations (foundations that file more than one 990-PF but are administered as one foundation) that had not been in the initial dataset. Compiled by the Foundation Center from survey data and multiple tax returns, these composite foundation records replaced five smaller foundations that had missing charitable expense data. Despite efforts made to fill gaps, some cases still

have missing values for key variables, and they were excluded from certain analyses. As a result, smaller numbers of foundations are reported in some charts and figures in the report than the total numbers of independent, corporate, and community foundations included in the study. Finally, after reviewing outliers, one foundation was identified as an operating foundation; it was excluded from all analyses.

*Community Foundations Financial Data:* Because community foundations are public charities and therefore file IRS Form 990 instead of Form 990-PF, financial variables reported are not always equivalent to those for private foundations. To derive a charitable expense variable for community foundations, charitable giving (that is, giving attributed to “program expenses,” listed on Part II, lines 22 and 23, column B) was subtracted from total program expenses (line 44, column B). Similarly, the components of charitable expenses are those categories listed under program expenses (Part II, lines 24–43, column B).

*Foundation Operating Characteristics Data:* The Foundation Center surveys roughly the top 20,000 grantmaking foundations (ranked by giving) annually to update fiscal, operating, and programmatic data published in its online and print reference and research products. The response rate is approximately 30 percent for foundations overall and over 66 percent for the top 1,000 foundations. For non-response foundations, information is compiled from foundation annual reports, grants lists, web sites, and Forms 990-PF or 990. Fiscal information (assets, gifts received, total giving, total expenses, qualifying distributions) obtained via survey is later compared and reconciled with data published in foundation annual reports and tax returns.

In the file of the top 10,000 foundations provided for this study, fiscal data fields are nearly complete. Grantmaker fields derived from an examination of the tax return and grants lists (e.g., grantmaker type, number of grants) are also fairly complete. Grantmaker fields that depend on survey responses or special research (e.g., number of staff, geographic scope, establishment year) are not as complete. (See list of variables used in the study at the end of this section.)

*Foundations that Compensate:* To assess the influence of foundation compensation patterns on charitable operating and administrative expenses, foundations that compensate some recipient and report aggregate compensation as part of their qualifying distributions are separated from foundations that do not. This recipient might be a staff and/or board member, and the compensation might take the form of a salary, remuneration for expenses, or a pension plan. A foundation was said to compensate when the sum of lines 13 (compensation of officers, directors, and trustees), 14 (other employee salaries and wages), and 15 (pension plans and employee benefits), column d (disbursements for charitable purposes) was greater than zero; for community foundations, if the sum of lines 25–29 (same items) in column B (program services) was greater than zero.

*Foundations with Staff:* To measure the effect of staffing on foundation charitable operating and administrative expenses, foundations with paid staff (as opposed to unpaid staff or paid trustees only) are separated from foundations with no paid staff. To identify staffed foundations, a two-step process was used. First, if the Foundation Center survey (circa 2001) indicated that the foundation had one or more paid staff members, then the foundation was marked as staffed. In the absence of survey data, Form 990-PF was examined. If line 14, column a (other employee salaries and wages) was greater than zero, or if line 15 (pension plans, and employee benefits) was greater than zero and line 13 (compensation of officers, directors, and trustees) was zero or blank, then the foundation was marked as staffed. Because not all foundations responded to the Foundation Center’s survey and examining Forms 990 was not conclusive for every foundation, some staffed foundations may not have been identified.

*Staffed Foundations and Number of Staff:* To assess the relative cost of having more or less staff, foundations of the same type and size were grouped according to staff size. For staffed foundations that responded to the Foundation Center survey, which represented the vast majority in the dataset, staff size was taken directly from the survey. For foundations identified as staffed that did not report a staff number in the survey, an algorithm was developed for calculating staff size based on data reported by other staffed foundations of the same type and of similar size.

*Pass-Through Foundations:* Some foundations retain few or no assets but instead award grants from yearly or periodic gifts to the foundation. For example, many corporate foundations receive money directly from the parent company to award as grants. Similarly, a number of independent foundations—mainly younger foundations—receive regular gifts from living donors. For these foundations, the amount of qualifying distributions paid in the latest year may exceed year-end assets, because the foundation simply does not

retain assets. To assess the impact of maintaining or not maintaining assets on levels of charitable operating and administrative expenses, foundations whose qualifying distributions exceeded 25 percent of the value of their year-end assets were identified as “pass-through” foundations.

**Individual Compensation Dataset:** The second dataset consists of the 51,533 individual officers, directors, trustees, key employees, and institutional trustees reported on Forms 990-PF and 990 for the same 10,000 foundations. The dataset was assembled by staff of the Urban Institute, based on data digitized by GuideStar. Assembling an individual-level dataset was challenging, due to current limitations of reporting.

Foundations report individual-level compensation of specified categories of individuals—officer, directors, foundation managers—in Part VIII (990-PF) and Part V (990). In addition to names and titles, foundations are asked to list the average amount of time these people spend weekly with the organization, compensation, and contributions to benefit plans and expense accounts. For this study, it was necessary to determine which of those compensated individuals listed in Part VIII and Part V were employees and which were trustees. Based on our knowledge of foundations, we made as many reasonable assumptions as possible to sort the individuals mechanically, and then inspected forms and coded the cases that were ambiguous.

The first assumption was that organizations that report no employee salaries/wages (line 14 on the 990 PF and Part II, line 26 on the 990) or pension plans/employee benefits (line 15 on the 990-PF and Part II, lines 27–28 on the 990) or that did not report any paid staff in the Foundation Center survey, were unstaffed. For these unstaffed organizations, compensated individuals listed in Part VIII (990-PF) and Part V (990) were coded as trustees.

For foundations with information that indicated paid staff, we assumed that individuals receiving less than \$20,000 in compensation were not staff members; they were coded as trustees as well. In contrast, we assumed that individuals receiving over \$100,000 in compensation were staff members, prior to further inspection detailed below.

Finally, we identified titles that tended strongly to be associated with trustees, and some that tended to be associated strongly with staff members. After coding based on these assumptions and our classification of titles, several hundred individuals were still undetermined. They worked for a staffed foundation, received more than \$20,000 in compensation, and had titles that were ambiguous. To resolve these cases, we examined the actual forms.

At this stage 150 forms were reviewed, and 350 individuals were coded (or recoded) as either staff or trustees after we considered information on titles relative to others, the number of hours worked (not reported in the data file, but clear on most forms), receipt of employee benefits relative to other individuals, the names of individuals in obvious family foundations, and occasional other subtle clues. The analysis of the actual forms led to recoding some previously coded cases. No single factor differentiated employees from trustees, but thoughtful consideration of the combination of clues led to “staff” versus “trustee” decisions. This exercise was complicated by the fact that foundations rarely list their trustees and key employees in Part VIII (990-PF) and Part V (990). Rather, they attach schedules that are difficult to locate amid dozens to hundreds (occasionally thousands) of pages of filings.

In this process we identified 1,340 corporate trustees (banks or other companies that manage the affairs of the foundation). These “institutional trustees” have their own category in the analyses.

By the end of the coding process we sorted 51,533 individuals listed in Part VIII of the 990-PF and Part V of the 990 as either staff, individual trustees, or institutional trustees. A coding process of this kind does contain a certain degree of error. Nevertheless, by applying our knowledge of foundation operations and closely analyzing actual tax forms, we believe we have developed a sorting system that adequately defines the staffing dimensions of the foundations in the study.

This individual-level dataset is only used in Section III of the report. However, Section III presents aggregate as well as individual-level compensation. When aggregate compensation is discussed (figures 4.1 and 4.2), the summary statistics have been taken from the foundation-level dataset. In other words, aggregate compensation refers to Form 990-PF, Part I, the sum of lines 13–15, column d for private foundations and to Form 990, Part II, the sum of lines 25–29, column B for community foundations. When individual compensation is addressed, compensation is the value provided in Part VIII of Form 990-PF and Part V of Form 990.

## B. LIST OF VARIABLES

### Key Financial Variables in the Foundation-Level Dataset

**Aggregate Compensation:** The total amount paid in salaries and wages, pension plans, and other employee benefits reported as a part of a foundation's charitable operating and administrative expenses. For private foundations, this figure is taken from Form 990-PF, Part I, sum of lines 13–15, column d. For community foundations, it comes from Form 990, Part II, sum of lines 25–29, column B.

**Assets:** Cash, stocks, bonds, real estate, or other holdings of a foundation. The fair market value of a foundation's assets was used in this report as a proxy for size. Foundations were divided into six different asset groups. For private foundations this comes from Form 990-PF, Introduction, line I. For community foundations it is taken from Form 990, Part IV, line 59, column B.

**Charitable Operating and Administrative Expenses:** Expenses related to carrying out a foundation's charitable mission, including grant administrative expenses. For private foundations, this is taken from Form 990-PF, Part I, line 24, column d. For community foundations, which do not report this line item, a proxy was developed using total program expenses minus giving. This comes from Form 990, Part II, line 44 minus the sum of lines 22 and 23, column B.

**Qualifying Distributions:** All disbursements that count toward the payout requirement for private foundations. The payout requirement is the minimum amount that a private foundation is required to expend for charitable purposes. In general, a private foundation must pay out annually approximately 5 percent of the average market value of its assets. The forms of payout include grants, program-related investments, set-asides, charitable administrative expenses, and amounts paid to acquire assets used for charitable purposes. Private foundations report qualifying distributions in Form 990-PF, Part XII, line 4. Community foundations are not subject to the 5 percent payout regulation and therefore do not report qualifying distributions. For comparative purposes, a proxy was developed using total program expenses. This comes from Form 990, Part II, line 44, column B.

**Total Giving:** The total amount paid out by foundations in the form of grants and contributions. In this report, this was another proxy for foundation size. For private foundations, this is taken from Form 990-PF, Part I, line 25, column d. For community foundations, it comes from Form 990, Part II, sum of lines 22 and 23, column B.

### Key Operating Characteristics Provided by the Foundation Center for the Foundation-Level Dataset

**Establishment Year:** The year that the foundation was created or for non-response foundations, the initial year that it filed a tax return. In this study, foundations were grouped into four age groups: prior to 1950; 1950 to 1969; 1979 to 1989; since 1990.

**Formal Report Published:** Identifies whether the foundation publishes an annual, biennial, or periodic report on its activities, in addition to filing Form 990-PF or 990.

**Foundation Type:** Depending on the source of their funds, non-operating private foundations are identified as either independent or company-sponsored. Independent foundations shown to have substantial donor-family involvement (either self-reported or using objective criteria) are subcoded as family foundations. Community foundations, which are legally defined as public charities and usually file Form 990, are identified through self-reporting and through listings shared with the Council on Foundations and other national tracking groups.

**Geographic Scope:** Depending on the scope of their grantmaking, foundations are coded as local (either giving within their local community or within a few designated states), national, national/international, or international.

**Grants to Individuals:** Total giving amount paid directly to individuals.

**Loans:** Program-related investments/charitable loans amount reported by private and community foundations.

**Number of Grants:** Includes grants to organizations and individuals.

**Number of Staff:** Number of full-time, part-time, or unspecified paid staff.

**Program Expenses:** Expenditures for foundation-sponsored programs and other direct charitable activities reported by private and community foundations.

**Web Site:** Identifies that a foundation has its own URL or maintains a site hosted by the Foundation Center.

### Key Variables in the Individual-Level Dataset

**Compensation:** The sum of compensation, contributions to employee benefit plans and deferred compensation, and expense accounts and other allowances, as reported by private foundations in Part VIII of Form 990-PF and community foundations in Part V of Form 990.

**Executives:** Presidents, chief executive officers, and executive directors who regularly spend a substantial amount of time operating the affairs of a foundation.

**Individual Trustees:** Members of a foundation governing board who spend a limited amount of time primarily providing governance for the organization.

**Institutional Trustees:** Institutions, such as banks, providing management and investment services to foundations. Managerial roles may include managing assets, keeping books, providing legal representation, and filing regulatory documents.

### Other Key Terms in the Report<sup>1</sup>

**Community Foundations:** Tax-exempt, nonprofit, autonomous, publicly supported philanthropic institutions composed primarily of permanent funds established by many separate donors for the long-term diverse, charitable benefit of the residents of a defined geographic area. Typically, a community foundation serves an area no larger than a state. Community foundations provide an array of services to donors who wish to establish endowed funds without incurring the administrative and legal costs of starting independent foundations.

**Corporate Foundations:** Private charitable organizations that derive their funds primarily from the contributions of profitmaking parent businesses. Although closely tied to their company sponsors, they are separate legal entities and subject to the same rules and regulations as other private foundations.

**Direct Charitable Activities:** Foundation-administered programs, including technical assistance to grantees, research, fellowship and scholarship programs, award programs, conferences, and others.

**Endowments:** Bequests or gifts intended to be kept permanently and invested to provide income for continued support of a foundation. Donors may require that the principal remain intact in perpetuity, or for a defined period of time or until sufficient assets have been accumulated to achieve a designated purpose.

**Family Foundations:** A subset of independent foundations within which legal responsibility for the direction of the foundation rests to a large degree with family members.

**Independent Foundations:** Charitable organizations for which an individual or a family usually provides assets in the form of gifts or bequests that are held as an endowment. Because of the narrow base of their support, they are subject to the private foundation laws, intended to assure they serve the public good.

**Operating Foundations:** Another type of private foundation. The source of their assets is usually an individual or a small group of donors, and therefore, they are subject to most of the same rules and regulations as independent foundations. However, they accomplish their charitable purposes largely by running their own programs rather than through making grants. (Because of their different purposes and expense patterns, operating foundations are not examined in this study.)

**Pass-Through Foundations:** Foundations that receive monies and make distributions to donees, with little or no principal remaining with the foundation.

**Private Foundations:** Nongovernmental, nonprofit organizations with funds (usually from a single source, such as an individual, family, or corporation) and programs that are managed by their own trustees or directors and established to maintain or aid, primarily through grantmaking, social, educational, religious, or other charitable activities serving the common welfare.

#### NOTE

1. The definitions in this section were provided in Council on Foundations, 2003, *Glossary of Philanthropic Terms*.

## C. BENCHMARKING TABLES

The following benchmarking tables provide comparative information for independent, corporate, and community foundations on the ratio of charitable operating and administrative expenses to qualifying distributions, the components of expenses, and the compensation levels of foundation trustees and chief executives, in finer detail than reported in the study graphs. These tables permit users to find mean and median amounts for the principal expense components and means, medians, and ranges of expenditures and compensation for various sizes and types of foundations. These tables should be used with caution as they do not cover all the factors that might influence expenditures, nor do they account fully for the interaction of multiple factors. They also report existing practices, not necessarily best practices. The tables should be consulted as one component of an overall analysis that those involved in governing, managing, or overseeing foundations might undertake.

**Table A.1. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions for Independent Foundations**

	Staffed foundations <sup>a</sup>				Unstaffed foundations				All independent foundations <sup>b</sup>			
	No.	Mean %	Median %	Range %	No.	Mean %	Median %	Range %	No. <sup>c</sup>	Mean %	Median %	Range %
<b>Giving level<sup>d</sup></b>												
< \$500 K	703	12.4	8.3	0.0–95.2	3,860	2.7	0.4	0.0–65.9	4,563	4.2	0.7	0.0–95.2
\$500 K–\$1 M	506	10.8	7.8	0.0–83.9	1,393	2.4	0.4	0.0–51.7	1,899	4.6	1.0	0.0–83.9
\$1 M–\$5 M	756	9.0	6.4	0.0–78.7	999	2.0	0.3	0.0–34.0	1,755	5.0	1.8	0.0–78.7
\$5 M–\$10 M	170	8.3	6.2	0.0–45.9	65	1.6	0.1	0.0–13.8	235	6.5	3.6	0.0–45.9
\$10 M–\$50 M	151	8.3	6.8	0.0–33.8	41	1.0	0.1	0.0– 7.2	192	6.7	4.4	0.0–33.8
> \$50 M	41	8.2	5.9	0.7–24.1	2	0.1	—	—	43	7.9	5.8	0.0–24.1
<b>Asset level<sup>e</sup></b>												
< \$1 M	100	11.1	2.9	0.0–78.7	1,049	1.1	0.0	0.0–65.9	1,149	2.0	0.0	0.0–78.7
\$1 M–\$10 M	746	9.6	5.7	0.0–81.5	3,760	2.5	0.5	0.0–56.0	4,506	3.7	0.7	0.0–81.5
\$10 M–\$50 M	906	11.0	7.7	0.0–95.2	1,403	3.3	1.0	0.0–63.6	2,309	6.3	2.8	0.0–95.2
\$50 M–\$200 M	413	10.0	7.1	0.0–83.9	138	3.2	0.9	0.0–36.4	551	8.3	5.6	0.0–83.9
\$200 M–\$500 M	87	10.7	8.1	0.0–61.8	9	2.0	1.4	0.0– 5.6	96	10.0	7.6	0.0–61.8
> \$500 M	75	9.3	8.3	0.5–41.6	1	0.8	—	—	76	9.2	7.9	0.5–41.6

Source: 2001 Foundation Expense Dataset.

<sup>a</sup>In this study, staffing is determined by combining information from Form 990-PF for private foundations and Form 990 for community foundations with an annual survey of foundations conducted by the Foundation Center. Organizations that report employee salaries, wages, or pension plans/employee benefits on their IRS forms or report paid staff on the Foundation Center survey were coded as staffed foundations. Those that did not report employee salaries/wages or pension plans/employee benefits and did not report any employees to the Foundation Center in the survey are unstaffed.

<sup>b</sup>Includes 2,413 independent foundations that did not report any charitable expenses.

<sup>c</sup>In this table and the following two tables, the reported number of all foundations does not represent all foundations in the study. The numbers vary because individual cases are missing data on a variable of interest.

<sup>d</sup>These categories represent total grants paid. For private foundations, it comes from Form 990-PF, Part I, line 25, column d. For community foundations, Form 990, Part II, lines 22–23, column B.

<sup>e</sup>These categories represent the fair market value of a foundation's assets. For private foundations, data are from Form 990-PF, Introduction, line I. For community foundations, data are from Form 990, Part IV, line 59, column B.

**Table A.2. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions for Corporate Foundations**

	Staffed foundations				Unstaffed foundations				All corporate foundations <sup>a</sup>			
	No.	Mean %	Median %	Range %	No.	Mean %	Median %	Range %	No.	Mean %	Median %	Range %
<b>Giving level</b>												
< \$500 K	53	8.1	1.5	0.0–46.2	236	1.5	0.0	0.0–63.7	289	2.7	0.1	0.0–63.7
\$500 K–\$1 M	33	8.6	0.4	0.0–83.4	112	1.6	0.1	0.0–22.9	145	3.1	0.1	0.0–83.4
\$1 M–\$5 M	97	3.5	0.3	0.0–27.6	120	0.9	0.0	0.0–50.9	217	2.1	0.0	0.0–50.9
\$5 M–\$10 M	35	4.2	1.4	0.0–30.1	24	6.6	0.2	0.0–77.8	59	5.2	0.9	0.0–77.8
\$10 M–\$50 M	36	5.5	1.0	0.0–61.6	19	1.1	0.1	0.0– 6.7	55	4.0	0.9	0.0–61.6
> \$50 M	6	1.1	0.3	0.0– 3.1	1	3.0	—	—	7	1.3	0.3	0.0– 3.1
<b>Asset level</b>												
< \$1 M	47	3.9	0.1	0.0–56.4	172	1.9	0.0	0.0–63.7	219	2.3	0.0	0.0–63.7
\$1 M–\$10 M	90	6.1	0.5	0.0–83.4	230	1.1	0.0	0.0–21.6	320	2.5	0.1	0.0–83.4
\$10 M–\$50 M	82	4.9	1.4	0.0–46.2	91	2.0	0.0	0.0–77.8	173	3.4	0.3	0.0–77.8
\$50 M–\$200 M	35	5.6	2.7	0.0–51.5	17	1.4	0.1	0.0– 8.6	52	4.2	1.6	0.0–51.5
\$200 M–\$500 M	5	14.5	2.3	0.9–61.6	2	4.5	—	—	7	11.6	2.3	0.0–61.6
> \$500 M	1	0.0	—	—	—	—	—	—	1	0.0	—	—

Source: 2001 Foundation Expense Dataset.

Note: See footnotes for table A.1 on independent foundations for definitions of key terms.

<sup>a</sup>Includes 300 corporate foundations that did not report any charitable expenses.

**Table A.3. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions for Community Foundations**

	Staffed foundations				Unstaffed foundations				All community foundations <sup>a</sup>			
	No.	Mean %	Median %	Range %	No.	Mean %	Median %	Range %	No.	Mean %	Median %	Range %
<b>Giving level</b>												
< \$500 K	69	14.3	6.6	0.0–96.7	5	2.4	0.0	0.0–10.3	74	13.5	4.8	0.0–96.7
\$500 K–\$1 M	56	11.4	4.0	0.0–71.6	6	0.0	0.0	0.0– 0.0	62	10.3	3.4	0.0–71.6
\$1 M–\$5 M	107	10.2	6.2	0.0–59.6	2	3.6	—	—	109	10.1	6.2	0.0–59.6
\$5 M–\$10 M	28	8.6	8.2	0.0–24.3	—	—	—	—	28	8.6	8.2	0.0–24.3
\$10 M–\$50 M	35	7.5	7.2	0.3–20.7	—	—	—	—	35	7.5	7.2	0.3–20.7
> \$50 M	8	6.1	4.8	0.0–21.0	—	—	—	—	8	6.1	4.8	0.0–21.0
<b>Asset level</b>												
< \$1 M	3	9.0	4.3	1.6–21.1	1	0.0	—	—	4	6.7	2.9	0.0–21.1
\$1 M–\$10 M	85	10.5	4.0	0.0–71.6	6	2.0	0.0	0.0–10.3	91	9.9	3.2	0.0–71.6
\$10 M–\$50 M	129	12.3	6.6	0.0–96.7	6	1.2	0.0	0.0– 7.3	135	11.8	5.4	0.0–96.7
\$50 M–\$200 M	56	9.4	7.8	0.0–65.1	—	—	—	—	56	9.4	7.8	0.0–65.1
\$200 M–\$500 M	18	7.5	5.9	0.0–21.7	—	—	—	—	18	7.5	5.9	0.0–21.7
> \$500 M	12	8.5	8.2	0.0–21.0	—	—	—	—	12	8.5	8.2	0.0–21.0

Source: 2001 Foundation Expense Dataset.

Note: See footnotes for table A.1 on independent foundations for definitions of key terms.

<sup>a</sup>Includes 80 community foundations that did not report any charitable expenses.

**Table A.4. Charitable Operating and Administrative Expenses as a Percentage of Qualifying Distributions for Staffed Foundations by Staffing Levels and Foundation Type (median percent and number of respondents)**

		Giving group													
		< \$500 K		\$500 K–\$1 M		\$1 M–\$5 M		\$5 M–\$10 M		\$10 M–\$50 M		> \$50 M		Overall	
		Med %	(n)	Med %	(n)	Med %	(n)	Med %	(n)	Med %	(n)	Med %	(n)	Med %	(n)
Independent foundations	No. of staff <sup>a</sup>														
	1	5.4	(360)	4.6	(194)	3.6	(188)	1.9	(17)	1.4	(8)	—	—	4.3	(767)
	2–3	11.4	(266)	9.6	(172)	6.6	(260)	3.3	(47)	3.1	(20)	1.3	(1)	7.8	(766)
	4–14	20.3	(27)	14.6	(98)	11.2	(192)	9.1	(78)	5.8	(74)	1.4	(11)	9.7	(480)
	15–49	84.8	(1)	3.0	(1)	46.3	(8)	22.3	(8)	12.9	(39)	5.7	(15)	12.9	(72)
	> 49	—	—	—	—	—	—	41.6	(1)	17.6	(2)	12.7	(14)	12.9	(17)
	All	8.4	(654)	8.0	(465)	6.5	(648)	6.3	(151)	7.0	(143)	5.9	(41)	7.1	(2,102)
Corporate foundations	No. of staff														
	1	0.2	(19)	0.4	(11)	0.0	(18)	0.2	(7)	6.1	(1)	—	—	0.1	(56)
	2–3	8.4	(28)	0.0	(13)	0.2	(52)	0.6	(14)	0.0	(8)	—	—	0.8	(115)
	4–5	0.1	(1)	20.2	(4)	4.3	(20)	4.9	(7)	3.2	(7)	0.2	(2)	3.2	(41)
	6–8	—	—	0.4	(2)	6.2	(3)	12.0	(3)	1.0	(10)	—	—	1.0	(18)
	> 8	4.5	(1)	—	—	27.6	(1)	9.6	(3)	1.8	(10)	1.5	(4)	3.1	(19)
	All	0.4	(49)	0.4	(30)	0.2	(94)	1.3	(34)	1.0	(36)	0.3	(6)	0.6	(249)
Community foundations	No. of staff														
	1	3.1	(13)	14.3	(1)	8.0	(3)	—	—	—	—	—	—	3.1	(17)
	2–3	6.1	(36)	5.6	(32)	0.0	(21)	4.8	(1)	—	—	—	—	3.7	(90)
	4–5	7.4	(11)	4.0	(17)	8.0	(33)	3.2	(4)	2.8	(2)	—	—	4.5	(67)
	6–8	—	—	34.5	(5)	10.2	(29)	7.7	(6)	0.7	(1)	—	—	9.4	(41)
	> 8	84.5	(1)	—	—	16.3	(20)	8.7	(15)	7.7	(31)	4.8	(8)	8.2	(75)
	All	5.6	(61)	4.1	(55)	6.5	(106)	7.7	(26)	7.0	(34)	4.8	(8)	6.4	(290)

Source: 2001 Foundation Expense Dataset.

<sup>a</sup>If a foundation is classified as staffed, number of staff equals the sum of full-time, part-time, and unspecified staff reported to the Foundation Center. In some instances, a foundation was classified as staffed because it reported employee compensation on Form 990-PF or Form 990, but it did not report number of staff to the Foundation Center. In these cases, a number estimator was devised to approximate the number of staff.

**Table A.5. Selected Components of Charitable Operating and Administrative Expenses for Independent Foundations**  
(thousands of dollars)

		<i>Asset group</i>						<i>Overall</i>
		<i>&lt; \$1 M</i>	<i>\$1 M–\$10 M</i>	<i>\$10 M–\$50 M</i>	<i>\$50 M–\$200 M</i>	<i>\$200 M–\$500 M</i>	<i>&gt; \$500 M</i>	
Total compensation <sup>a</sup>	Average \$	75.9	32.8	84.8	304.9	950.0	5,018.8	233.3
	Median \$	21.0	14.4	44.2	210.4	784.8	2,141.4	33.7
	# Reporting	93	1,266	1,148	403	85	73	3,068
	% Reporting <sup>b</sup>	7.8	27.4	48.9	72.5	88.5	96.1	34.6
Legal fees	Average \$	5.3	9.6	15.0	23.9	55.1	137.4	19.0
	Median \$	1.9	2.4	4.0	7.6	19.8	43.6	3.6
	# Reporting	158	781	721	314	79	68	2,121
	% Reporting	13.3	16.9	30.7	56.5	82.3	89.5	23.9
Accounting fees	Average \$	3.3	3.7	7.2	18.2	27.1	64.7	7.6
	Median \$	1.5	2.0	4.3	11.1	19.0	32.7	2.9
	# Reporting	330	1,911	1,216	388	78	65	3,988
	% Reporting	27.8	41.4	51.8	69.8	81.3	85.5	44.9
Other professional expenses	Average \$	27.8	16.8	35.7	103.8	244.3	2,427.8	138.0
	Median \$	4.6	6.2	13.1	30.0	106.3	348.6	11.4
	# Reporting	100	601	555	237	64	62	1,616
	% Reporting	8.4	13.0	23.7	42.6	66.7	81.6	18.2
Interest	Average \$	2.2	10.8	68.6	149.7	975.0	190.1	92.1
	Median \$	0.3	1.9	2.0	16.0	792.4	42.8	2.9
	# Reporting	10	50	38	25	4	9	136
	% Reporting	0.8	1.1	1.6	4.5	4.2	11.8	1.5
Taxes	Average \$	2.9	4.0	9.4	20.6	56.2	99.0	11.6
	Median \$	0.3	1.1	4.0	10.9	29.0	49.8	3.0
	# Reporting	156	642	575	238	49	36	1,696
	% Reporting	13.2	13.9	24.5	42.8	51.0	47.4	19.1
Occupancy	Average \$	28.3	13.1	23.0	58.7	16.8	870.8	84.0
	Median \$	12.8	6.9	11.3	32.8	88.0	325.8	15.1
	# Reporting	30	260	454	270	69	62	1,145
	% Reporting	2.5	5.6	19.4	48.6	71.9	81.6	12.9
Travel and conferences	Average \$	19.7	9.1	16.5	29.8	110.7	817.4	53.8
	Median \$	5.7	2.1	5.0	12.6	56.2	262.6	5.5
	# Reporting	71	503	641	319	79	68	1,681
	% Reporting	6.0	10.9	27.3	57.4	82.3	89.5	18.9
Printing and publications	Average \$	4.7	4.5	5.3	14.6	56.6	333.3	27.1
	Median \$	0.1	135.0	0.7	4.4	16.2	126.7	796.0
	# Reporting	71	341	322	176	56	55	1,021
	% Reporting	6.0	7.4	13.7	31.7	58.3	72.4	11.5
Other expenses	Average \$	13.2	9.0	27.7	103.6	449.4	1,760.8	58.9
	Median \$	0.2	0.5	4.1	37.4	155.9	455.6	1.6
	# Reporting	460	2,258	1,525	457	89	74	4,863
	% Reporting	38.8	48.9	65.0	82.2	92.7	97.4	54.8

Source: 2001 Foundation Expense Dataset.

Note: Selected expenses in this table are arranged in the order they are reported in Form 990-PF, Part I, lines 13–23, column d. Some expense categories in the Form 990-PF are not shown in the table above. This is because too few foundations reported such expenses to merit their inclusion.

<sup>a</sup>Total compensation, Form 990-PF, Part I, sum of lines 13–15, column d.

<sup>b</sup>Percent reporting represents the percent of foundations reporting the given type of expense out of all foundations within the size group.

**Table A.6. Selected Components of Charitable Operating and Administrative Expenses for Corporate Foundations**  
(thousands of dollars)

		Asset group					Overall
		< \$1 M	\$1 M–\$10 M	\$10 M–\$50 M	\$50 M–\$200 M	\$200 M–\$500 M	
Total compensation <sup>a</sup>	Average \$	37.6	77.0	120.6	378.4	5,180.0	192.6
	Median \$	4.1	14.7	53.4	252.6	5,180.0	28.3
	# Reporting	20	57	35	12	2	126
	% Reporting <sup>b</sup>	8.4	17.2	19.8	23.1	25.0	15.6
Legal fees	Average \$	2.0	11.0	22.7	9.7	67.1	16.6
	Median \$	0.3	2.9	3.3	1.7	7.2	3.1
	# Reporting	9	26	16	11	5	67
	% Reporting	3.8	7.8	9.0	21.2	62.5	8.3
Accounting fees	Average \$	2.9	4.2	12.9	13.8	47.4	8.9
	Median \$	1.3	2.2	5.9	10.1	30.8	3.1
	# Reporting	35	67	49	20	6	177
	% Reporting	14.8	20.2	27.7	38.5	75.0	21.9
Other professional expenses	Average \$	268.4	71.2	111.1	397.8	1,422.0	239.1
	Median \$	1.9	9.5	41.2	65.0	599.5	27.8
	# Reporting	20	25	44	21	5	115
	% Reporting	8.4	7.5	24.9	40.4	62.5	14.3
Taxes	Average \$	2.0	6.8	14.0	62.5	—	11.5
	Median \$	0.2	1.9	5.5	25.3	—	0.9
	# Reporting	30	36	20	8	—	94
	% Reporting	12.7	10.8	11.3	15.4	—	11.6
Occupancy	Average \$	14.9	5.7	57.4	17.2	325.0	65.5
	Median \$	14.9	5.7	18.4	13.2	325.0	15.8
	# Reporting	2	2	7	5	2	18
	% Reporting	0.8	0.6	3.9	9.6	25.0	2.2
Travel and conferences	Average \$	38.3	34.6	11.5	41.9	309.9	44.1
	Median \$	4.6	7.8	5.7	10.2	106.3	7.5
	# Reporting	13	25	22	14	4	78
	% Reporting	5.5	7.5	12.4	26.9	50.0	9.7
Printing and publications	Average \$	37.8	4.0	143.6	16.7	802.9	77.0
	Median \$	0.4	1.0	12.8	6.1	24.7	2.3
	# Reporting	20	29	28	19	3	99
	% Reporting	8.4	8.7	15.8	36.5	37.5	12.3
Other expenses	Average \$	31.2	51.3	298.7	1,452.2	10,028.0	358.9
	Median \$	0.6	2.8	11.2	67.6	345.7	2.9
	# Reporting	108	139	86	32	5	370
	% Reporting	45.6	41.9	48.6	61.5	62.5	45.8

Source: 2001 Foundation Expense Dataset.

Note: Selected expenses in this table are arranged in the order they are reported in Form 990-PF, Part I, lines 13–23, column d. Some expense categories in the Form 990-PF are not shown in the table above because too few foundations reported such expenses to merit their inclusion.

<sup>a</sup>Total compensation, Form 990-PF, Part I, sum of lines 13–15, column d.

<sup>b</sup>Percent reporting represents the percent of foundations reporting the given type of expense out of all foundations within the size group.

**Table A.7. Selected Components of Charitable Operating and Administrative Expenses for Community Foundations**  
(thousands of dollars)

		<i>Asset group</i>						<i>Overall</i>
		<i>&lt; \$1 M</i>	<i>\$1 M–\$10 M</i>	<i>\$10 M–\$50 M</i>	<i>\$50 M–\$200 M</i>	<i>\$200 M–\$500 M</i>	<i>&gt; \$500 M</i>	
Total compensation <sup>a</sup>	Average \$	27.6	51.1	135.5	313.4	708.5	1,908.4	310.4
	Median \$	27.6	36.9	78.1	274.3	487.7	1,460.3	128.1
	# Reporting	1	38	82	45	17	11	194
	% Reporting <sup>b</sup>	25.0	41.8	60.3	80.4	94.4	91.7	61.2
Accounting fees	Average \$	2.2	5.2	11.1	8.6	9.8	14.4	9.4
	Median \$	2.2	4.5	6.0	6.4	7.0	16.7	5.5
	# Reporting	1	15	30	12	8	5	71
	% Reporting	25.0	16.5	22.1	21.4	44.4	41.7	22.4
Legal fees	Average \$	—	1.2	4.3	11.9	21.4	24.5	10.3
	Median \$	—	0.6	0.9	10.4	14.8	15.9	2.4
	# Reporting	—	10	28	15	11	8	72
	% Reporting	—	11.0	20.6	26.8	61.1	66.7	22.7
Occupancy	Average \$	8.9	6.6	14.8	46.2	96.9	254.7	47.4
	Median \$	8.9	3.3	7.8	24.6	62.5	278.3	12.1
	# Reporting	2	24	53	31	11	11	132
	% Reporting	50.0	26.4	39.0	55.4	61.1	91.7	41.6
Printing and publications	Average \$	7.7	4.6	15.9	20.7	36.9	74.5	21.0
	Median \$	7.7	3.5	5.9	10.3	39.1	62.7	8.2
	# Reporting	2	28	52	31	14	10	137
	% Reporting	50.0	30.8	38.2	55.4	77.8	83.3	43.2
Travel and conferences	Average \$	7.1	5.1	16.0	22.3	55.2	117.6	26.3
	Median \$	7.1	2.0	3.7	15.5	57.8	90.5	6.0
	# Reporting	2	31	64	37	15	11	160
	% Reporting	50.0	34.1	47.1	66.1	83.3	91.7	50.5
Interest	Average \$	—	0.3	57.2	6.1	25.2	653.0	105.3
	Median \$	—	0.3	2.9	1.6	25.5	653.0	2.8
	# Reporting	—	1	9	4	2	2	18
	% Reporting	—	1.1	6.6	7.1	11.1	16.7	5.7
Depreciation	Average \$	0.4	6.1	12.8	37.7	39.5	354.5	48.3
	Median \$	0.4	1.8	7.1	15.0	38.4	91.8	8.5
	# Reporting	1	22	42	22	6	9	102
	% Reporting	25.0	24.2	30.9	39.3	33.3	75.0	32.2
Other expenses	Average \$	227.6	84.4	277.6	451.1	944.5	1,422.4	380.5
	Median \$	40.2	31.7	82.6	256.8	596.7	922.1	97.7
	# Reporting	3	49	92	47	16	11	218
	% Reporting	75.0	53.8	67.6	83.9	88.9	91.7	68.8

Source: 2001 Foundation Expense Dataset.

Note: Selected expenses in this table are arranged in the order they are reported in Form 990, Part II, lines 25–43, column B. Some expense categories in the Form 990 are not shown in the table above because too few foundations reported such expenses to merit their inclusion.

<sup>a</sup>Total compensation, Form 990, Part II, sum of lines 25–29, column B.

<sup>b</sup>Percent reporting represents the percent of foundations reporting the given type of expense out of all foundations within the size group.

**Table A.8. Individual-Level Compensation for Trustees and Executives of Independent Foundations that Compensate**

		<i>Asset group</i>						
		<i>&lt; \$1 M</i>	<i>\$1 M–\$10 M</i>	<i>\$10 M–\$50 M</i>	<i>\$50 M–\$200 M</i>	<i>\$200 M–\$500 M</i>	<i>&gt; \$500 M</i>	<i>Overall</i>
Individual trustees <sup>a</sup>	Average \$	8,007	10,921	15,510	20,544	22,242	31,020	15,864
	Median \$	4,383	5,000	7,000	11,000	15,500	23,500	8,000
	25th percentile	1,200	1,512	2,000	4,000	6,000	11,775	2,370
	75th percentile	10,000	13,946	20,000	25,608	32,000	35,000	20,429
	90th percentile	24,000	29,062	42,250	50,000	50,076	56,925	42,000
	# of trustees	178	2,392	2,554	1,010	301	492	6,927
Institutional trustees <sup>b</sup>	Average \$	11,505	32,582	86,478	268,860	533,652	960,813	68,208
	Median \$	5,799	31,200	74,902	226,500	434,401	967,510	39,634
	25th percentile	2,351	17,600	43,683	120,990	202,119	489,113	22,803
	75th percentile	9,291	43,554	113,208	331,447	765,267	1,432,514	69,892
	90th percentile	22,787	56,378	161,784	670,274	1,416,206	1,468,999	132,527
	# of trustees	29	696	389	60	8	4	1,186
Executives <sup>c</sup>	Average \$	71,832	61,021	100,218	157,570	259,936	384,968	147,364
	Median \$	45,113	51,511	94,047	150,894	218,492	323,620	113,859
	25th percentile	30,394	27,500	61,000	105,160	170,701	225,500	67,057
	75th percentile	106,500	77,000	130,500	193,750	288,801	520,100	181,004
	90th percentile	148,051	101,000	167,164	240,603	339,409	643,868	269,568
	# of executives	17	114	261	214	60	61	727

Source: 2001 Foundation Compensation Dataset.

Note: Compensation includes any combination of remuneration, fringe benefits (current or deferred), and expense accounts, as reported in Form 990-PF, Part VIII. While compensation, benefit plans and deferred compensation, and expense accounts and other allowances are reported separately on Form 990-PF, the working datafile used here does not capture these distinctions. Additionally, trustee and executive compensation may include investment-related compensation.

<sup>a</sup>These are members of the foundation's governing board who spend a limited amount of time primarily providing governance for the foundation. Identifying individual trustees involved consideration of titles, hours worked, salaries, benefits packages, and relative position in the foundation.

<sup>b</sup>Institutional trustees include banks, law firms, investment firms, or other institutions that play managerial roles within foundations.

<sup>c</sup>Foundation executives are defined as presidents, chief executive officers, and executive directors who regularly spend a substantial amount of time operating the affairs of the foundation. Determining executives followed a similar process to that described in the footnote on individual trustees. For those foundations that listed more than one executive staff member, the one with the highest salary was selected for the analysis.

**Table A.9. Individual-Level Compensation for Executives and Trustees of Corporate Foundations that Compensate**

		<i>Asset group</i>					
		< \$1 M	\$1 M–\$10 M	\$10 M–\$50 M	\$50 M–\$200 M	\$200 M–\$500 M	Overall
Individual trustees	Average \$	5,306	6,584	11,402	7,152	6,329	7,497
	Median \$	2,000	2,000	4,000	3,000	1,000	2,400
	25th percentile	600	1,000	1,900	500	1,000	1,000
	75th percentile	3,000	7,772	10,000	4,000	15,000	8,000
	90th percentile	11,059	15,000	24,000	15,754	15,000	15,754
	# of trustees	35	62	41	17	18	173
Institutional trustees	Average \$	11,256	29,414	40,745	239,181	32,232	36,669
	Median \$	7,177	16,778	43,145	—	—	17,319
	25th percentile	912	6,502	5,250	—	—	6,004
	75th percentile	11,622	37,024	54,147	—	—	43,994
	90th percentile	36,139	45,120	61,117	—	—	61,117
	# of trustees	10	28	15	2	2	57
Executives <sup>a</sup>	Average \$	62,879	80,050	84,265	152,422	\$517,728	103,826
	Median \$	—	57,749	86,644	154,244	—	81,732
	25th percentile	—	25,008	45,000	130,900	—	42,000
	75th percentile	—	137,098	108,129	168,233	—	145,523
	90th percentile	—	209,293	145,164	186,147	—	186,147
	# of executives	2	18	10	6	1	37

Source: 2001 Foundation Compensation Dataset.

Note: See footnotes for similar table on independent foundations for definitions of compensation, trustees, and executives.

<sup>a</sup>Relatively few corporate foundations report compensation of executives, suggesting that they are executives of the company.

**Table A.10. Individual-Level Compensation for Trustees and Executives of Community Foundations that Compensate**

		<i>Asset group</i>						
		< \$1 M	\$1 M–\$10 M	\$10 M–\$50 M	\$50 M–\$200 M	\$200 M–\$500 M	> \$500 M	Overall
Individual trustees <sup>a</sup>	Average \$	—	10,108	11,308	4,299	—	—	8,348
	Median \$	—	1,800	11,500	5,000	—	—	5,250
	25th percentile	—	125	3,000	3,886	—	—	3,000
	75th percentile	—	28,400	12,574	5,500	—	—	12,000
	90th percentile	—	28,400	23,100	5,500	—	—	20,987
	# of trustees	—	3	16	13	—	—	32
Institutional trustees	Average \$	—	—	25,635	—	—	—	25,635
	Median \$	—	—	14,634	—	—	—	14,634
	25th percentile	—	—	1,235	—	—	—	1,235
	75th percentile	—	—	21,211	—	—	—	21,211
	90th percentile	—	—	89,933	—	—	—	89,933
	# of trustees	—	—	5	—	—	—	5
Executives	Average \$	62,890	44,927	74,176	114,440	194,851	360,292	93,592
	Median \$	—	41,909	73,945	111,473	203,113	275,840	75,000
	25th percentile	—	31,600	57,700	90,720	182,821	239,875	47,877
	75th percentile	—	55,120	87,826	135,375	228,058	342,462	107,580
	90th percentile	—	72,354	102,151	164,658	240,540	937,852	182,821
	# of executives	2	58	107	50	15	9	241

Source: 2001 Foundation Compensation Dataset.

Note: Compensation includes any combination of remuneration, fringe benefits (current or deferred), and expense accounts, as reported in Form 990, Part V. While compensation, benefit plans and deferred compensation, and expense accounts and other allowances are reported separately on Form 990, the working datafile used here does not capture these distinctions. Additionally, trustee and executive compensation may include investment-related compensation.

<sup>a</sup>See footnotes for table A.8 on independent foundations for definitions of trustees and executives.

