

Responsive Philanthropy

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ONEplace @ kpl is a management support center for nonprofit organizations in Kalamazoo County.

How Can Philanthropy Navigate the Economic Storm?

It is no secret that the country is in a recession—as mariners might call it, a “survival storm”—in which unemployment, foreclosures and dried up credit markets are the masters. We continuously hear about high unemployment rates, businesses filing for bankruptcy, and friends and family taking pay cuts. And if you live in Michigan, as I do, it feels as though everyone you know has been impacted in some way by either the auto manufacturing industry contraction or the overall sour national

economy. Our nonprofits and foundations in Michigan are not immune, and have been impacted heavily by this “survival storm.”

Nonprofits are experiencing an increasing demand for services while seeing a decrease in revenue. Since October 2008, the Michigan Nonprofit Association (MNA) and the Johnson Center at Grand Valley State University have conducted quarterly surveys to determine how nonprofits are faring in Michigan. Nearly half (45 percent) of responding nonprofit organizations raised fewer funds in 2008 year-end fundraising compared to previous years, and 49 percent of nonprofits are raising less financial/in-kind support in 2009 compared to previous years.

The Council of Michigan

By Kyle Caldwell

Foundations surveyed its membership in December 2008 and found that 44 percent expect their assets to decrease by 20–30 percent, 67 percent expect to have fewer grant dollars available for 2009 and 82 percent plan to cut operational costs. A recently completed national study from the Commonfund Institute finds that grantmakers' endowments plummeted by 26 percent last year to one of the lowest levels in the past decade.

These numbers are stark. The recession is challenging grantmakers and grantseekers to do more creative thinking to preserve their missions. Still, a relative calm is running over the nonprofit community as Michigan has weathered and survived storms before. The storm (continued on page 12)



challenging grantmakers
to strengthen communities

A Message From the Executive Director



Dear Readers,

Welcome to the newly-redesigned *Responsive Philanthropy*!

We've updated the look and added new features to our quarterly journal. Thanks to all those who responded to our survey a few months ago, which helped us determine how *Responsive Philanthropy* can be a better resource for you.

There are some terrific pieces in this issue that I hope will challenge your thinking or introduce you to new ideas.

Kyle Caldwell, president and CEO of the Michigan Nonprofit Association, writes about how nonprofits and foundations in his state are weathering the current economic storm. His stories are an inspiration to others in the charitable sector to be innovative and creative in responding to this time of great need.

Alison Goldberg, coordinator of Wealth for Common Good, issues a call to action for foundations to do more to address inequality and economic insecurity in the country. She examines the need for a progressive federal tax policy that promotes philanthropy for the common good.

Darryl Lester and Athan Lindsay explore giving circles in communities of color, noting important community-based efforts that often are overshadowed by a focus on "elite giving." They invite organized philanthropy to learn from collective philanthropic giving in investing in communities of color.

Lisa Raghelli and Julia Craig share the key findings of NCRP's latest report examining the impacts of advocacy, community organizing and civic engagement in North Carolina, and they give readers a flavor of the event we held in Greensboro to release the report.

One of the new features of the redesigned *Responsive Philanthropy* is a member profile in each issue. This edition features the Little Tokyo Service Center, a nonprofit in Los Angeles led by former NCRP board member Bill Watanabe. Readers will get a sense of the challenges and opportunities affecting this local nonprofit.

We hope that this and forthcoming editions of our quarterly journal contribute to ongoing efforts to improve and strengthen our philanthropic community. If you have suggestions or ideas on future stories, please let us know.

Sincerely,



Aaron Dorfman
Executive Director
NCRP

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Philanthropy's Commitment to the Common Good

By Alison Goldberg

Philanthropy today is responding to an economy characterized by extreme inequalities: 10 percent of households in the United States own 70 percent of the nation's wealth;¹ the median net worth for white households is ten times that of black households;² and children born in the poorest 20 percent of households have only a 1 percent chance of reaching the top percent of income earners.³

We urgently need to address the problem of wealth inequality in this country. More and more households face financial insecurity amidst an extreme concentration of wealth at the top. Such inequality is damaging our economy and our society.⁴ Private institutional philanthropy must take an active role in eliminating these disparities. Philanthropy⁵ is an important tool for redistributing societal resources and effecting change.

However, when we look at the numbers, we see that relatively few philanthropic dollars go to communities that experience economic hardship. In 2007, only a quarter of all foundation giving went to "economically disadvantaged communities."⁶ Only 33 percent of grant dollars benefited marginalized communities, broadly defined.⁷ Why aren't we, as a sector, giving more money to communities that face the greatest needs? One of the reasons lies in private philanthropy's complicated, sometimes conflicted, relationship with the common good.

THE COMMON GOOD

The "common good" embodies the idea that shared societal resources should be used to improve well-being



Alison Goldberg

for the greatest number of people possible. Promoting the common good is about acting on behalf of the interests of a wider community.

On the surface, it may seem that all philanthropy, by definition, is for the common good. Isn't the purpose of giving to help others? But private philanthropy isn't solely about generosity – it's a specific institution that was created a century ago and has its

own policies, practices, rules and cultural norms. And, as much as its resources have been channeled to worthwhile causes, private philanthropy also was set up to serve wealthy families' interests.

PHILANTHROPY FOR WEALTHY FAMILIES

Foundations were created as legal entities in the 1800s, but wealthy families didn't begin using these vehicles for their giving until the end of that century. Motivated by the mounting concentration of private wealth during the Industrial Revolution and the introduction of the federal income and estate taxes, a growing number of donors set up funds as mechanisms to shelter their assets.

By creating foundations, wealthy families received a number of benefits beyond tax relief. Donors were able to pay family members high salaries for nominal participation in their funds. They could use their foundations as investment partners by placing their funds' assets in companies in which they held a vested interest. The early foundations played a considerable public relations role for their donors. In an era when 10 percent of the population controlled 90 percent of the wealth,⁸ powerful businessmen used their foundations' giving to recast their role from profiteers to benefactors. Industrialists sponsored spectacular public works, but the social and economic conditions their charities addressed often were a direct result of their own business practices.⁹

The 'common good' embodies the idea that shared societal resources should be used to improve well-being for the greatest number of people possible.

By specifying “donor intent” in legally binding wills and trusts, donors ensured their giving priorities would be followed, well beyond the grave. The early philanthropists set up institutions that would exist in perpetuity, and until 1969 foundations weren’t even required to give any money away. At the outset, philanthropy was used as a tool to further the concentration of wealth, not eliminate it.

Why is this history relevant today? Despite some significant changes to the laws that regulate foundations—for example, the Tax Reform Act of 1969, which required foundations to spend a minimum percentage of their assets each year and regulated investment practices—private philanthropy currently is operating in a surprisingly similar way to the earliest funds.

It’s typical for foundations to be established in perpetuity when created in the context of estate planning and built on the desire for family legacy. Foundation assets frequently are invested in companies that have nothing to do with philanthropic mission, and may even be contradictory to those goals.¹⁰ Foundation boards often make giving decisions without input from the broader public, and in the case of family funds, pass that power on across generations.¹¹

We are continuing to use an institution that was set up to concentrate wealth and power, with the result that the resources and leverage of philanthropic institutions aren’t prioritizing the common good, and aren’t getting redistributed as broadly or effectively as they could.¹²

PHILANTHROPY FOR THE COMMON GOOD

So, how do we realign this institution so that it’s more capable of challenging inequality? One starting point is to embrace the idea that the resources foundations steward are in part public

We are continuing to use an institution that was set up to concentrate wealth and power, with the result that the resources and leverage of philanthropic institutions aren’t prioritizing the common good, and aren’t getting redistributed as broadly or effectively as they could.

in nature. Because a donor receives tax deductions in exchange for a contribution to a foundation or fund, that institution then is legally required to distribute money for charitable purposes. Understood in these terms, private philanthropy is bound to serve the common good.

As many have noted, the public actually makes a financial contribution to foundations in the form of tax relief.¹³ Effectively, one-third to one-half of charitable contributions are “matched” by taxpayers in the form of forgone revenue to the U.S. Treasury. In 2005, this “taxpayer match” was about \$50 billion. Especially at a time like now, when our country urgently needs revenue for education, health care, and other critical services, the only justification for providing a tax benefit to foundations and their funders is if that money can be used to further the common good. Private philanthropy must play some redistributive role and be accountable to a wider community of taxpayers. Otherwise, it explicitly is serving wealthy families’ interests at a cost to everyone else.

Moreover, the accumulation of pri-

vate wealth relies on public investments, whether in infrastructure, technology, science or ecological protection. Wealthy families and the funds they create benefit disproportionately from public resources, and have a corresponding responsibility to reinvest in the common good.

What would it look like if we built our funds’ operating practices based on a commitment to the greater good? The National Committee for Responsive Philanthropy paints a hopeful picture in *Criteria for Philanthropy at Its Best*. Our boards would become far more diverse. Grantmaking priorities would shift, and funding would expand to communities that experience inequality and discrimination. Philanthropic mission would be the starting point for any decisions about investment and payout. Each of our funds would examine where the money goes, how it gets there, who decides, and who benefits. Regardless of our funding priorities, we’d strive to make grants that challenge inequality.

As long as private philanthropy exists, it’s likely there will be a need to accommodate the interests of donors and their descendants and strike a balance between personal priorities and the common good. But right now, that balance is skewed in the wrong direction. All of us who are involved in private philanthropy can work to reshape this institution to more effectively address inequality, and *Criteria* offers an essential guide.

WEALTH FOR THE COMMON GOOD

Taking these steps in philanthropy is critical, but we shouldn’t stop there. Those who are involved in private philanthropy also should look at the larger framework of federal tax policy since it has an important influence on just about everything we do.

For one, tax policy has the ability to increase the dollars available in private

funds, since the higher the taxes for high-income and wealthy families, the more money that is given to philanthropic foundations. According to the Congressional Budget Office, the federal estate tax provides a tremendous incentive for charitable giving. Abolishing the tax or substantially reducing it would result in a decline in charitable giving of \$13–\$25 billion a year.¹⁴ More progressive tax rates increase the resources available to the nonprofit sector.

More critically, our government relies on revenue from income and other taxes to invest in vital programs like food stamps, unemployment benefits and job training. Philanthropy can't be a substitute for what the public sector can provide. In order to be redistributive—to truly challenge inequality—tax policy must raise the most resources from those with the most capacity to pay.

While it appears as though our tax system is progressive, in 2006, the 400

highest-earning taxpayers paid an effective rate of only 17 percent, a rate far below the 51 percent effective rate they paid in 1955. Under current policy, the federal estate tax is a flat rate that applies to only 0.05 percent of all estates. Because of a series of tax cuts for the wealthy during the past 30 years, the tax burden has shifted to wage earners.¹⁵

Many people view philanthropy as an alternative to taxes, but we need all of the tools available to address the kinds of challenges we're up against. Several efforts are underway to consider how tax policy can be more in alignment with the common good, including an emerging network of wealthy individuals who advocate paying their fair share by promoting progressive tax reform.¹⁶ NCRP and others have promoted foundations' support of advocacy as an important strategy for economic justice since nonprofit organizations have a vital role to play in helping shape legislative and budgetary priori-

ties. Another way to deepen philanthropy's commitment to the common good is for funders, including foundation donors, to be a part of efforts that realign our tax code.

We not only need to assess our internal practices in philanthropy, but determine how we can reshape policies affecting wealth for the common good. ■

WEALTH FOR THE COMMON GOOD

Alison Goldberg coordinates Wealth for the Common Good, an emerging network of business leaders and wealthy individuals supporting public policies that promote shared prosperity and fair taxation (www.wealthforcommon-good.org). She coauthored Creating Change Through Family Philanthropy: The Next Generation and serves on the board of the JRG Foundation.

Notes

1. Lawrence Mishel, Jared Bernstein and Sylvia Allegretto. *State of Working America 2006–2007*. An Economic Policy Institute Book. (Ithaca, N.Y.: ILR Press, an imprint of Cornell University Press, 2007).
2. The median net worth for black households in 2004 was \$11,800 compared to \$118,300 for white households. See Edward N. Wolff. "Recent Trends in Household Wealth in the US." *Levy Economics Institute Working Paper Collection* (New York: Levy Economics Institute, 2007).
3. United for Fair Economy. *Foreclosed: State of the Dream Report 2009*.
4. Visit www.extremeinequality.org.
5. This article focuses on private foundations and funds, the majority of which are family-led.
6. Foundation Center. *Foundation Giving Trends*. February 2009.
7. Foundation Center data as cited in Niki Jagpal. *Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmakers' Impact* (Washington, D.C.: National Committee for Responsive Philanthropy, 2009).
8. Estimates from 1912 as cited in William H. Gates Sr. and Chuck Collins. *Wealth and Our Commonwealth: Why America Should Tax Accumulated Fortunes* (Boston: Beacon Press, 2002), 15.
9. For examples, see *Ibid*, 37; Richard Magat. *Unlikely Partners: Philanthropic Foundations and the Labor Movement* (Ithaca, N.Y.: Cornell University Press, 1999), 33; Howard Zinn. *A People's History of the United States: 1492–Present* (New York: Harper Collins, [1980] 2005), 276–277 and 354–357.
10. See Jed Emerson. "Where Money Meets Mission: Breaking Down the Firewall Between Foundation Investments and Programming." *Stanford Social Innovation Review* (Summer 2003): 38–47.
11. Only 14 percent of funders who participated in a survey by Grantmakers for Effective Organizations delegated grantmaking decisions to grantees or representatives of recipient communities. Grantmakers for Effective Organizations. *Grantmaking Practices that Support Grantee Success: Survey Report, Grantmakings for Effective Organizations*, 2008, cited in Jagpal, 2009.
12. For a more in-depth discussion on this topic, see Alison Goldberg, Karen Pittelman, and Resource Generation. *Creating Change Through Family Philanthropy: The Next Generation* (New York: Soft Skull Press, 2006).
13. Kelin Gersick. *Generations of Giving* (Washington, D.C.: National Center for Family Philanthropy, 2004), 88.
14. Aviva Aron-Dine, *Estate Tax Repeal – or Slashing The Estate Tax Rate – Would Substantially Reduce Charitable Giving*. Center on Budget and Policy Priorities, June 7, 2006. <http://www.cbpp.org/cms/index.cfm?fa=view&id=465>.
15. John Cavanagh et al., *Reversing the Great Tax Shift: Seven Steps to Finance our Economic Recovery Fairly* (Washington, D.C.: Institute for Policy Studies, 2009).
16. Visit www.wealthforcommongood.com

Rethinking the Philanthropic Script: Community Philanthropy, Collective Giving and Giving Circles

By Darryl Lester and Athan Lindsay

OUR CHANGING DEMOGRAPHICS

According to the 2000 U.S. Census, 30 percent of the U.S. population consisted of African Americans, Hispanics/Latinos, Asian Americans and Native Americans, and the U.S. government projects that by 2050 people of color will comprise nearly half of the U.S. population.

Over the last three decades, most of our nation's communities have witnessed a dramatic demographic shift that will continue. We are witnessing an ever-increasing population consisting of more people of color; immigrants for whom English is not their primary language; more people practicing a faith tradition other than Christianity; and more women controlling or responsible for how wealth is created, deployed, saved and expended. More

importantly, these demographic shifts also signal a change in how people care for each other through philanthropy and participation in strategic community building activities and projects. These changes in demographics present new opportunities for the field of philanthropy to devise new methods and approaches to engage the "new faces of philanthropy," not as short-term initiatives but as a need to adapt to an emerging reality.

Only a small percentage of a typical foundation's portfolio supports initiatives or donor education around collective giving in communities of color. This indicates that institutional philanthropy is not in tune with the reality of the demographic trends in our country. We believe that this is an opportunity

to strengthen a donor base that can fund projects effectively from within its own communities while connecting with allies from other communities and creating leadership from within by leading with one's own resources. Some would refer to this type of giving as "philanthropy of community."

COLLECTIVE PHILANTHROPY

In the mid- to late 90s, giving circles began to receive much written press. According to the Forum of Regional Associations of Grantmakers in Washington, D.C., "The concept is as simple as it is powerful. A giving circle is formed when individuals come together and pool their philanthropic dollars, decide where to give the money (and other resources such as volunteer time) and learn together about their community and philanthropy." The forum's 2007 study identified more than 400 circles engaging more than 12,000 donors and giving close to \$100 million over the course of their existence.

Giving circles are one way for people to organize and pool their time, talent and treasure collectively, and redirect these collective assets strategically to benefit their community. It is important to note that although giving circles are garnering most of the attention as a giving trend within the field of philanthropy, we see other forms of collective giving taking place in communities, fueling the demographic transition. They are just as effective and are based in deep historical and cultural tradi-



PHOTO COURTESY OF THE COMMUNITY INVESTMENT NETWORK.

Members/donors of the A Legacy of Tradition (A LOT), an intergenerational giving circle of African American men in the Raleigh-Durham Area of NC.

tions. These collective giving models include hometown associations, mutual aid societies, fraternities and sororities, or organized giving through faith or religious practices. People have been organizing and transferring their resources collectively within plain sight of everyone, with or without recognition from organized philanthropy.

Speaking of giving circles without reference to the varied traditions within communities of color that are shaping our civic life is incomplete and imbalanced. Many attempts by philanthropic institutions to define and quantify collective giving have been somewhat shortsighted, furthering the notion that only certain socioeconomic and ethnic groups are givers and philanthropists. These studies have consisted primarily of collective giving models focused on white females as donors. But a broader look needs to take into account the varied collective giving traditions that have occurred in communities of color for many decades.

CREATING AN INCLUSIVE DEFINITION OF PHILANTHROPY

The European Foundation Centre in Brussels provides a good definition of philanthropy: "Philanthropy is the act of individual citizens and local institutions contributing money or goods, along with their time and skills, to promote the well-being of others and the betterment of the community in which they live and work. Philanthropy can be expressed in informal and spontaneous ways or it can also be expressed in formal, organized ways whereby citizens give contribution to local organizations, which in turn use the funds to support projects that improve the quality of life."

Various studies and observations indicate that philanthropy in any culture seldom is practiced for purely altruistic reasons or motivated only by generosity. One should resist the temp-

Creating a New Script

Recommendations for the Field of Philanthropy

ACTION ITEM #1

Broaden the definition of philanthropy to be more inclusive of the traditions of giving among people of color.

- Change the framework at your institution to include different forms of collective philanthropy.

ACTION ITEM #2

Revive the concept of community philanthropy and the spirit of collective giving as central to philanthropy.

- Acknowledge existing forms of collective giving (Hometown Assoc., Fraternities, etc.) as philanthropic.

tation to use any language that implies that institutional philanthropy is either a better or more generous way of giving and caring about community issues. The type of philanthropic strategies that individuals or collectives employ is related directly to their exposure to the varied forms of philanthropic tools and trends. People choose these strategies under different life circumstances and within different social contexts. Equating certain types of gifts with charity and others with philanthropy can lead to misunderstanding that may offend, exclude, insult, deny access and lead to structural barriers.

While the "elite philanthropy" that generates eight-figure donations to colleges and universities may grab the headlines, it is those below the fold, or back page philanthropy in communities of color, that may be making the most creative investments in community-based grassroots solutions to the nation's enduring social and educational inequities. Many times, conversations regarding those who employ the use of philanthropy remain restricted mostly to wealthy, celebrity, elite,

ACTION ITEM #3

Mainstream philanthropic institutions, especially community foundations, should engage in more strategic conversations with community groups practicing collective philanthropy.

- Provide educational opportunities to share the tools and techniques of philanthropy with community groups practicing collective giving to help them become more strategic.
- Create a space for new equitable collaborations between philanthropic institutions and community groups practicing collective philanthropy.

and white donors. If we operate from this traditional paradigm, it creates an archetype that reinforces certain communities as producers of philanthropy and certain communities as consumers of philanthropy. This notion creates a paradigm that needs to be changed to acknowledge the impact and the role that racial bias often plays in our recognition of longstanding community philanthropists in communities of color.

The concept of community philanthropy is providing space for old and newcomers at the institutional and community-based philanthropic table. These groups are utilizing individual and collective giving strategies to address inequities in their communities. Further research into collective giving and giving circles reveals that many groups are utilizing giving circles to change the donor profiles at many community foundations by having their funds hosted by these public charities. For some community foundation hosts, giving circles have been the beginning of the relationship with women and donors of color. Giving circles are serving as the vehicle to bridge the gap

between community and institutional philanthropy. This has the potential to result in the reallocation of grantmaking resources toward social justice and equity issues.

We believe that collective giving models are a viable and effective way to help broaden the field of philanthropy to reflect the nation's changing demographics and provide an access ramp for groups that have organized their combined giving outside of institutional philanthropy's esoteric world. Many organizations engaged in community-based giving could benefit from some of the tools and strategies utilized by institutional philanthropy. When it comes to designing outreach programs, it may be more helpful to think of diverse communities as social, cultural and voluntary networks that happen to have racial and ethnic ties to one another rather than focusing on the color divide. These networks may benefit from your program and expertise, just as your organization may benefit from their expertise and successes.

At the core, giving is giving. As more collective philanthropic models emerge and are sustained within communities of color, perhaps they can provide a bridge for more strategic partnerships between the professionalized field of philanthropy and those unrecognized concerned citizens who, through their giving, are trying to improve and better their communities. This offers a promise whereby those

“The kind of future we are primarily interested in is the way in which communities, whether in the workplace or neighborhood, rural town or urban center, create a wider sense of belonging among their citizens.”

—Peter Block, *Community: The Structure of Belonging*

from outside (institutional philanthropy) and those from within (the community philanthropists) are sharing the risk as well as sharing the investment in communities of color.

This could make not only a more enriching and more democratic form of philanthropy, but it even may fortify what many consider to be the unique makeup of our social fabric and national DNA: the historical propensity for community action by U.S. citizens to solve local problems. Alexis de Tocqueville, in his observations on our

emerging democratic republic, admired the vibrancy of citizen participation as the base of American democracy. He applauded how the forces that held democracy together and made it work most efficiently bubbled up through society, rather than trickling down from the government or a class of elites. If the field of philanthropy becomes motivated in its approach to these community philanthropists and their collective giving models with the same spirit and fervor as it approaches “high net worth individuals” to broaden the public's interest in philanthropy as a tool for community building and an act of civic participation, then we all will be better off. ■

Darryl Lester is the president of HindSight Consulting, Inc. (www.hindsightconsulting.org), a research and development company that designs tools and services that enable people in institutions and communities to relate more strategically to their time, talent and treasure with greater freedom, power, and effectiveness to inspire greater personal, community, and institutional transformation. Lester, his wife and partner, Dionne Lester, and Athan Lindsay are founders of the Community Investment Network (www.thecommunityinvestment.org), which inspires individuals and groups to give by design. Athan Lindsay currently serves as a staff person of the National Rural Funders Collaborative.

Join the Dialogue

We are looking for letters to the editor to publish in the next edition of *Responsive Philanthropy*. Please send us your comments about any of the articles in this issue or other issues to Yna C. Moore at readers@ncrp.org.

An archive of *Responsive Philanthropy* is available at www.ncrp.org/publications/responsive-pubs/rp-archive.

We look forward to hearing from you!

Little Tokyo Service Center

Los Angeles, CA
www.ltsc.org



ABOUT

Since 1979, the Little Tokyo Service Center (LTSC) has worked to meet the needs of Asians and Pacific Islanders throughout Los Angeles County, especially those facing language or cultural gaps, financial need or physical disabilities. Building community also is an important part of the organization's mission to "improve the lives of individuals and families through culturally sensitive social services, strengthen neighborhoods through housing and community development, and promote the rich heritage of the ethnic community."

As a neighborhood-based social service agency, LTSC serves clients daily through housing and real estate development, counseling, community actions groups, free child care and other social services that are conducted in at least seven languages.



Directly above: Preschoolers excited to read at Angelina Preschool. Right column top: Community members in Little Tokyo take advantage of computer classes at the DISKovery Center. Bottom: Young Japanese Americans learn about the Japanese culture at Camp Musubi.

ECONOMY'S EFFECT

In addition to the problems felt nationwide, California is facing severe economic difficulties, with a budget deficit of \$26.3 billion and an unemployment rate of 11.2 percent. Government grants are low at the state and federal levels, donors are cutting back and endowment funds have dropped. "We've always seen ups and downs over the past 30 years, but in the past few years, maybe because our income is so diverse, it was fairly steady that if one or two funding streams were going down or priorities were changing, that there were other programs and revenues that were coming up so everything balanced out. This is the first year in which I've seen everything going down," said LTSC executive director Bill Watanabe in an interview with *Responsive Philanthropy*.

The state's economy is especially upsetting LTSC's affordable housing project. Several of their housing projects in the pipeline have affected the organization's credit lines and ability to draw funds. Watanabe explained, "These things would normally be okay because projects would be moving along, but now they've all stalled or stopped. Those financial institutions that had been doing affordable housing, financing and loans are either not doing it, becoming much stricter or they're totally out of the picture."

MOVING FORWARD

The future holds a "big question mark" and Watanabe is concerned about the impact on his organization. For now, he is exploring different funding scenarios and relying on hope. Although finances look bleak and LTSC no longer can depend on income from its development projects, all of the organization's programs will continue. "I'm being optimistic to say we think we can do all of them; we may just have to stretch our timeframe a year or two," he said.

Shifts in policy are needed to end the stalemate between Democrats and Republicans in California and to do what's best for the state's citizens, according to Watanabe. He also believes that foundations' general operating support grants are a "tremendous aid" and said, "I'm hoping that more foundations will move toward helping agencies with core support just so they can keep their shops open and going."

Meredith Brodbeck, communications assistant at NCRP, wrote this member profile.



Greensboro Gathering Highlights Impressive Advocacy Impacts and Return on Investment for Grantmakers

By Lisa Rangelhelli and Julia Craig

On 11 May 2009, in Greensboro, N.C., NCRP released the second in its series of reports for the Grantmaking for Community Impact Project (GCIP): *Strengthening Democracy, Increasing Opportunities: Impacts of Advocacy, Organizing and Civic Engagement in North Carolina*. The culmination of six months of research and outreach in the state, the report documents the impacts of the policy engagement work of 13 community organizations in North Carolina. The North Carolina Center for Nonprofits and the North Carolina Network of Grantmakers cohosted the event with NCRP. Ninety nonprofit and foundation leaders attended from across the state, including as far west as Cherokee, east to Greenville and south to Charlotte.

Former foundation leader W. Hodding Carter III gave inspiring welcoming remarks, noting that there is little foundation support today for “activities that disturb the even tenor of our times.” Carter called on foundations to think boldly and broadly in their work and to seize the opportunity of the current political and economic climate to advance the causes they care about.

NCRP executive director Aaron Dorfman and senior research associate Lisa Rangelhelli presented the findings of the report, which was coauthored by Rangelhelli and research assistant Julia Craig.

NCRP found that for every dollar invested in advocacy and organizing, the groups garnered \$89 in benefits for North Carolinians – a total of \$1.8 billion in benefits over five years. In her

presentation, Rangelhelli highlighted four themes from the findings: tangible benefits, broad impact, democratic participation and collaboration. Tangible benefits included such gains as increased wages, unemployment benefits, school bond funds, and medical services for the uninsured. There also were benefits that were difficult to quantify but just as impactful, such as the work of farmworker advocacy groups.

The Farmworker Action Network (FAN) includes three groups featured in the report: Student Action with Farmworkers (SAF), NC Justice Center, and Toxic Free NC. FAN has worked to empower and improve working and living conditions of farmworkers like Elizabeth Arias, who witnessed her 22-year-old cousin die in the fields after

the workers were exposed to freshly sprayed pesticides. Elizabeth told SAF, “It is important to be conscious and to value the arduous work of farmworkers, because they are risking their lives.” FAN’s work has helped ensure that fewer farm laborers meet the same fate as Elizabeth’s cousin, thanks to tighter pesticide regulations and new standards for migrant housing that require sanitary mattresses and access to an emergency telephone.

In addition to research on the impacts of advocacy and organizing, NCRP also explores the central role that funders play in helping organizations achieve their goals. In North Carolina, collaboration with funders was a key element of success. Institutional grantmakers provided 86 percent of the groups’ advocacy, organizing and civic engagement dollars, over half of which was given as unrestricted general operating support.

The Funders’ Collaborative for Strong Hispanic Communities, formed in conjunction with Hispanics in Philanthropy (HIP), created a pool of \$2 million from 24 grantmakers and has supported 22 small and medium-sized nonprofits since 2005. The collaborative has built the capacity of Latino organizations in North Carolina at a critical time, allowing them to respond to a challenging policy environment and on-the-ground needs in the state. According to Ada Volkmer at the Coalition of Latino-American Organizations, “I don’t think that Latino centers in western North Carolina would be where they are today without HIP.”

NCRP found that for every dollar invested in advocacy and organizing, the groups garnered \$89 in benefits for North Carolinians – a total of \$1.8 billion in benefits for five years.



A mother and daughter are among the 4,500 people standing up for immigrant rights at the We Are One America march in Asheville NC on May 1, 2006.

The event itself is intended to not only present the research results on policy impacts, but also to engage funders and community leaders in dialogue about how advocacy and organizing can help them achieve their long-term objectives. In fact, at the Greensboro event, Karen McNeil-Miller, president of the Kate B. Reynolds Charitable Trust, suggested that a planned “funders only” conversation be opened to nonprofit representatives as well. With enthusiastic support from attendees and NCRP, the change was made. As one nonprofit leader noted in the evaluation of the event, “I thought it was great that a representative from Kate B. Reynolds Foundation suggested that funders not be separated. I think it made for a much richer conversation and sent a strong message that those power dynamics need to be deconstructed.”

Indeed, the highlights of the gathering were the two breakout sessions at which participants were able to engage each other and share ideas. In “A Dialogue with Funders,” grantmakers shared suc-

cessful strategies for increasing their support for this work, including foundation leadership in the community, donor and trustee education, constituency representation at the trustee level, and rethinking how to partner with nonprofit grantees. In “Making the Case for Support of Advocacy and Community Organizing,” nonprofit panelists discussed developing shared power to advance the causes and values nonprofits and foundations both care about.

NCRP has received overwhelmingly positive reactions to both the report and the event. One funder wrote that, coming away from the session, the strongest message was the variety of ways that foundations can support advocacy and organizing and the importance of trustee and leadership education about these strategies. Most nonprofit leaders who responded to a survey after the event indicated that they felt better prepared to explain the benefits and impact of their advocacy, organizing and civic engagement work to a funder.

While the report and release event are key features of the Grantmaking for Community Impact Project, the outreach that precedes the event and follow-up afterward both are critical to the project’s success. At each research site, NCRP’s field team conducts extensive outreach with funders in the state for months leading up to the report release. This provides NCRP staff with an opportunity to understand each funder’s mission better and to discuss how supporting policy engagement may enhance each institution’s goals. NCRP also establishes a host committee that helps identify potential community groups for inclusion in the research, provides feedback on the preliminary findings, and helps shape the event. In North Carolina, the host committee included both funders and nonprofit leaders.

Since the event in May, NCRP has been working with our nonprofit and foundation partners in North Carolina to

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increase foundation grant support for policy engagement. NCRP field director Melissa Johnson has been leading follow-up efforts with funders. “I’ve been really impressed with the continuing level of interest from foundation leaders in the state,” observed Johnson. “For example, the Community Foundation of Western North Carolina is using the report in its ongoing dialogue with trustees and nonprofits to determine how it can best support advocacy in the region.”

Johnson also noted that Bob Wagner, vice president for programs at the community foundation, along with Karen McNeil Miller and Betty Craven, president of the Warner Foundation, will be participating in a panel discussion about the project at the Southeastern Council of Foundations annual meeting in November. The North Carolina Center for Nonprofits also will have a session at its fall conference.

Community organizations featured in the report also are using it to educate funders about the value of advocacy and organizing. Craig White of the Center for Participatory Change has been using the report in conjunction with NCRP’s *Criteria for Philanthropy at Its Best* in conversations with board members, donors and funders. “The 25 percent figure (continued on page 14)

Cover Story (continued from page 1)

clouds are upon us, yet many are operating with a “business as usual” approach. This is a dangerous perspective as this recession truly is different and our strategies as a community have to be similarly different, stark and radical.

Some foundations are coming together to find new, unique—and often necessary—ways to collaborate. In Grand Rapids, area foundations recognize that the demand for assistance to meet basic needs for food, utilities, housing and transportation is increas-

ing rapidly. The foundations came together and established the Essential Needs Task Force Fund, a temporary, flexible pool of funds to help address these escalating needs.

“This emergency fund is strategically aligned to help finance organizations that are on the frontline serving people affected by the recession,” says Diana Sieger, president of the Grand Rapids Community Foundation. “And, by working with existing programs, we avoid duplication of services.”

In Detroit, the New Economy Initiative (NEI) is one of the nation’s most expansive philanthropic partnerships dedicated to economic transformation in the region hit hardest by manufacturing job losses and the global economic crisis. Two years ago, 10 national, regional and local foundations created the NEI and collectively committed to granting \$100 million over an eight-year period.

The goal of this initiative is to attract and retrain skilled workers in Michigan by encouraging innovation and entrepreneurship. This year, NEI announced a partnership with the Ewing Marion Kauffman Foundation to create a three-year program that will help minority automotive suppliers transition to new industries and rapidly grow entrepreneurship in the region. Of the \$9.25 million NEI investments, \$3 million will be applied to the Urban Entrepreneur Partnership – a nonprofit program offering one-on-one, hands-on support to retool their businesses into other industries.

“The NEI truly can be transformative, and we all are dedicated to providing the needed resources to restore the Detroit region’s economic competitiveness,” says David Egner, president and CEO of the Hudson-Webber Foundation and NEI interim director.

We may be quick to recognize a need to help health and human service nonprofits, but other subsectors of the nonprofit sector also are feeling the recession. According to the MNA and the Johnson Center quarterly surveys, arts and culture nonprofits have been affected the most, with 75 percent reporting a decrease in cash flow. However, foundations such as the Kresge Foundation know the arts are an essential piece to a healthy economy. Each year, the Kresge Foundation awards \$450,000 in Kresge Artist Fellowships to artists living and working in metropolitan Detroit. This year, it

PHOTOGRAPH COURTESY OF HEIDBERG PROJECT ARCHIVES



Caption: “New Life” by Tyree Guyton, one of the Kresge Artist Fellows for 2009.

awarded 18 visual artists unrestricted stipends of \$25,000 each.

“Individual artists are the lifeblood of any highly creative, highly energized community,” says Rip Rapson, president of the Kresge Foundation. “We are proud to support 18 of the Detroit area’s most talented and imaginative individuals and hope for each of them that the fellowships will serve as a catalyst for a productive and rewarding year.”

Kresge Arts in Detroit is one facet of the foundation’s Detroit Program, a comprehensive, five-part community-development effort to strengthen the long-term economic, social and cultural fabric of the city and surrounding area by strengthening Detroit’s neighborhoods and downtown. The program seeks to promote arts and culture, advance regional economic development and enhance the natural environment.

“In times like these, we need to dig deeper and do more,” says Julie Fisher Cummings, managing trustee of the Max M. & Marjorie S. Fisher Foundation. The Detroit-based family foundation already has surpassed the 5 percent required payout for this year and is considering increasing its grant

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WEB SITES OF ORGANIZATIONS LISTED IN THIS ARTICLE

Accounting Aid Society: www.accountingaidsociety.org

Council of Michigan Foundations: www.michiganfoundations.org

Cultural Alliance of Southeastern Michigan: www.culturalalliancesemi.org

Grand Rapids Community Foundation: www.grfoundation.org

Hudson-Webber Foundation: www.hudson-webber.org

Johnson Center at Grand Valley State University: www.gvsu.edu

Kresge Foundation: www.kresge.org

Lighthouse of Oakland County: www.lighthouseoakland.org

Max M. & Marjorie S. Fisher Foundation: www.mmfisher.org

Michigan Nonprofit Association: www.mnaonline.org

New Economy Initiative: www.neweconomyinitiative.org

ONEplace @ kpl: www.kpl.gov/ONEplace/

budget by as much as 40 percent for this year and next year. “We’re looking into further leveraging our resources through mission-related investing and utilizing the newly created Low-profit Limited Liability Corporation (L3C) legislation to create innovative partnerships for social change.”

From the grantseeker perspective, nonprofits have found creative ways to achieve their missions and serve community needs by sharing services, consolidating functions, merging, or transferring assets to another nonprofit better positioned to fulfill their work. Sailors call this “running with the wind and surfing.” The first tactic in this strategy is to run with the wind. This reduces the force of the apparent wind and may allow the boat to be navigated away from the path of the storm or into safer waters. If large waves are present, the boat may begin to surf down the waves.

The Cultural Alliance of Southeastern Michigan has found a way to steer into the storm with the Sharing Resources Clearinghouse. Members post assets they can offer for free to other members. When an organization sees an asset it wants to use, it submits a request that is directed to the organization with the

asset. The two organizations then work together to broker the deal regarding services needed. It’s like a craigslist for nonprofits.

“The Sharing Resources Clearinghouse is bringing together organizations that may not have considered one another as a partner. Their collaborative efforts will help minimize staff time and costs, creating more room to build quality programs,” says Maud Lyon, executive director of the Cultural Alliance.

Some organizations have looked at what they are doing and decided that not all functions fit. Rather than throwing their initiatives overboard, however, they find other organizations to carry their programming and transfer the weight of the work to another nonprofit.

The Accounting Aid Society of Detroit successfully implemented partnerships to help the organization improve operations and provide services. When it examined its work, it discovered that it wasn’t in the general nonprofit capacity business and the Nonprofit Manual, which it wrote, published and distributed no longer was something it could continue. The society decided to spin off that work to Michigan Nonprofit Association so it could focus on accounting services to nonprofits.

This year, the Accounting Aid Society was recognized as *Crain's Detroit Business* 2008 Best-Managed Nonprofit because of its collaboration with 100 other community organizations to increase its ability to provide free tax preparation to low-income people and teach them financial literacy.

According to Kathleen Katke Aro, president of the Accounting Aid Society, "Through our collaborative efforts with 100 community partners and 800 individuals, we helped return \$14.8 million in tax refunds and credits to struggling families this year."

We also can look at the newly-formed ONEplace @ kpl, a management support center for nonprofit organizations in Kalamazoo County. ONE, which stands for Opportunities for Nonprofit Excellence, brings together nonprofit leaders and peer groups to learn from one another.

"Area foundation and nonprofit leaders recognized the importance and need for a capacity building organization to support area nonprofits," says Bobbe A. Luce, director of ONEplace @ kpl. "It is our goal to be the one place people can turn to for nonprofit information, resources, trainings and referrals. We opened in March 2009 and the activity level has been almost overwhelming. People are so grateful for this resource."

The Irving S. Gilmore Foundation and Kalamazoo Community Foundation took the lead in conceiving and funding a "one-stop" support center and approached the Kalamazoo Public Library to join them by housing and operating it. The Greater Kalamazoo United Way added a start-up grant, and the Timothy and Bernadette Marquez Foundation is supporting materials development.

The troubling economy also is a reminder for nonprofits to ensure that their fund development efforts are aligned with the rest of the organiza-

tions. Two years ago, Lighthouse of Oakland County noticed that the sponsors of its large events were not the same people who regularly volunteered their time, money or goods. Fundraising was focused on large corporate sponsors while the operations of the organization (including behind-the-scenes office work) relied heavily on volunteers.

"We made a strategic decision to track everyone who gave time, money or goods to the organization as a supporter," says John Ziraldo, president and CEO of Lighthouse of Oakland County. "We saw the need to cultivate relationships with those in the community that are dedicated to the work of the organization."

Although Lighthouse has seen a decrease in corporation sponsorships due to the economy, it has seen an increase in individual giving. This year, it replaced its black-tie gala with a series of house parties that are accessible to anyone in the community. The people who truly are committed to the work of Lighthouse are able to attend the event and develop a deeper commitment to serve.

During this time of economic hardship, grantmakers and grantseekers have two courses they can chart. They either can sit back and blame the economy for hurting their organization—the survival storm approach—or they can steer into the gale, by assessing their course, evaluating how programs or grants align with the mission, and looking for ways to work with other grantmakers and grantseekers to achieve their missions.

Michigan and our nation will weather this recession. The real question is what will the landscape look like when the clouds clear, and who will be left to enjoy the sun breaking over the horizon? ■

Kyle Caldwell is the president and CEO of Michigan Nonprofit Association

(continued from page 11) NCRP recommends [for foundations to grant to advocacy and organizing] really resonates with our folks," White observed. And Chris Estes of the North Carolina Housing Coalition has found the report to be a great tool to explain to funders the tangible value of investing in long-term, structural solutions to problems like the current foreclosure crisis. NCRP and the N.C. Center for Nonprofits also sent copies of the report to every state legislator. Policy makers can play an important role in protecting the legal basis for nonprofit advocacy and can urge foundations to support nonprofit policy engagement, as well.

North Carolina was second in the GCIP series; the first was New Mexico, and NCRP currently is producing a report in Minnesota, where we have partnered with the Minnesota Council of Nonprofits and the Minnesota Council on Foundations. The report, to be authored by Gita Gulati-Partee, is due out September 30. As GCIP builds the body of evidence documenting the impact of advocacy and organizing in states around the country, NCRP will continue to help nonprofits confidently discuss the value of their work with funders, and engage, educate and challenge grantmakers to increase their support for these efforts. ■

Lisa Ranghelli, senior research associate, and Julia Craig, research assistant, are coauthors of Strengthening Democracy, Increasing Opportunities: Impacts of Advocacy, Organizing and Civic Engagement in North Carolina. This report is available for free download at www.ncrp.org.

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Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmaker Impact is the first ever set of measurable guidelines that will help foundations and other institutional grantmakers operate ethically and maximize the impact of their dollars.

Strengthening Democracy, Increasing Opportunities: Impacts of Advocacy, Organizing and Civic Engagement in North Carolina May 2009

NCRP looks at 2003-2007 data from 13 North Carolina nonprofits, which shows high return on investments and non-monetary gains on a range of issues including poverty, worker rights, education, health care, housing, environment and civil rights.

Learning from Madoff: Lessons for Foundation Boards June 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. In *Learning from Madoff*, NCRP examines whether there was any link between board size and diversity, and exposure to Madoff's fraudulent activities.

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