

## For Immediate Release

### Majority of Foundations Defrauded by Madoff Had 4 or Fewer Trustees

#### Board size may be the Achilles' heel for philanthropic groups

Washington, D.C. (6/25/2009) - More than 80 percent of foundations that lost between 30 to 100 percent of their assets to Bernard Madoff's Ponzi scheme had fewer than five trustees serving on their boards. This was one of the findings in [Learning from Madoff: Lessons for Foundation Boards](http://www.ncrp.org/files/learning_from_madoff.pdf) ( [http://www.ncrp.org/files/learning\\_from\\_madoff.pdf](http://www.ncrp.org/files/learning_from_madoff.pdf) ), a white paper by the National Committee for Responsive Philanthropy (NCRP), a D.C.-based philanthropic research, advocacy and watchdog organization.

In *Learning from Madoff*, NCRP research and policy director [Niki Jagpal](#) and research assistant [Julia Craig](#) examined whether there was any link between board size and diversity, and exposure to Madoff's fraudulent activities.

Jagpal and Craig found that 105 foundations lost between 30 and 100 percent of their assets to Madoff's scheme. The median board size of these foundations was three. Moreover, only 16 of these foundations had five or more individuals serving on their boards; 38 foundations listed no more than two trustees, and 46 identified three or four people. For those 16 foundations with at least five trustees, their names showed notable homogeneity.

The majority of these foundations are considered family foundations with a median total asset size of \$3.2 million.

According to the Foundation Center, family foundations, most with less than \$1 million in assets, make up more than half of the country's independent foundations. A study in 2005 by the Center noted that the average board size of foundations with a budget of at least \$1 million had an average of only 4.4 trustees.

According to [Aaron Dorfman](#), executive director of NCRP, the data shows that the small size and homogenous composition of many boards of trustees may be a vulnerable spot among a majority of our country's foundations.

"Trustees are caretakers of foundation dollars," said Dorfman. "One can argue that a more diverse board of at least 5 individuals is less likely to make poor investment decisions."

In addition, Jagpal and Craig recommend that foundations implement and maintain conflict of interest and investment policies, subscribe to ethical codes of conduct, and disclose demographic information of trustees and staff to ensure ethical stewardship of their institutions.

Jagpal is the primary author and Craig a contributing author of [Criteria for Philanthropy at Its Best](#) ( <http://www.ncrp.org/paib> ), published by NCRP in March 2009.

*Learning from Madoff* is available for free download at <http://www.ncrp.org>. For media inquiries, please contact Yna C. Moore at [ymore\[at\]ncrp.org](mailto:ymore[at]ncrp.org).

*The [National Committee for Responsive Philanthropy](#) in Washington, D.C. is a national watchdog, research and advocacy organization that promotes philanthropy that serves the public good, is responsive to people and communities with the least wealth and opportunity, and is held accountable to the highest standards of integrity and openness. Visit [www.ncrp.org](http://www.ncrp.org)*

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