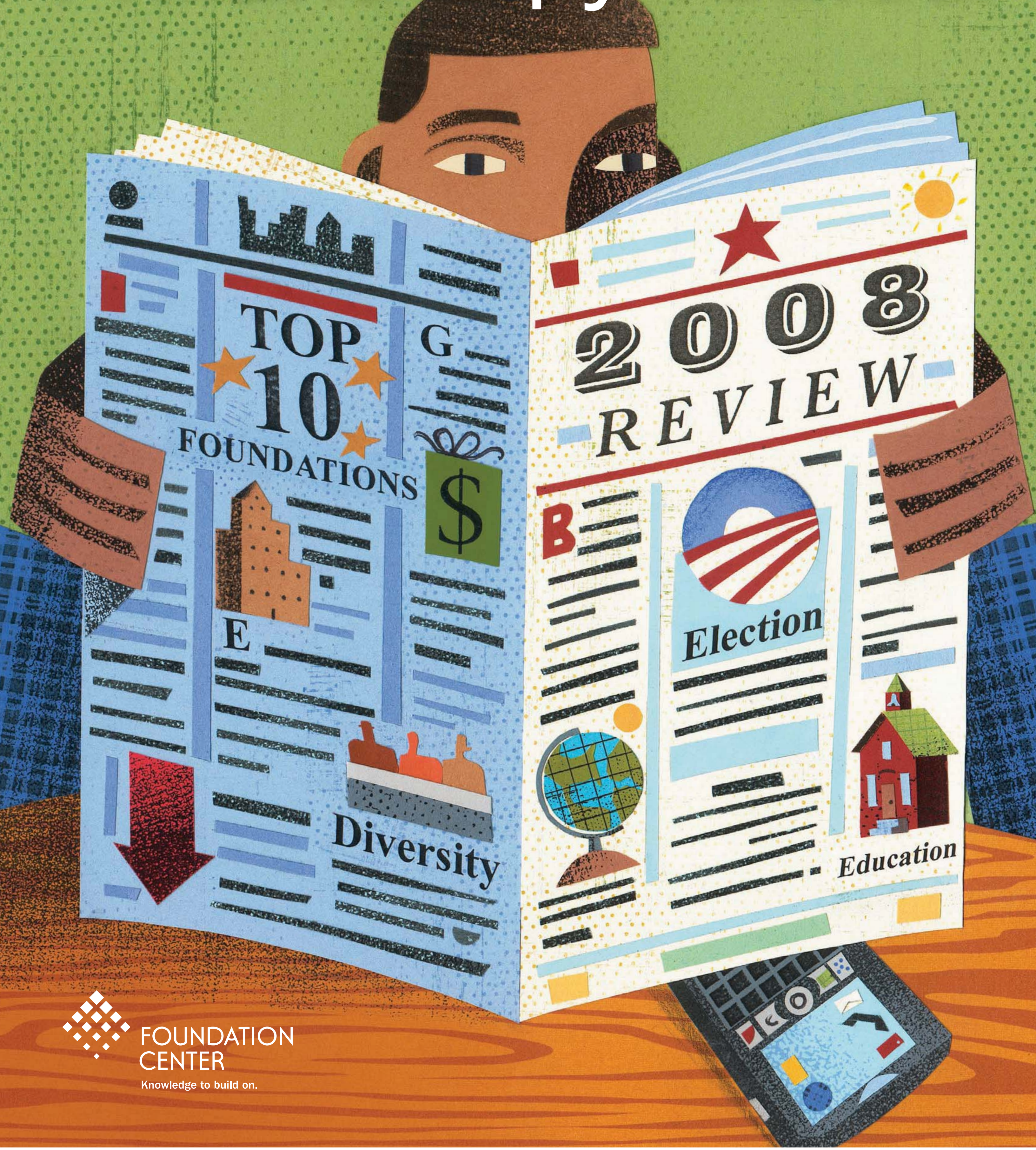
Philanthropy Annual



FOUNDATION CENTER

Knowledge to build on.

WELCOME

This second edition of the *Philanthropy Annual* provides a variety of entry points to understanding the year that's just passed—through an exploration of philanthropy's role in current events, through a look at the people and organizations who dedicate themselves to working for the public good,

and, of course, through data that illuminates trends in foundation growth and giving. It serves as a permanent record of the ups and downs we've faced together in 2008 and the efforts of so many people in this country and around the world to strive for something better. Further, it's a manifestation of the Foundation Center's ongoing commitment to our founding principles of accountability and transparency in philanthropy, which are as important now as they ever were.

The stories inside must now be viewed through the lens of the economic crisis, which intensified late in the year and is likely to affect us all for some time to come. Among them is a look at the ongoing debate about how foundations and other nonprofits are confronting the issue of diversity among their boards, staff, grantees, and clients. And stories about education, climate change, and the environment underscore the impact of philanthropy on the most important issues confronting our society.

The interviews contained here provide new insights from respected sector leaders, such as Paul Brest, president of the William and Flora Hewlett Foundation, to next-generation innovators, such as Kiva's co-founder, Jessica Flannery. And a round-up of periodicals, reports, books, and blogs will guide you to a world of ideas about the third sector. The Key Contacts listings have been expanded with this new edition, and we are pleased to present a new crossword puzzle, too.

The issues you'll read about here are the kind that are aired every day at *Philanthropy News Digest*'s PhilanTopic blog. We invite you to share *your* insights and ideas about the sector by joining that conversation. If you'd like to contribute, please contact Mitch Nauffts at mfn@foundationcenter.org. As always, we welcome your suggestions for improving this publication to ensure that it is as useful as possible to anyone with an interest in philanthropy.

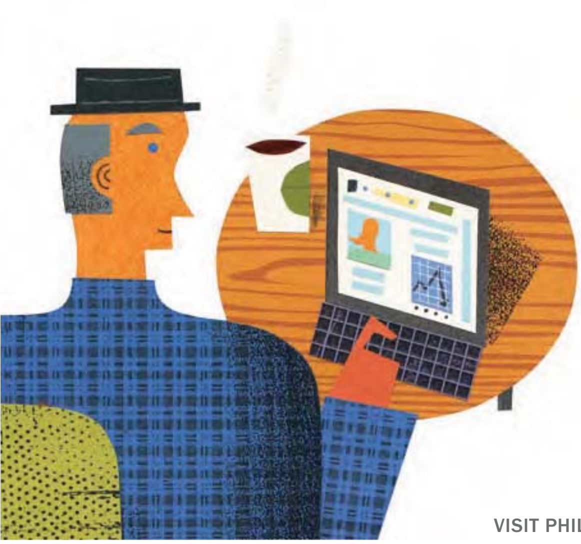
BRADFORD K. SMITH
President
The Foundation Center

TABLE OF

contents

COMMENTARY & OPINION

60 MEDIA REVIEW 2008



68 THE STATE OF FOUNDATION GIVING

91 KEY CONTACTS

112 CROSSWORD PUZZLE: TAKES ALL KINDS

VISIT PHILANTHROPY ANNUAL ON THE WEB AT: http://foundationcenter.org/philanthropyannual GO

Ana Sol Gutierrez and State Sen. Gwendolyn Britt that made Maryland the first state to codify the NGA Compact.

Members of Congress have stepped forward to lead the charge, as well: Rep. Bobby Scott (D-VA) introduced the Every Student Counts Act this year. A version of that legislation also was introduced on the Senate side by Tom Harkin (D-IA). Both bills seek to hold high schools responsible for graduating students by improving the calculation of and accountability for high school graduation rates, using a common and accurate graduation rate calculation.

More progress was made recently when U.S. Secretary of Education Margaret Spellings, as part of long-awaited regulations to strengthen the No Child Left Behind Act (NCLB), called for a uniform graduation rate calculation. One more surprise: NCLB requires schools to improve their test scores but not their graduation rates. Each state sets its own bar, and many set it surprisingly low. In fact, twenty-nine states allow any improvement at all to count. Although the states will still establish their own improvement goals under the new regulations, requiring schools to provide a fair and accurate assessment of their graduation rates using a common and consistent formula means that policy makers, educators, and the public will finally have a truer picture of where education stands in this country.

Even though we may not know for sure how many of our students are graduating from high school — yet — we do know it is imperative that all students graduate prepared for success. I am bullish that the high school dropout crisis is one we can solve — and soon. We must. Keeping our students in school and helping them to earn a meaningful diploma that arms them with high-quality skills will have a direct, positive effect on our nation's security, health, well-being, and economy.

Bob Wise, the former governor of West Virginia, is the president of the Alliance for Excellent Education, a Washington-based policy, research, and advocacy organization that works to make every child a graduate, prepared for postsecondary education and success in life. His book Raising the Grade: How High School Reform Can Save Our Youth and Our Nation, *was published in 2008 by Jossey-Bass.*

Philanthropic Triage During an Economic Downturn: Linking Financing to Impact

By KATHERINA ROSQUETA, EXECUTIVE DIRECTOR, UNIVERSITY OF PENNSYLVANIA, SCHOOL OF SOCIAL POLICY & PRACTICE, CENTER FOR HIGH IMPACT PHILANTHROPY

In any economic downturn, the demand for philanthropy increases as the supply of philanthropic capital declines. The current financial crisis is no exception. Its breadth, severity, and potential duration bring new urgency to the need to manage philanthropic dollars wisely.

The forces at work are clear and painful: a reduction in the supply of philanthropic investment simultaneous to an increase in nonprofit demand for that investment. On the supply side, the wealthy have less wealth to give. Private foundations, which are required by law to spend 5 percent of their net investments each year, have seen their asset bases shrink. While some experts have called on foundations to increase endowment draw-downs, overall foundation payouts will almost certainly contract.

Likewise, corporate foundations have seen a similar, dramatic decline in their available philanthropic capital. Indeed, several corporations known for their largesse (e.g., Wachovia, Lehman Brothers, Merrill Lynch) no longer exist. Finally, the declining fortunes of large companies will be reflected in individual donation patterns. For example, in a recent *Washington Post* article, Marsha Stein, executive director of CityMeals-on-Wheels, noted that Bear Stearns employees alone donated $500,000 annually to her nonprofit. That support came into question almost overnight.

On the demand side, we have already seen the increases in foreclosures and joblessness. The interconnected web of employment, poverty, education, child welfare, homelessness, and health means that the demands on nonprofits charged with addressing these issues will increase. Moreover, many nonprofits will soon see reductions in government funding as federal, state, and local tax revenues shrink in concert with the financial contraction.

The result is an environment in which philanthropists and nonprofits need to focus relentlessly on the impact of every dollar spent. The goal is "high impact" philanthropy, in which the nonprofit sector maintains or even expands its impact despite a shrinking pot of available dollars.

"Operationalizing" high impact philanthropy is not easy. Physicians, firemen, and paramedics have long used a triage process to allocate resources immediately to those most in need where resources are insufficient to meet all needs. Modern approaches to triage have become more scientific, taking into account physiological findings and in some cases, employing algorithms that have been field tested and committed to memory to produce the greatest positive outcome given limited care.

The philanthropic world, however, has no such "philanthropic triage" process. As our recent study shows ("I'm Not Rockefeller: 33 High Net Worth Philanthropists Discuss Their Approach to Giving"), philanthropists access little information and evaluation to make rigorous assessments regarding where their dollars can have the greatest impact.

What, then, are philanthropists and their nonprofit partners to do? The answer should not be to automatically cut costs across the board. Nor should it be to categorically reduce "costs per beneficiary" or "overhead ratios," two metrics that some funders cite as indicators of efficiency. Such lack of prioritization, disconnected from the real outcomes of philanthropic investment, risks wasting precious philanthropic dollars. To extend the triage metaphor, it would be like pumping antibiotics into a patient without any real attempt to diagnose his condition. Worse yet, it can actually cause unintended harm by rewarding nonprofits for pursuing activities that negatively influence the issues they are trying to address.

For example, given the costs of teacher contracts and benefits, replacing a school's longstanding teachers with a corps of substitutes would undoubtedly save money. Yet research indicates that such a practice would likely result in poorer educational outcomes for students. Such an uninformed and misguided effort to stretch dollars can result in harming the very people those dollars were intended to help.

To make capital allocation decisions, philanthropists and nonprofits need to look at their "costs per impact" to understand how much it costs to produce the good they create. Imagine, for instance, that Children's Literacy Program A requires $100 for every at-risk kindergartner enrolled in their program. That $100 per beneficiary figure is two times the cost per beneficiary of Children's Literacy Program B, which serves very similar children in the same city. That disparity is not surprising. Program A has invested in professional staff who are trained in research-based literacy instruction and serve as mentor-coaches to the kindergartner's teachers, while Program B relies on community volunteers who have been given eight hours of training and who typically work with the students in once-a-week pull-out programs.

Of one hundred kindergartners who receive Program A's services, 40 percent more will be reading by third grade than would have been expected to do so without the program. Of the one hundred kindergartners enrolled in B, however, 15 percent more than expected read by third grade. Their respective cost-per-impact profiles indicate the differences in both their respective costs and success rates. For Program A, the estimated cost for each incremental at-risk student reading by third grade is $250. For Program B, the estimated cost for each incremental at-risk student reading by third grade is more than $300.

Now, if my goal was to increase community involvement in our schools, then Program B is a better choice. But if I had $250,000 and wanted to see more at-risk kindergartners reading by third grade, Program A clearly delivers bigger bang for my buck, despite its higher cost per beneficiary and likely higher overhead ratio.

This kind of analysis requires asking three questions before thinking about allocating scarce dollars: What change are we targeting? What activities are required to produce that change? How much does that change cost? It is only by knowing the answers to those questions — and using them to inform rational capital allocation — that the philanthropic sector has a chance of doing the most good it can given its currently limited resources.

As the economy improves, such clarity and focus employed during these lean times offers the promise of even more effective philanthropy in the future when nonprofit financing is increasingly tied not to donor intent or crude cost metrics but to impact.

Katherina M. Rosqueta is executive director of the Center for High Impact Philanthropy in the School of Social Policy & Practice at the University of Pennsylvania. Prior to joining the center, she worked for five years as a consultant at McKinsey & Company and ten years in community development, nonprofit management, and venture philanthropy. She served as a founding team member of New Schools Venture Fund; founding executive director of Board Match Plus, a San Francisco program dedicated to strengthening nonprofit boards; and program manager of Wells Fargo's Corporate Community Development Group.