

Many individual and family foundations make direct and lasting contributions to their communities while operating on modest budgets and without the luxury of staff. For philanthropy, the noble desire to give is often not enough. Strategic planning and clear vision can guide a small foundation toward the ultimate goal of realizing the greatest charitable impact possible from available assets.

Henry Berman, CEO of Exponent Philanthropy, recently visited Sarasota to share his 30 years of experience in charitable giving and nonprofit management. Berman’s Exponent Philanthropy—formerly the Association of Small Foundations—has over 2,300 members across the United States, including foundations, public charities, donor advised funds, giving circles, and individual donors. The organization hosts a biennial national conference; seminars cover important philanthropic topics from trusteeships to taxes.

An expert on effective principles and practices for small nonprofits, Berman understands the particular needs of foundations whose management is often none other than the benefactors themselves. The gregarious Dr. Berman generously made time for Requisite between his Sarasota appearances.

This interview has been edited for clarity.

WP

How did you get started in small foundation management advisement?

Berman

My parents had been taking care of a couple 20 years their senior; when my father passed away, I stepped into his shoes to help care for the woman who at that point was age 90, Edith Glick Shoolman. She was very philanthropic during her lifetime, giving away substantial funds out of charitable trusts. I learned about philanthropy sitting at her knee. When she passed away in 2003, I was named co-trustee of the Edith Glick Shoolman Children’s Foundation. My co-trustee was one of my father’s law partners whom I’d known for 25 years.

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How much planning should go into philanthropic giving?

Berman

Philanthropy can be very easy if all you want to do is write a few checks a year, give money to the children’s hospital, the symphony. If you want to be focused, impactful, really try to make a difference, then I would argue that it takes a lot more thought and direction. You can have an estate plan that just says, ‘Leave it all to my kids and if there are taxes, good luck to them. Leave it to the art museum, end of discussion.’ Or you can say, ‘I really want to be strategic about how I leave money to my kids, my community. I want to minimize taxes. I want to maximize my money. I want to put some direction on what my kids can or can’t use it for.’ It shouldn’t be about us as philanthropists. It should be all about the philanthropy. How do the philanthropists define their mission? How do they think about turning over their philanthropic legacy to the next generation?



*Dr. Henry Berman
CEO, Exponent Philanthropy*

WP How do you define a small foundation?

Berman

‘Small’ always refers to staff size. But everybody hears ‘small foundation’ and they think ‘small assets.’ One of our member foundations has close to \$750,000,000 and is run by four or five people. But we also have members that have a million dollars. It’s just mom and dad sitting at the table. They are functioning as staff, but they don’t think of themselves as staff. They are incredibly humble and low-key about it.

WP Is there a minimum wealth threshold for setting up a charitable foundation?

Berman

That’s the question everyone asks. You really ought to have \$1.5 to \$2 million. If you’ve got \$100,000 or \$500,000, you probably shouldn’t set up a foundation simply because of the costs both to set it up and the ongoing tax filing.

WP For those with less than \$1.5 million, what do you suggest as a vehicle for philanthropy?

Berman

Donor advised funds are great, as are community foundations. They take on all of the tax reporting, the paperwork; you have the ability to make grants anonymously; there are tremendous advantages in that. I see many of our members using multiple vehicles. They will have a private foundation. They will also have a donor advised fund at a community foundation. Oftentimes when that happens, the second and third generations are spread around the country but they still want to support where Grandpa made his money. So they will fund a community foundation there and trust that foundation to know the community’s needs because they can’t.



At what point in life should an individual consider setting up a small foundation?

Berman

That answer is not driven by age but by financial standing. You could be the Silicon Valley titan who at age 30 scores big or you could be somebody who finally sells a business in your mid-60s.



Are there tax benefits to small foundations?

Berman

There are absolutely tax advantages. That's where you really do need a good tax and estate-planning attorney. That's not a shameless plug for your firm. I grew up with a father who was a lawyer and some of his partners did estate stuff and I thought at the time, 'How boring!' Then I moved into the world of philanthropy and I realized what an incredible asset a really good tax and estate attorney is. They are simply critical. Small foundations are public entities. You file a tax return every year and people can see where you gave your money. I am a believer in that transparency. If you're a foundation giving away money and you have a tax break from the American public, people should see where your money is going. Hopefully, it prevents abuse, overcompensating yourself in an unfair way. It also sends a message to people, 'Look at all the places we are giving money to, look at the organizations we are supporting.'



How can a new foundation connect with its community?

Berman

We went through that at the beginning with the Shoolman Foundation. We primarily fund early childhood literacy; we did a lot of outreach, we took a look at our communities and asked ourselves, 'What are the organizations that might have programs we might be interested in funding?' In some cases, we sent letters of introduction. We wrote, 'We are a new foundation; this is not a promise we will fund you, but you might want to take a look at our website.' Some of those letters led to grants and some led to turning people away. You build momentum as word gets out.



How do you avoid overlapping what other foundations are doing?

Berman

I talked to someone last week who was trying to learn their community better. I said, 'There's a community college; why don't you fund a one-day symposium on an issue of interest and bring together people who are delivering services, maybe some academics, maybe other funders, maybe some government officials?' Then not only will you connect all these people, but you will also have a chance to learn the issues facing them. You have to have the ability to be the convener, the catalyst. That's one of our greatest roles. That's how you can leverage your assets and make your money go further: by pulling people together.

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What alternatives do small foundations have when there isn't an obvious manager from within the family itself?

Berman

Many will hire an outside executive director. There is a whole world of philanthropic advisors who will work with families to help them think things through, who will do a lot of the homework around grant applications; they'll bring it to the family to say 'yea' or 'nay.'

WP

Is setting up a foundation something an individual should look forward to or feel stress about?

Berman

I think it can be a great adventure, a great opportunity to do good. The key to making it fun and not angst-provoking is to really spend time thinking about what your philanthropic intent is, what excites you about giving, what is your passion. I do not care if our members are funding the arts or soup kitchens. What I do care about is that they are doing it thoughtfully, they are doing it with intent, they know where they would like to go with it in terms of affecting society. I think there should be a good dose of humility and the recognition that as a philanthropist, you are probably not going to seriously change the world. You are not single-handedly going to eradicate illiteracy in South Florida. But you are going to make a little, tiny dent.

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Can you share a success story from the world of small foundations?

Berman

A small foundation in Illinois heard that the boiler at a battered women's shelter had given up the ghost. The story goes that one of the founding members walked down the street with a check for \$15,000 and said, 'Call the plumber, it's cold outside, you need a new boiler.' It's just a great example of the power of 'small,' the ability to be responsive. Small foundations are able to be in the community, to see something and make it happen.

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Why do we ultimately want to practice philanthropy?

Berman

It's a personal answer. I'm sure there are people who are philanthropic because they want to see their name engraved on a stone or in the biggest font on the gala program. I think for me and for many of our members who fly under the radar, they are simply giving back. They received something along the way to success, they were fortunate, they recognize it, they want to give back, and they want to make a difference in somebody's life.