OUTSIZED IMPACT 2014

Annual commentary on philanthropy with few or no staff

exponent philanthropy

Exponent Philanthropy amplifies and celebrates the vital work of a diverse group of givers who give big while keeping their operations lean, including foundations, public charities, donor advised funds, giving circles, and individual donors. We're a vibrant membership organization, and we provide resources and valuable connections to help funders make the most of the minutes they have and the dollars they give.

We welcome all philanthropists who work with few or no staff to join our organization and benefit from our nationwide network, wide range of resources, and high-quality programming.

This report and Exponent Philanthropy's other publications and activities are supported by membership dues, donations, foundation grants, and corporate partnerships. We thank all our members and supporters for their generosity. For information about our supporters and how you can help us empower philanthropists to leverage their resources and amplify their impact, visit exponentphilanthropy.org/about/support-us.

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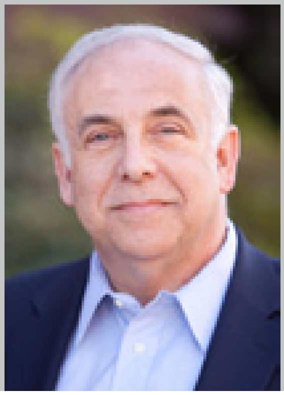
When it comes to philanthropic impact, size truly doesn’t matter. In fact, some would argue, the smaller the operation, the more agile, flexible, and fast-acting it can be.

Across the country, tens of thousands of foundations, giving circle members, donor advised fund holders, and individual donors are intentionally keeping their operations lean and their ears to the ground. In doing so, they’re able to nimbly maneuver their dollars, skills, and leadership to do the most good.

This style of philanthropy—philanthropy practiced with few or no staff—is powerful, popular, and on the rise. In fact, it makes up the largest segment of all philanthropies. In the following pages, thought leaders share their commentary on the trends shaping this type of giving and its outsized impact on the world.

Horizontal Is the New Vertical



—Henry Berman, Exponent Philanthropy

Historically philanthropy has, for the most part, operated in a vertical mode. At the top were the institutions and individuals holding the most money—and often operating with the most infrastructure. Below them was everyone else, including smaller organizations and individuals, and those seeking funding. The hierarchy, for those at the top, meant it was easy to be less connected to the communities and causes they supported. For funders at the bottom, it meant being less visible and less understood, working in the shadows of those at the top. But no more.

For several years, the axes have been shifting, such that the vertical is now horizontal. Those who choose to practice their philanthropy by operating in a lean manner are now level with both larger, staffed funders and, the reason we are *all* here, recipients.

To be sure, being on the same level is not really new. Many funders have for years, even decades, cultivated powerful and productive relationships with those they serve. What *is* new is the rise in prominence of philanthropists who operate with few or no staff, and the growing recognition of the power they have to accomplish tremendous good. These funders—whether giving through foundations, donor-advised funds, giving circles, or individual checkbooks—are leveraging the power and agility that comes with operating close to communities and causes. They are achieving enormous, outsized impact across the country and around the world.

Philanthropy's brave new world

Why the recognition now? The answer is not in the funds being dispersed but rather in all the extras that come with them. Philanthropists with few or no staff recognize the expanding economy of philanthropy. They see an economy where knowledge, intention, and passion are the new currencies. An economy where technical assistance, capacity building, convening, communications, and advocacy are tools as powerful as a checkbook. And they understand how much can be accomplished by using these tools to leverage the impact of their dollars.

When the long defunct Eastern Airlines operated a shuttle between Boston and New York, passengers purchased a ticket in flight. The ubiquitous drink cart was replaced

By standing together with one another and those we serve, focusing on improving the world, there is nothing our philanthropy can't achieve.

with one that processed credit card payments, and the old joke was that all you got on the shuttle was a receipt. The parallel in grantmaking are the funders who may have issued grant checks in the past and waited for reports with no further interactions or idea sharing with recipients. Fortunately, these funders are a diminishing breed as today's nimble funders, more involved than ever with their grantees, do just the opposite as the practice of philanthropy evolves.

Funders who choose to make a big difference while staying small have their feet firmly on the ground in their communities, directly beside those they fund. And not only does the horizontal axis position nonprofits as equals with funders, it means that all funders become colleagues as well. And once connections are forged, the opportunities for sharing and collaborations grow.

But how can we encourage those connections?

Forging connections

When Steve Jobs was CEO at Pixar, he oversaw the design and construction of a new headquarters. He created a space where everyone—animators, computer engineers, scientists, and executives—shared one roof. He recognized the power and potential of bringing people together. From his biography: "If a building doesn't encourage [collaboration], you'll lose a lot of innovation and the magic that's sparked by serendipity. So we designed the building to make people get out of their offices and mingle in the central atrium with people they might not otherwise see."

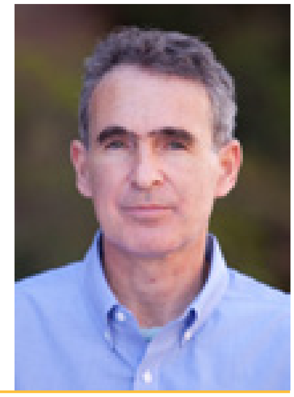
Bringing people together. Jobs did it at Pixar, a powerhouse in creating animated films. And Bell Labs, among the greatest innovation centers of the 20th century, also used its physical layout to bring people from seemingly unrelated disciplines together to share, collaborate, and, ultimately, develop the great technological advancements that changed our world.

In the same spirit of bringing people together, we at Exponent Philanthropy are committed to guiding philanthropists with few or no staff on their journeys, connecting them with one another and vetted consultants, and championing their accomplishments and the manner in which they succeed. We recognize the powerful outcomes created by these donors, trustees, and philanthropic professionals. Theirs is the philanthropy of today, and the future.

We face great challenges as a sector. Nonprofits are called on to do more with less. Funders are pressed to demonstrate impact. By standing together with one another and those we serve, focusing on improving the world, there is nothing our philanthropy can't achieve.

CEO Henry Berman was instrumental in helping the Association of Small Foundations (ASF) evolve into Exponent Philanthropy in 2014, expanding the organization's reach to serve all philanthropists with few or no staff. In his continuing role as a foundation trustee, Henry has been a dues-paying member of Exponent Philanthropy since 2003. He served on the Exponent Philanthropy (then, ASF) board from 2008–2010 and was appointed CEO in 2011. Previously, Henry had a long career in educational media and technology. He also served as a board member, volunteer, fundraiser, and/or marketer for several nonprofit organizations. He is a founding board member of the Museum of Broadcast Technology and currently serves on the boards of the Center for Disaster Philanthropy and National Council of Nonprofits.

A Call for Your Leadership



— Andy Carroll, Exponent Philanthropy

Funders with few or no staff provide leadership by using their many assets, and their influence, to address important issues in communities.

Exponent Philanthropy is telling the story of leadership to empower more funders to step into leadership roles. Through dozens of interviews, we have learned how philanthropists provide leadership, what qualities empower leadership, and how philanthropists come to be leaders.

A surprising thing we learned is that leadership is seldom planned; instead, philanthropists step up to leadership through a journey that begins with passion for an issue, and a desire to learn everything about that issue. Leadership is something that unfolds, a journey that takes philanthropists to places they never imagined they'd go.

A time for leadership

Never has leadership been so needed. Diverse forces and trends are reshaping communities and our society, changing the demands on philanthropy.

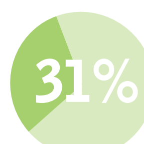
- There is growing recognition that many of the problems philanthropists address are complex, difficult to understand, and impossible to solve by one funder or nonprofit at a time. Many are calling for a more collective approach.

- Many complex problems such as hunger, homelessness, and economic insecurity are only increasing in size and scope.

Exponent Philanthropy's private foundation members grant more than

$4 billion

annually, particularly impressive considering that



have no staff

and on average spend just

15¢ per dollar

on operating costs.

—*Foundation Operations and Management Report.* Exponent Philanthropy, 2013.

- Public funding is declining for schools, child care centers, human service organizations, arts groups, and other nonprofits that funders value and support. Many in the philanthropic sector are now openly acknowledging that private dollars cannot make up for the cuts in government support.

In this landscape of scarcity and growing needs, giving in the traditional ways cannot address the demands. By stepping into leadership roles, philanthropists uncover the potential for much greater, catalytic impact.

What do changing times and challenges call us to do as philanthropists?

Use your freedom and agility to listen and respond. Take time to step back, engage your grantees, and ask them the powerful question, What do you need? You have the agility to shift resources quickly to help organizations meet rising demands. If grantees need general operating support or capacity building, you have the ability to respond.

Develop knowledge and insight. You have the freedom and broad perspective to look across your community and pinpoint the most important and neglected problems. Few have your position to do this. You can take time to listen to people who have promising ideas, and get those ideas noticed. You can commission research about an issue and publicize it to catch the public's attention.

Use your power to mobilize. The model that philanthropy has followed for decades, with individual funders working in isolation, is poorly suited to the scope and complexity of current issues. You are positioned in society as few others to bring together people from all sectors—business, government, academia, nonprofits—to identify the most important problems, share knowledge, develop solutions together, and build collective forces.

Fund advocacy. Your grantees know the issues they work on better than anyone. They are in a terrific position to influence policy around those issues, but many don't have the resources or blessing of their funders to do so. Provide support for advocacy, and encourage your grantees to have a place at the policy table.

Use your power to speak out and advocate. Your voice as a philanthropist carries great weight. Most philanthropists don't recognize this, or shy away from it. Speak out about urgent issues you care about. Your voice can bring attention and resources, and help mobilize others. Talk with your elected officials about important community issues as well.

The deep challenges of our times call upon donors and foundations to be not only financiers, but knowledge creators and analysts, convenors, connectors, advocates, brokers, mobilizers, catalysts, and movement builders.

Never has leadership been so needed. Diverse forces and trends are reshaping communities and our society, changing the demands on philanthropy.

Bold leadership by funders is perfectly attuned, and desperately needed, by a changing world.

Senior Program Director Andy Carroll has 30 years of experience in management, training, and program development for nonprofit organizations. At Exponent Philanthropy, he develops resources and programs on grantmaking, leadership, and trends. One of Andy's goals and passions is to empower more foundations and donors to take advantage of their unique freedom, assets, and powers to provide leadership on important issues they feel passionate about. Prior to joining Exponent Philanthropy, Andy developed programs at the National Center for Family Philanthropy and Council on Foundations.

You Can Get There From Here

—Cynthia Strauss, Fidelity Charitable®

Assets in donor-advised funds totaled a staggering $45 billion+ in 2012 —an 18% jump from the year before.

—*2013 Donor-Advised Fund Report*. National Philanthropic Trust, 2013.

I've always found it apt when philanthropists use the term "journey" to describe their giving. To me, the word encompasses the stops, starts and, most important, the learning that accompanies a philanthropic lifetime—the side trips and experiences along the way that so often have deep and significant meaning for the donor. Hopefully, your own philanthropic journey represents a unique and continually rich exploration.

There are multiple giving tools available

Fortunately, there are numerous vehicles available to help you reach your charitable destination as easily, effectively, and efficiently as possible. Until quite recently, foundations and charitable trusts were the most widely employed vehicles for individuals or families with several million or more charitable dollars to dedicate. For more and more today, however, donor-advised funds (DAFs) are being added to the mix.

As DAF programs have grown in number, so have the variety and sophistication of their offerings. Many DAF programs have in-house experts to aid giving that requires an advanced level of support—for example, donating complex assets like private or restricted stock, international giving, or impact investing. Donors can also leverage the DAF program's expertise in supporting donors as they shift to a more specialized charitable focus or adopt an entirely new direction.

No one charitable vehicle is inherently better than another. What

I am seeing, though, is more families and individuals proactively using a *variety* of vehicles to best serve their evolving charitable journey.

DAFs as a complement to trusts and foundations

One couple we work with operates a foundation focused on international giving in Africa. This pair is very personally involved in the cause, and together they make many direct grants to individuals and organizations; overall, their philanthropic style is better suited to the foundation structure. Even so, they have established an active and growing DAF for giving outside their foundation's mission. At the same time, they've established accounts for their two college-aged children to seed and cultivate their independent philanthropic interests.

Whereas private foundations offer maximum control of charitable mission and of how charitable assets are managed and granted, their ongoing maintenance can prove burdensome for some. A couple we worked with recently—a husband and wife in their early 70s, with a 12-year-old family foundation—was in the process of transferring control of the foundation to their grown children. All three children were themselves active philanthropists, but over time each had developed different charitable causes and interests. With busy lives, the children did not want to serve on the foundation's board or engage in the responsibilities required to run the foundation. So the parents disbanded the foundation and transferred the assets equally to four separate DAF accounts—one for the parents and one for each child. In turn, the grown children named their children as successors on their DAF accounts to continue the family's philanthropic legacy.

DAFs also can work hand-in-hand with charitable trusts. We recently helped a family set up three charitable lead trusts (CLTs) for their adult children. The donors designated a DAF as the charitable beneficiary of each trust, and each child was named an advisor to his/her respective DAF. At the end of the trust's term, each DAF will receive the balance of funds from the CLT. This approach proved to be an elegant solution. The parents shared their passion for philanthropy by enabling the children to recommend grants from the DAF. The DAF also offered the children the flexibility to vary the charities supported and the amounts of the grant recommendations over time, without revising the trust's legal documents.

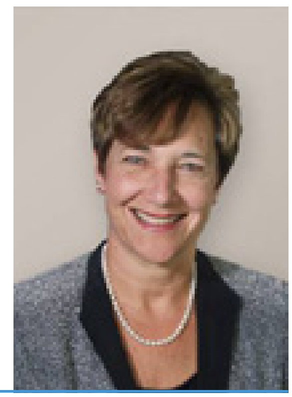
> More families and individuals are proactively using a variety of vehicles to best serve their evolving charitable journey.

No one-size-fits-all approach to giving

The long and short of it is that the old "one size fits all" model—choosing one or another vehicle from which to conduct all of your charitable activity for life—is not always the best solution. More and more, dedicated philanthropists are finding that a combination of giving vehicles over their lifetime can be used to best fit the direction of the unique journey toward their charitable goals.

Cynthia Strauss is the director of research for Fidelity Charitable®, an independent public charity that has helped donors support more than 180,000 nonprofit organizations with over $17 billion in grants. The mission of the organization is to further the American tradition of philanthropy by providing programs that make charitable giving simple and effective. Visit fidelitycharitable.org.

Back to the Future: Planning for Transitions Before It's Too Late



—By Nina L. Cohen, Glenmede

Small-staffed foundation boards **take seriously their responsibilities to fulfill their missions and plan for the future,** reporting their top issues as

Succession 43%

Need for greater focus/ impact 33%

—*Foundation Operations and Management Report.* Exponent Philanthropy, 2013.

World-class athletes do not casually approach a championship match, but rather spend years in training. At the beginning of their journeys, the ultimate goal may be months or years into the future. Likewise, nonprofit organizations and the third-party advisors with whom they partner are now taking the same disciplined, planned approach to navigating the future—including periods of transition.

Transitions can be difficult, overwhelming, and can affect everyone from staff, board, and committee members to trustees, beneficiaries, and grantees. It is important for those involved to understand that being proactive and prepared is integral to simplifying and streamlining transitions. Where possible, transitions must be choreographed to avoid undue risks to the organization's mission and long-term goals.

Taking the time to establish a transition plan allows you to consider a variety of scenarios ahead of expected or unexpected changes, thus limiting vulnerability. Many organizations develop leadership succession plans, but often overlook how other scenarios—such as a considerable increase or decrease in assets or change in the investment policy—may also affect their philanthropy.

Recently, charitable organizations have begun to partner with experienced outside advisors to plan in advance of transition periods and take advantage of their research, resources, and breadth of knowledge.

Change impacts all aspects of an organization

A period of transition influences all areas of an organization. Along with leadership succession plans, protocols should be developed outlining how investment policies and procedures, tax and legal responsibilities, and grantmaking and reporting requirements might change during a transition. These plans should also be regularly reviewed and revised as necessary.

As an example, a significant increase in assets may affect a foundation's investment objectives and warrant an adjustment to the Investment Policy Statement. The portfolio may no longer meet the investment needs or total return requirements of the foundation. Similarly, increased assets may offer the foundation access to previously unavailable asset classes, such as hedge fund partnerships and private equity, introducing investment opportunities that staff and volunteers may not be qualified to evaluate or manage.

A substantial increase in assets may also influence the grantmaking program. What was once a simple process can become considerably more complex with a heightened number of grant requests or larger grant awards, as well as expanded research, due diligence, funding, and follow-up requirements. Furthermore, a foundation may lack the specific expertise or resources concerning the legal, regulatory, accounting, and tax ramifications that a significant increase in assets may generate.

Taking a proactive approach

During times of organizational stability and favorable investment markets, it is easy to become content and simply "let the good times roll." Over the past five years, for example, many investors have enjoyed substantial investment returns. Now might seem like an odd time to initiate transition planning or consider changing the investment strategy. During these periods, however, outside advisors are seizing the opportunity to raise these topics with the charitable entities they serve. Third-party advisors are poised to recognize signs of a potential transition, present options that address transition periods, and help clients create customized transition plans to meet their unique needs.

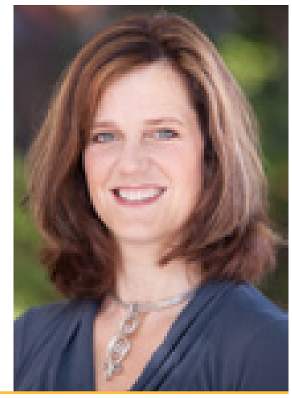
The best advisors have expertise in addressing the intricacies of transition-related investment and advisory matters. While many advisors can manage a basic investment portfolio, fewer are equipped to manage and administer sophisticated investment strategies, provide audit and staff support, or advise on strategic grantmaking, governance issues, and leadership transitions.

Experienced advisors deliver more than just investment results. As a neutral third party, an advisor can help to maneuver complicated family dynamics or board and regulatory issues. Moreover, the ability of a third-party advisor to provide continuity of information and advice over time is invaluable and allows board members and staff to concentrate with confidence on their philanthropic mission.

The right partner truly understands nonprofit organizations, is accountable and aware of the potential organizational challenges, and is able to make the transition process manageable for everyone involved.

Nina Cohen is Managing Director, Director of Endowment and Foundation Advisory, at Glenmede. Independent and privately held, Glenmede was founded in 1956 to serve in perpetuity as the investment manager and trustee of the Pew family's charitable interests—The Pew Charitable Trusts. Today Glenmede provides highly customized investment services to endowments, foundations, institutional entities, and high-net-worth individuals and families. Glenmede also provides customized administration, grants management, and advisory services to foundations and other nonprofit organizations. For further information, please visit glenmede.com.

If Only **We Are Intentional**



—Sara Beggs, Exponent Philanthropy

Philanthropy is changing for a host of reasons, but perhaps most of all because funders are demanding more from it. The expectation that funders will be able to achieve impact, and see that impact, changes everything. No longer are donors satisfied with the mere act of writing checks. They want to see results.

Add to this "results orientation" several other realties of today's philanthropic landscape:

- Philanthropy is more critical, being called to fill in for government cuts.
- Philanthropy is more complex, tackling not only the symptoms but underlying systems.
- Philanthropy is more confusing, with really smart people sharing opposite views of "effective giving": head versus heart, data versus intuition, proactive versus responsive.

Put these realities together, and the good work of philanthropy can quickly become more intimidating than fulfilling. It's even tempting to throw up your hands, bury your head in the sand, and hope your giving will magically produce great results.

But what I've seen in my work with hundreds of funders over the past 14 years is that fulfillment and impact can be achieved—if only we are intentional. But what is intentionality?

Giving by individuals rose

4.2% in 2013

(and 5.7% for all foundations), **meaning total giving could rebound to pre-recession levels** **in just one or two years.**

—Giving USA 2014

No longer are donors satisfied with the mere act of writing checks. They want to see results.

"[Being intentional] requires gaining clarity about what we want and who we are, owning what we say and choosing how we 'show up' in all situations, and for how we want to contribute. Being intentional requires refining skills, learning to choose to respond vs. react, and expanding both thought and comfort zones while consciously increasing focus on the experience we intend to create – without defining how it 'has to' look." —*Be Intentional, a consulting firm that supports personal and professional intentionality*

To fund with intentionality

Being intentional in philanthropy involves the following steps:

Identify and articulate what you want to achieve. No other step is as critical for fulfillment and impact in your philanthropy. Although we may hate to admit to our limitations, it is just a fact that we can only do a few things well. Every other step toward intentionality is dependent on you choosing what you want to do—and, by default, what you won't do. Focusing your giving helps you prioritize not only your grants, but your time, your energy, and everything else you bring to the table. It also makes it easier to know where to look for impact.

Learn enough about your area of interest to make educated decisions. Just as successful businesses assess strengths, weaknesses, opportunities, and threats, successful funders understand the context in which they operate. It is critical to grasp key players, field dynamics, funding sources, effective strategies, gaps, and more so you can make educated decisions.

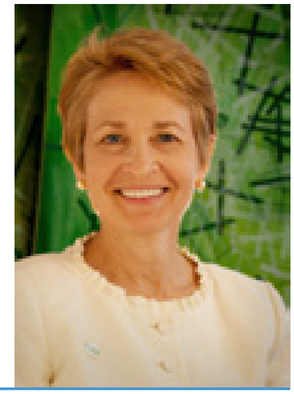
Define thoughtful strategies for achieving goals and pushing past obstacles. Building on the knowledge gained from scanning the field and listening to nonprofit leaders and practitioners, funders who achieve impact typically outline a clear plan to achieve their goals and then test it with key stakeholders. In addition to dollars, consider the many other assets you have that are critical in achieving your goals: time, influence, reputation, connections, knowledge, experience, and the power to convene.

Adapt purposefully as feedback and experience dictate. There's a great deal you won't know when you create your giving plans, even if well designed. Being intentional about learning is just as critical as defining what you want to achieve and how you're going to get there. But learning doesn't have to mean a full-scale evaluation. It can include conversations with other funders, learning from your grantees, successes and setbacks, and/or engaging stakeholders in a meaningful dialogue about what is and isn't working. If you set your mind on learning, opportunities will arise.

These steps might sound overwhelming, but, if you deliberately approach them one-by-one in a narrow giving area, taking the space and time each piece needs, you'll be hooked. It is so much more satisfying to give with intentionality, and you'll have a greater impact too.

Senior Program Director Sara Beggs is all about impact—that is, helping funders make the greatest difference possible through our Getting to Impact initiative. Since joining Exponent Philanthropy (then, ASF) in 2000, she has held almost every senior position except CEO, authored dozens of publications, and organized or led as many programs. Sara's prior work was in the field of community and economic development.

Doing More by Working Together



—Diana Aviv, Independent Sector

Reading up on philanthropy, I recently was reminded that the ancient Greeks so often got many things right. "To give away money," said Aristotle, "is an easy matter and in any man's power. But to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man's power nor an easy matter."

Philanthropy, done effectively, is hard work, with quite a due diligence checklist. As donors consider in what arena they want to see needle-moving change, top of mind is likely to be the vehicles—most often, the nonprofit grantees—through which they do their work. It is through these organizations that many funders are able to realize their goals and, in some cases, accomplish even more than they had hoped.

Bringing different resources to the relationship

Donors potentially bring to the table a lot more than financial resources. Donors have the potential advantage of a broad understanding of a given field, knowledge of the various groups working on particular sets of issues, and of the different approaches they use. The most experienced donors have shared that some of the best ways to learn about the work in a given field is to connect directly with the people working on the ground: the doers.

Donors and doers alike inhabit the same broad environment. Doers typically toil in the trenches and that brings them close to the issues, needs, and realities of the challenge they are trying to meet. Donors have perspective, gained from talking to many people and seeing the problem and what needs to be done from many angles. Doers often have the community networks, the experience with what works, and

Small-staffed foundations support causes near and far:

86% give locally

55% give nationally or internationally

—*Foundation Operations and Management Report*. Exponent Philanthropy, 2013.

Partnerships are changing, and so is the way we see ourselves as donors.

the ability to collaborate in partnership with others. Each brings to the relationship a set of distinctive assets and potential skills that can only make an active partnership between them more powerful. This interdependence is the heart of highly effective work with a combination of vision, perspective, grit experience, and shared passion that brings the parties together even before any formal relationship has been affirmed.

On hearing my analysis, one of my funder colleagues expressed concern about being waylaid by grantseeking organizations. He worried that too much time would be soaked up with "wannabe" grantees pressing their case—followed by a whirlwind of cards, meeting requests, and communications all designed to get funding. He pointed out the high volume of competing requests that results in many more askers than givers and recalled numerous occasions in which he had been approached "practically on the street," which made it very difficult to look forward to communing with potential grantees.

I observed to him that if funders make clear at these early stages that they have come to learn and engage with others in the community and participate with potential grantees in discussions about the issues, the relationships have a very good chance of being productive for everyone. The donor community would do well to be clear about what they are seeking and foster a mutual learning environment. They may discover that many doers welcome their thoughts, their wisdom, and their willingness to help with connections to others, and that grantees can add great value to their own philanthropic experience.

Suggesting guidelines for working well together

A while back Independent Sector convened a group of funders and nonprofits to ponder how they could best build value together. The short list of guidelines developed together included the following:

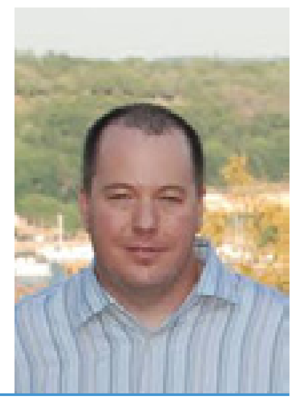
- Funders should opt for general operating support over project support "when feasible and when the goals of the two organizations are substantially aligned";
- Funders should pay the fair proportion of administrative and fundraising costs;
- Nonprofit organizations should engage in "top-notch performance in strategic planning, financial management, evaluation, development, and ultimate impact."[1]

These guidelines still have considerable merit, but they do not necessarily speak to the many directions giving has taken over the past few years. Many donors have strong desires to be actively engaged in the work.[2] As a result, partnerships are changing, and so is the way we see ourselves as donors. If we abide by the ground rules of seeing our partners for who they are and acting with respect, our work together can become not just more harmonious but more effective for the people and communities we serve.

Diana Aviv is president and CEO of Independent Sector, a meeting ground for the leaders of America's charitable and philanthropic sector. Since its founding in 1980, Independent Sector has sponsored ground-breaking research, fought for public policies that support a dynamic, independent sector, and created unparalleled resources so staff, boards, and volunteers can improve their organizations and better serve their communities. See more at independentsector.org.

1 "Building Value Together", 2002, IndependentSector.org
2 http://www.nytimes.com/2014/02/11/your-money/family-foundations-let-affluent-leave-a-legacy

Eyeing Trends in Grantmaking: Youth Engagement



—Mark Larimer, Foundant Technologies

One of the most satisfying and exciting opportunities we have at Foundant Technologies is to spot and highlight growing trends.

One of the trends we see in our work with over 600 grantmakers is the engagement and involvement of youth (ages 8+) during the grantmaking process. These young people represent the future of grantmaking, and their generation's view of philanthropy is sure to influence the entire charitable community.

We think it's important not only to pay attention to this trend of youth grantmaking, but also to invest in the development of these young philanthropists. As a result, for the past several years, Foundant has sponsored efforts to engage next gen members in philanthropy. We are proud to have been part of this exciting evolution in the field.

Consider what involving youth could mean for your giving. Think about how you might benefit from a different perspective when evaluating your processes or reconsidering your current funding focus. A young voice can spotlight old habits by asking questions or

Total U.S. charitable giving rose for a fourth consecutive year in 2013, **influenced most by the additional $9.69 billion in gifts made by individuals over the previous year.**

—Giving USA 2014

making suggestions. Youth will also provide insight into how the younger generation views common problems. For example, who better than young people who spend their days immersed in education to provide a unique and grounded perspective to grantmakers in education? Finally, the energy and enthusiasm youth bring to this work are contagious. They put in tremendous effort and thought even for grants many consider small; to them, $1,000 is indeed life changing.

- They plan local service projects and, every two years, international service trips for the entire family, young and old, to meet the people their grants help and gain perspective on the triumphs accomplished and challenges remaining.

- They have made the youth an integral part of their organization through continued training in philanthropy and essential professional skills.

Young people represent the future of grantmaking, and their generation's view of philanthropy is sure to influence the entire charitable community.

More often than not, youth approach philanthropy differently than adults. When you involve them, you can expect a more hands-on approach. The younger generation expects a relationship with their causes. This relationship, most likely, is as simple as following them via social media, but they want to hear the stories of the people they are helping. Most youth programs we have seen include some type of volunteerism as well.

Here's an example of how tapping youth energy can transform your organization: One of our family foundation clients had a rather hands-off approach to their giving. They had an outside agency collect, review, and recommend grants. They found that new generations were less involved, and the philanthropic process was becoming more about the money and less about the cause. They realized they needed to make a change if they wanted to live up to their mission. They changed their entire organization to engage their youth, and, in turn, their family:

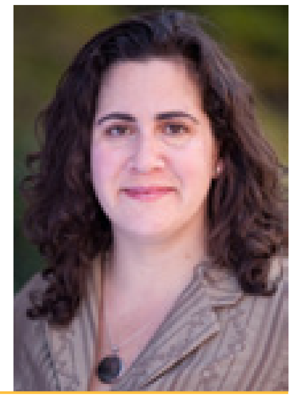
- They created a youth board, empowered them with funds, and gave them authority to grant those funds.

When family members *and* youth are involved in an organization's philanthropy, everyone becomes reenergized. Increased participation leaves family members feeling more connected to the process and its impact. Instead of focusing on how much money is given in a year, for example, attention is drawn to stories, updates, and the resulting impact of the giving, which make the entire process feel more personal.

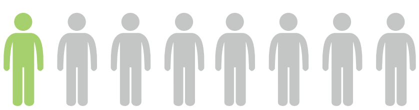
Are you ready to get started? Dive in! Engaging youth philanthropists now—when they are young—provides an excellent opportunity for everyone to learn from one another and for the older generations to be involved in charting the path forward.

Mark Larimer leads the Client Services and Marketing teams at Foundant Technologies. Foundant is the fastest growing company providing grants management solutions to over 600 grantmakers of all types and sizes. Mark's high-tech career includes time with Extended Systems (acquired by Sybase) and RightNow Technologies (Nasdaq: RNOW) prior to helping to found Foundant in 2006. Learn more at foundant.com.

The Power of Community to Develop Young Leaders



—Janice Simsohn Shaw, Exponent Philanthropy



About **one in eight** American donors reports having participated in a giving circle.

—*Connected to Give: Community Circles*. connectedtogive.org, 2014.

As Exponent Philanthropy chose to invest deeply in emerging philanthropic leaders in recent years, I've been privileged to be at the helm of our Next Gen Fellows Program, which brings together young leaders for 6 months of learning, connecting, and mentorship.

The Fellows, young trustees and staff alike, do amazing work, from microloans in the developing world to continuing a 100-year tradition of support in Troy, NY. The list goes on and on.

These leaders are as diverse as any group in their passions, politics, priorities, and concerns. Yet when they come together, something magical happens. Their confidence rockets, and their collective energy, commitment to good work, and potential for difference-making follow suit.

Why is community so powerful in developing young leaders?

Philanthropy can be a lonely business. Whether you're the only staff member in your 20s, or a sole next gen trustee or executive director, finding collaborators and honest feedback can be difficult. As one Fellow shared, "Community has been an important professional development marker, given that I work at home by myself. Am I listening well enough? Being respectful of different opinions? Basically, playing nice with others? I haven't been at this long enough that I have many professional relationships, so those that I do have are meaningful."

Unique dynamics at play today make the power of community—and investments in young leaders—deeply important.

Confidence is bolstered. One 30-something reported upon attending a regional grantmakers' gathering that she would never have had the confidence to attend—let alone ask questions—before becoming part of the cohort of Fellows. Participation helped put her role and her work in a broader context—even if that meant knowing just how individualized and personalized philanthropy can be. "The biggest thing I've gained from community is the confidence to continue the path that I'm on. Hearing how everyone else is doing things, and appreciating our differences and different situations, has made me more comfortable with my own decisions."

It's empowering to know others in similar shoes. It's one thing to gain knowledge—to read books, attend conferences, or even go to graduate school—and yet another to gain a community of peers who can help you determine how to put that knowledge into practice. As another Fellow wrote, "Being able to connect with next gen'ers experiencing some of the same trials and tribulations provided a needed union between empathy and problem solving."

Millennials grew up collaborating. As a general rule, those in their 20s share comfort with working in groups, and the support of the group is missed when working alone. After years of intergenerational work with our members, this understanding came my way only recently in a frank (and frankly humorous) conversation with some of our younger team members at Exponent Philanthropy.

And although our Fellows—and our staff—stay connected through social media, email, and conference calls, the desire for connectedness cannot be entirely fulfilled online. There is still nothing that compares to being together in person.

Supporting young leaders—and building communities for them—is crucial now. Unique dynamics at play today make the power of community—and investments in young leaders—deeply important.

For starters, silos are crumbling in today's world. The federal government and many local and regional governments, for example, have opened their doors to partnerships with philanthropy. To see examples, we need only look to the Social Innovation Fund, now a key arm of the Corporation for National and Community Service, or the City of Newark, NJ, which has an assigned philanthropic liaison. We are part of an interdisciplinary system, and building communities supports the cross-pollination of ideas.

Likewise, much has been written about the ongoing intergenerational transfer of wealth—and organizational leadership—that make investments in young leaders among our field's smartest moves.

Simply put, your philanthropy—and our world—will benefit from investing in young leaders and building communities of support and practice for and with them.

Senior Program Director Janice Simsohn Shaw is our networking maven, always happy to connect members and others for learning and growth. Over her near-decade at the organization, she has played a number of roles. She now oversees the Master Juggler Executive Institute and the Next Gen Fellows Program, as well as other work engaging young people in philanthropy. She is a popular facilitator at conferences, and she loves designing interactive learning experiences. Janice previously was a small-town newspaper reporter, led Earth Day events at the United Nations, and organized a cross-country charity bike ride.

Large and Small Funders Partner to Benefit Community

—Jennifer Acree, Flint Associate Program Officer, Charles Stewart Mott Foundation; Nick Deychakiwsky, Civil Society Program Officer, Charles Stewart Mott Foundation; and Kathi Horton, President, Community Foundation of Greater Flint

Much is being written in the "philanthromedia" today about funder collaboration, which is all very good but appears mostly in broad terms. One type of partnership does not always receive its due: partnerships between large and small funders.

Of course, what is large and what is small is up for interpretation, but, in this case, our emphasis is on staff size and geographic scope more than assets and budget. Because this is a special year—the 100th anniversary of the establishment of the nation's first community foundation—we wish to highlight some examples of how the Charles Stewart Mott Foundation (Mott) and the Community Foundation of Greater Flint (CFGF) work together to advance the good of our home community of Flint, Michigan, and the surrounding county.

Although Mott is often thought of as mainly a national and international funder, typically anywhere from 25% to 35% of annual grant dollars go to our home community. The foundation has strong and deep roots in Flint, and yet our local grantmaking is greatly enhanced by working with Flint's community foundation.

The United States is home to

86,000+ grantmaking foundations.

More than **98%** have assets of less than **$50 million**, and many **give big while keeping their staff size small.**

—Foundation Center

Partnerships between funders are not always simple, but when partners share a common vision, their work together can be very beneficial.

The unique capital of large and small funders

As a large foundation, our most valuable and effective capital is financial. Mott also draws on its connections and relationships on the national and global levels to introduce ideas that enhance the local work of both institutions. Whereas CFGF also deploys significant financial resources for community benefit, its most valuable and effective capital is social. CFGF can more readily catalyze the interest and ability of a broad swath of community members to engage in community problem solving. The community foundation is closer to the ground, bringing community knowledge and resident engagement to the community issues both foundations address.

One example of how this partnership has benefited the community is the Neighborhoods Small Grants Program (NSGP), funded by Mott between 1984 and 1994. Ultimately, 25 community foundations around the country received Mott grants and consultant services totaling more than $6.4 million to address issues facing local communities. In Flint, the NSGP was administered by CFGF, to which Mott provided direct funding aimed at addressing persistent poverty. Based on early lessons learned among the community foundations that received support—as well as the particular focus of Flint's community foundation on grassroots groups—a $408,000 endowment was established by Mott at CFGF in 1993 to ensure that neighborhood grants would endure as part of CFGF's grantmaking fabric.

CFGF has leveraged the NSGP in many ways over the years. CFGF now receives funding from additional sources to support program management costs and to increase the number of available grants. Starting in 2013, CFGF began "next-level" grants of up to $5,000 for groups with greater programmatic capacity.

More recently, both foundations partnered on "Imagine Flint," the city's first master planning process since the 1960s. Mott supports the master planning work with funding for contract services and staff salaries not covered by the city's $1.57 million grant from the U.S. Department of Housing and Urban Development. During the planning process, CFGF partnered with the City of Flint to assess the residential housing stock. The data were critical to "Imagine Flint," which was launched in 2012 and resulted in a plan approved unanimously by the Flint City Council and the Flint Planning Commission in October 2013. The data also have been included in applications for state and federal blight elimination funding, which now totals $23 million. CFGF and the city again partnered with neighborhood groups to complete a similar analysis of commercial properties.

In addition to the mini-grants and next-level funding, a third NSGP grantmaking strategy will continue to support projects that involve neighborhood participation in the implementation and updating of Flint's master plan.

Partnerships between funders are not always simple or easy, especially long-term ones between foundations of different sizes and types. But when the partners share a common vision—like, in this case, the vitality of Flint, Michigan—their work together can be very productive and beneficial to the community.

The Charles Stewart Mott Foundation is a private, grantmaking foundation based in Flint, Michigan. It affirms its founder's vision of a world in which each of us is in partnership with the rest of the human race. Learn more at mott.org.

The Community Foundation of Greater Flint serves the common good in Genesee County – building a strong community by engaging people in philanthropy and developing the community's permanent endowments. See cfgf.org.

The Fiduciary Standard in Investment Management—Why Is It So Important?

—Peter J. Klein, CFA, CRPS, Klein Wealth Management at HighTower Advisors

In the post-financial crisis media landscape, there has been much discussion around transparency and accountability. Financial advisors who work with investment committees of foundations, endowments, and other philanthropic entities find the fiduciary standard an important component of their work. But many are actually not fiduciaries. In fact, the Dodd–Frank legislation of 2010 required the SEC to study the fiduciary standard, because there is a good deal of confusion among investors as to what it really means.

Why is the fiduciary standard such an important area of discussion? What does it mean for the portfolio and the ultimate outcome for the charitable entity?

Understanding the fiduciary standard

To demystify this issue and provide a glide-path to charitable boards who are making important decisions about the advisors mandated to watch the organization's most important asset—its portfolio, let's begin with a definition:

> *Fiduciary:* an individual in whom another has placed the utmost trust and confidence to manage and protect property or money; the relationship wherein one person has an obligation to act for another's benefit

This appears to be a simple principle, and most readers might be thinking, "I already have a fiduciary managing my foundation's portfolio, right?" But do you? Is your financial advisor a fiduciary or simply a broker-dealer in advisor clothing?

To get to the bottom of this issue, we need to start with the differences between broker-dealers and investment advisors (see the chart below). Although both assist individuals and institutions in making financial decisions, and charge fees or commissions on the investments they execute, they are not the same—although most people believe they are.

The Fiduciary Difference

Advisors	Brokers
Independent; allegiance to clients only	Works for a firm; duty to broker-dealer
Fiduciary standard	Suitability standard
Overseen by the SEC and guided by the Investment Advisors Act of 1940	Overseen by FINRA (a self-regulatory agency) and defined by The Securities Exchange Act of 1934
Assists individuals and institutions in making financial/investment decisions	Assists individuals and institutions in making financial/investment decisions
Must disclose any conflicts of interest	Not required to disclose conflicts
Trades must be placed under "best execution" standard	Not required to place trades under "best execution" standard
Fees on assets or fees based on time spent or commissions	Fees on assets or fees based on time spent or commissions

A broker is defined by the SEC as "someone who acts as an agent for someone else" and a dealer as "someone who acts as a principal for their own account." So a broker acts as an intermediary between an investor and a product, and a dealer may actually be that product. Broker-dealers must follow the suitability standard, meaning an investment simply needs to be suitable for that investor's situation. There can be conflicts (like higher fees for one investment over another), but, as long as the investment meets the suitability standard, the broker is in compliance. Investment advisors are bound to the fiduciary standard that was established by the Investment Advisors Act of 1940, requiring them to put their client's interest above their own—period. There also is a key distinction in what loyalty is owed to whom: the broker has a duty to the broker-dealer firm he works for; the investment advisor has a loyalty only to his client. *But how does this difference affect portfolios of foundations and endowments? What do investment committees of these philanthropic entities need to worry about?*

The fiduciary standard in practice

Fees are one of the biggest determinants of long-term investment growth; the lower the fees, the greater the returns. Among portfolios composed of individual equities and bonds, the fees are simply a calculation of the fully disclosed management fee plus any drag due to trading costs and turnover. But among portfolios allocated toward ETFs, closed end funds, hedge funds, alternatives, and the like, the fee issue is much more pervasive. This brings us back to the fiduciary standard. If your investment professional doesn't put the portfolio's interests above his, he may populate it with products that generate greater fees for his firm.

Philanthropic portfolios have the ultimate objective of making a difference to the nonprofits they support. Charitable entities must ensure their portfolios are being managed in a fashion akin to their own fiduciary responsibilities.

Peter J. Klein, CFA, CRPS, is president of The Claire Friedlander Family Foundation and managing director/partner of Klein Wealth Management at HighTower Advisors, a recognized authority in security analysis, investment management, and philanthropic services. Klein Wealth Management puts its extensive knowledge to work for affluent individuals, retirees, corporations, and private foundations—seeking to create and fulfill legacies its clients can be proud of for generations. Learn more at hightoweradvisors.com/who-we-are/advisors/klein-wealth-management.

The Power of Networks: More Than a Cliché

— Hanh Le, Exponent Philanthropy

Women have contributed significantly to the collective giving movement.

The Women's Collective Giving Grantmakers Network currently represents **7500 women** who have given more than **$58 million.**

—wcgn-network.org

Exponent Philanthropy and Grantmakers for Effective Organizations (GEO) recently partnered to publish "Supporting and Engaging in Networks." Based on GEO's broader body of work, "Cracking the Network Code," it explores how funders are working with and through networks to achieve more with their giving—essentially, how funders can leverage the power of networks.

And there it is, a phrase we hear and see so often these days: *the power of networks*. When will we stop hearing people espouse "the power of the network"? Not likely anytime soon, since networks are indeed powerful, and they aren't going anywhere.

Networks, groups or systems of interconnected things or people, have been around as long as there have been things and people, and they will continue to be around as long as things and people continue to exist.

Why all the buzz now, then, and what's the "so what" for philanthropy?

The inherent benefits of networks

For one, today's technology is allowing networks to form, thrive, and grow at a rate few could have imagined a decade or two ago. The inherent benefits of networks—economies of scale, enhanced collaboration, and greater accountability—are also amplified by technology.

For another, the impact of networks on philanthropy's key issues—from individuals to ecosystems, counties to countries—is notable and inspiring. Through networks like affinity groups, giving circles, funder and nonprofit collaboratives, and collective impact initiatives, donors are joining with others to work toward powerful, shared goals.

At Exponent Philanthropy, we're gratified to see the power of our own network. Data from our most recent member survey indicate that our highly engaged members are more likely than less engaged members to report that they have learned and improved as a direct result of their membership in our network.

Engaging in our network yields a number of benefits according to our data: being more of a leader, learning nuts and bolts, feeling inspired to have greater impact, being more connected with peers, and feeling engaged in your philanthropic work.

Choosing a network wisely

With so many networks out there and a finite amount of time and attention, it can be hard to choose which to engage in and to what degree. Like most things in philanthropy—and life—goals and capacity should inform the decision.

Just like aligning grantmaking to meet philanthropic goals, choosing a philanthropic network and deciding how to participate should also be aligned with your philanthropic goals. To be sure, as your needs, capacity, and interests evolve over time—as well as the strengths, focus, and value of various networks—the networks in which you engage and the degree to which you engage will likely shift.

Take as an example a type of loose network with which many are familiar: the book club.

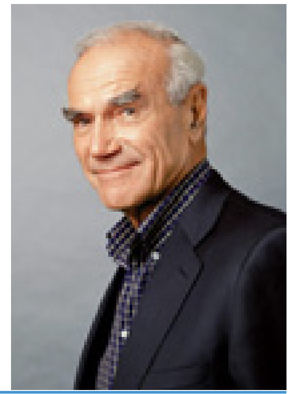
There are lots of good reasons for taking part in a book club, but what do you do if it starts to become a chore? What if it becomes something you dread rather than something that inspires, informs, and connects you? The simple answer might be to move on from the book club. Although that's always an option, alternatively, you could decide to play a more active role in reinvigorating the book club so that it better meets its goals.

> **That's the beauty of networks: Their power—philanthropic and otherwise—ultimately depends on the power of individuals.**

And that's the beauty of networks: The power of networks—philanthropic and otherwise—ultimately depends on the power of individuals. Something this author hopes never becomes cliché.

Chief Program Officer Hanh Le leads our Programs and Services Team in guiding, connecting, championing, and elevating philanthropy with few or no staff. She has directed training, grant, and technical assistance programs for KaBOOM!, Community Technology Centers' Network, and Peace Corps. Passionate about collaborative impact and community, Hanh helped launch the DC-area's first Asian American giving circle, the Cherry Blossom Giving Circle.

The Way Forward: Find, Fund, and Support Social Entrepreneurs



—Bill Draper, Draper Richards Kaplan Foundation

In this open letter to philanthropists working with few or no staff, venture capitalist turned venture philanthropist Bill Draper outlines an approach to address today's social issues. Just as the best of venture capitalists achieve enormous, outsized impact in their chosen for-profit investments, each of us, as investors in the nonprofit arena, can strive for the same returns. Draper, one of the first to transfer his venture approach to philanthropy, offers a 3-step model and examples of successful investments.

At the Draper Richards Kaplan Foundation, we have one singular belief that drives everything we do. We believe that, with early funding and rigorous support, exceptional social entrepreneurs tackling some of society's most complex problems can make the world a better place. It's that simple.

We've taken this one singular belief, borrowed from our venture capital legacy, and created a unique model, proven over a decade, for working with world-class social entrepreneurs. We find, fund, and support leaders with exceptional promise and impactful ideas that have the potential to scale.

A time-tested three-step process

It's hard work to be sure, but over the past 12 years, we have seen these organizations materially impact the lives of millions.

Find—Through exhaustive due diligence on hundreds of potential portfolio opportunities, working in close contact with partners, networks, and institutions crossing the public, private, and non-profit sector, we narrow our focus on a select group of exceptional leaders and organizations.

Social Venture Partners—a group of 3,000 donors who invest money, time, and skills in their community's nonprofits—has invested more than **$53.5 million in 685 nonprofits over its 17-year history.**

—socialventurepartners.org

The real difference is in partnering with passionate leaders and giving them rigorous and unrelenting ongoing support to pursue their dreams to change the world and to help them dream even bigger.

Fund—Early on, we recognized two things that drive our funding model: 1) unrestricted capital is the most precious capital that our portfolio companies need to build out their organizations; and 2) multiyear funding, as opposed to a one-time grant, is a critical success factor in helping these great organizations achieve scale.

Support—We also have learned that just giving early stage organizations money and checking in periodically isn't enough. Our approach is materially different. We partner with the leaders of these organizations and provide rigorous and unrelenting ongoing support. We take a board seat for 3 years, often serving as the first outside board member. We work day and night with our grantees, opening our networks and contacts to each of these select organizations, facilitating meetings, convening critical resources, and working side by side with each leader to help all reach their full potential and build their organizations to scale.

Since we started in 2002, we have invested in more than 60 social entrepreneurs both domestically and internationally. Since our first dollar was invested in our portfolio companies, our dollars have been leveraged more than 50 times, raising over three-quarters of a billion dollars for our portfolio companies who are advancing social good across the globe.

Our portfolio grantees have averaged more than 50% year-over-year growth in revenue over their 3-year grant cycle, and many have achieved multiples of the key impact metrics that they track.

Our early investments speak for themselves:

- Kiva has enabled more than $550 million in loans to low-income businesses;
- One Acre Fund reached more than 130,000 farm families in 2013 alone and increased their farm income by 50%–100%;
- Room to Read has helped a staggering 8.8 million children to become more literate;
- VisionSpring has delivered over 1.7 million pairs of eyeglasses to the developing world; and the list goes on and on.

And whereas our legacy investments are impressive, our current portfolio reflects similar innovation and promise, helping to provide critical access to health care, food security, social justice, water and sanitation, transparency and accountability, and shelter. We look forward to partnering with all of you to find, fund, and support social entrepreneurs—and change the world together.

William H. (Bill) Draper III is one of America's first venture capitalists. He serves as co-chairman of The Draper Richards Kaplan Foundation, which seeks to dramatically improve the lives of people and the world around us through innovative strategies, systems changing approaches, and disrupting technologies. The foundation's goal is to find social entrepreneurs with dynamic ideas and nurture them at the early stages with maximum leverage and total commitment. Learn more at drkfoundation.org.

Maximizing Social Returns Through Impact Investing

—Jason Baron, U.S. Trust® Head Portfolio Manager of Social Investments,
and Jackie VanderBrug, SVP Social Investment Strategist

Impact Investing—the idea that individuals and institutions can align their investments with their values, produce competitive returns, and make a difference on a local and/or international scale—has gained significant ground of late with some arguing that the potential social returns that would result from greater deployment of impact investing strategies could be far greater than those derived from traditional charitable giving.

The rationale for impact investing

Resource constraints, political and demographic trends, and global political and human rights challenges serve to underscore the importance of—if not the imperative for—using impact investing strategies.

Limited philanthropic and government support has proven to be insufficient to address increasingly complex societal issues. As the multitrillion dollar intergenerational wealth transfer occurs, women and Millennials—both of whom are more inclined to align their investments with their values[1]—are controlling a greater share of assets. At the same time, societal values have shifted toward a greater appreciation of—if not demand for—"non-financial" political and corporate governance practices including positive environmental and social impacts as indicators of good management and performance. And there are more examples from which to learn—whether we relate to the social entrepreneur who goes "all in" when choosing to invest all holdings for social purpose or to a family foundation that starts smaller by socially investing a portion of its endowment.

The supply–demand gap

While interest in the broader engagement of

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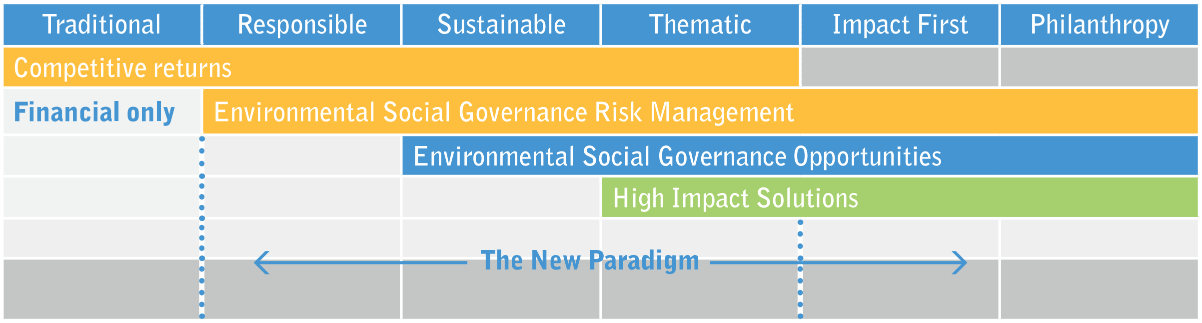

assets in support of social gains is growing, the availability of quality products that fit within the confines of the investing and regulatory environment is a significant inhibitor. The current "impact first" market is frequently deployed in a private equity general partner/limited partner structure.* In addition, while the move from traditional social impact funds—which employ negative screens (eliminating investments in tobacco or fossil fuels, for example) thereby limiting the universe of potentially profitable investments—to a more active and demanding approach to social investing is underway, it has been slowed by the fact that the relatively small-sized boutique or specialty firms currently engaged in social investing while innovative, have limited platforms and distribution channels for their investment products.

We are, however, optimistic about the ability of emerging partnerships between charitable endowments, underwriting entities, social finance organizations specializing in measurement, and individuals to produce market demands and structural innovations sufficient to bring this powerful tool to scale. For individual investors, a conversation about personal philanthropic values and goals against the backdrop of the continuum of approaches to integrating mission in investing is a critical first step in deciding how to become a more socially conscious investor. Some begin with increasing social and environmental impact in market rate investments[2]. Others begin from where investments might accelerate mission achievement, regardless of returns. Whatever the approach, impact investors are united in their belief that the economy of the future needs and offers opportunities for doing well and doing good. The value is when this belief moves into concrete action.

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1 2013 U.S. Trust Wealth & Worth Study (http://newsroom.bankofamerica.com/press-release/global-wealth-and-investment-management/high-net-worth-investors-refocus-growth-overlo)

2 For example, U.S. Trust's Socially Innovative Investing platform allows the investment product, S2I, to rate companies based on more than 400 characteristics reflecting thoughtful management and potential sources of value — such as pay parity, gender and diversity considerations, and environmental stewardship. The approach is customizable (allowing clients to direct impact) and sophisticated (leverages technologies to avoid unintended concentrations).

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