



FALL 2004

San Diego Grantmakers

OUR VISION IS TO BUILD A STRONG PHILANTHROPIC COMMUNITY STRENGTHENED BY OUR VIBRANT LEADERSHIP.

OUR MISSION IS TO CONNECT, INFORM, DEVELOP, AND INSPIRE A DIVERSE GROUP OF FOUNDATIONS AND CORPORATIONS TO STIMULATE EFFECTIVE PHILANTHROPY IN THE SAN DIEGO REGION.

*This Issue:
Governance and
Accountability*

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Governance

Back at the SDGrantmakers office I recently did a Google search on foundation governance (using Boolean laws, foundation + governance). There were over 1.5 million articles cited. Many of the articles responded to recent cries of wrongdoing. Why the doomsday perspective?

Governance is about doing our work and doing it well: going beyond basic fiduciary responsibility and performing—developing relationships and making impact. That is what SDGrantmakers is about, that is what this newsletter is about, and that is what your work is about.

STATEMENT ON GUIDELINES FOR THE FUNDING OF NONPROFIT ORGANIZATIONS

In recognition of the important role funders play in helping grantees achieve their missions, the board of directors of Grantmakers for Effective Organizations, www.geofunders.org, developed its *Statement on Guidelines for Funding Nonprofit Organizations*, which outlines grantmaking practices that contribute to grantee effectiveness. Constructed by a committee of grantmakers and nonprofit leaders chaired by Paul Brest, president and CEO of the William and Flora Hewlett Foundation, the videos are provocative and are offered as food for thought.

IT SERVES AS A HEALTHY DOSE OF FOOD FOR THOUGHT:

Funders can often achieve their strategic goals through core support for organizations whose goals are substantially aligned with their own. Where appropriate and feasible, funders should prefer multi-year, reliable core support to project support.

Reliable, predictable, and flexible support is the lifeblood of nonprofit organizations. It provides the working capital that every organization needs to carry out its mission and respond to new challenges and opportunities. Core support is essential for the individual organization's sustainability and for a vibrant and pluralist "independent sector."

Funders should be responsive to the capitalization needs of organizations, and to the forms of funding necessary to sustain them. Funders should not assume that an organization will become self-sustaining or that others will fund it after they have

ceased supporting it. An "exit strategy" with respect to organizations pursuing social change tends to make the most sense when the social objective has been achieved, when other funders or government agencies are prepared to carry on the work, when the organization is performing poorly, or the anticipated social return on investment is low or declining.

SDG member The California Wellness Foundation decided in 2000 to focus on giving general operating support to grantees. Guided by the premise that "individuals and organizations that work on the front line know best how resources need to be allocated to improve the health of the diverse populations in California," the strategy has allowed the foundation to be more responsive to the needs of grantees. More than half the foundation's grant dollars cover general operating support.

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Why Public Policy Makes an Impact

Foundations can play an important role in public policy. Those foundations that are engaged in this endeavor are in a unique position to actually create public policy infrastructure and make a greater difference. Earlier this year, Patricia Sinay, Community Investment Strategies, introduced three experts in the policy-making arena.

Donald Cohen, Co-Founder and President of the Center on Policy Initiative (CPI), discussed the important role of research in public policy, specifically as it identifies critical issues. CPI was established in 1997 and promotes higher standards of living for poor and moderate-income families through research, policy development, public education and effective advocacy. CPI believes in the importance of understanding the dynamics of an issue and involving the community most affected in the decision-making process.

Stephanie Gut, Director of the San Diego Organizing Project (SDOP), shared SDOP's role as a powerful voice that is responding to community concerns and creating a future of hope for all San Diegans. Founded in 1979, SDOP is a faith-based community organization that has united people throughout San Diego County. SDOP believes that San Diego's greatest resource is its people. It builds powerful volunteer-driven organizations that empower hundreds of people to develop and implement solutions for community concerns.



Attendees of the annual conference workshop on Public Policy discussed the role foundations have in influencing public policy.

Barbara Masters, Health Policy Advisor at The California Endowment, shared her 20 years of public policy experience and The California Endowment's role in funding programs that move public policy into action. Nationwide, foundation support for public policy increased 250% between 1995 and 2002, and those investments can influence public policy on federal, state and local levels. Barbara noted that a foundation can avoid lobbying, yet fully participate in advocacy, noting the four main activities necessary for creating public policy change:

- research and data
- policy analysis & development of action plans
- communications & public awareness
- advocacy

Policymaking can be unpredictable and uncertain—participation is a risk-taking venture and requires a full commitment. A foundation's strategic, flexible and responsive engagement in its public policy investments can have huge payoffs in the enhancement of society.

For more information on advocacy – for funders and nonprofits – visit Alliance for Justice, www.afj.org.

Listening to Grantees: What Nonprofits Value in Their Funders

Grantmakers, with few exceptions, pursue their goals and achieve their impact largely by working in partnership with their grantees. The Center for Effective Philanthropy, www.effectivephilanthropy.org, sought to address this issue by surveying thousands of grantees and issued the report *Listening to Grantees: What Nonprofits Value in their Foundation Funders*.

The study identified three key factors that grantees value in their funders and predict overall grantee satisfaction.

WHAT NONPROFITS VALUE

1. Quality of interactions with foundation staff: fairness, responsiveness, and approachability.
2. Clarity of communication of a foundation's goals and strategy: clear and consistent articulation of objectives.
3. Expertise and external orientation of the foundation: understanding of fields and communities of funding and ability to advance knowledge and affect public policy.

Ultimately, grantmakers are reliant on grantees to advance their agendas. It is, therefore, crucial that grantee perceptions of the key factors affecting grantee-funder relations are understood.

The same factors also predict grantees' perceptions of the foundation's impact on the organization, field, and community it funds.

Ultimately, the beneficiaries of better funder-grantee relationships are not just grantees and their funders, but the communities they see to affect through their work. Drawing on the study, the Center makes the following recommendations:

- Make the necessary investments in administrative expenses required by the three factors
- Support the development of specific and relevant expertise by the program officers and those working with the nonprofit partners
- Seek to maintain consistent focus and direction
- Communicate in a timely manner, clearly, consistently, and accessibly
- Seek out comparative, confidential grantee perspectives

Foundation Governance: the CEO Viewpoint

The Center for Effective Philanthropy, www.effectivephilanthropy.org, recently launched an initiative to develop a set of data on foundation boards that leads to new understandings of the distinct challenges facing foundation boards and identifies practices that are most effective in overcoming the challenges. Their study, *Foundation Governance: the CEO Viewpoint*, is the first step in identifying key elements of foundation effectiveness.

The research, primarily focused on large foundations, cites a high degree of commitment and dedication on the part of trustees to the mission of foundations, the intent of donors, and the needs of communities.

Boards that are perceived as most effective are highly proactive and deeply engaged in guiding and evaluating the substantive work of the foundation. They do not limit themselves to the traditional roles of overseeing investments and approving individual grants. Instead, these boards spend significant time on foundation business outside of formal meetings, actively review policies in response to external events, help devise the foundation's strategy, and assess its social impact and overall performance.

The study suggests that CEOs want and value the advice of board members about program strategy, social impact, and other substantive issues. The research revealed no evidence that a "hands-off" approach is preferred. Five key variables are strong predictors of the degree to which CEOs consider boards effective:

- Involvement in assessing the foundation's overall performance
- Bringing thought-provoking and important concerns to the attention of the CEO
- Responding to recent media and legislative scrutiny through board-level discussions of governance
- A lower proportion of donor's family members serving on the board
- Actively representing the foundation to the public

The recent scrutiny of corporate boards and foundation practices have prompted board-level discussions at many of the foundations surveyed. A third of the foundations adopted changes in governance in response. Instituted changes fell in the following categories:

- Changing committee structures or adding an audit committee
- Requiring board review or CEO sign-off of tax returns
- Adopting new policies, especially concerning conflicts of interest

These changes tend to increase transparency and accountability in financial reporting and decision making but they do not necessarily influence the factors the report identified as most important to board effectiveness.

The study suggests that boards should review how they spend time and consider ways to motivate higher levels of board engagement.

*San Diego
Grantmakers
welcomes
our newest
members . . .*

- **COMMUNITY
TECHNOLOGY
FOUNDATION OF
CALIFORNIA**
- **INVITROGEN
CORPORATION**
- **THE SAN DIEGO
COUNTY MEDICAL
SOCIETY
FOUNDATION**
- **THE VITERBI
FAMILY
FOUNDATION**

*Thank you for joining
our network of committed
grantmakers.*

Competing Definitions of Accountability

Narrowly defined, the term “accountability” means having to answer to another for one’s actions. Evelyn Brody, Chicago-Kent College of Law, outlines four ways of understanding accountability.

1. **Financial Probity.** This closely focuses on fiscal responsibility and preventing financial fraud and abuse.
2. **Good Internal Governance.** There is broad consensus in the field about the best board governance practices that ensure an organization is operating in a sound way. Brody argues that increasingly other stakeholders, including beneficiaries, staff, donors, the community, and the public, demand a role in decision-making. These demands raise questions about how much of a role these stakeholders should have and what degree of transparency is appropriate.
3. **Adherence to Donor Intent and Mission.** Some argue that a nonprofit is accountable to its donors’ intent. This sense of accountability can raise problems about the future of organizations. Brody suggests “What one person calls mission drift, another may call responsiveness.”
4. **Effectiveness and Public Trust.** The broadest and most problematic conception of the term accountability is related to a nonprofit’s effectiveness, but there is little agreement about what constitutes effectiveness.

Strengthening Foundation Accountability

A recent Aspen Institute publication noted that foundations are most effective when they operate openly and accountably, when they are clear about their objectives, and when they effectively communicate these objectives. The report identified four mechanisms particularly deserving of consideration:

1. **Strengthened Regulatory Oversight.**
2. **Increased Transparency.** Foundations do their jobs better when they clarify the objectives they are seeking, inform potential grantees of priority interests, and make the public aware of foundation accomplishments.
3. **Enhanced Public Access.** Stakeholder groups bring useful information into the foundation decision process, promote collaboration, help leverage foundation resources, and promote the perceived integrity of foundation operations. Foundations can engage stakeholders through a range of methods:
 - broadening the composition of foundation boards to give wider segments of the community access to foundation decision-making;
 - creating advisory bodies to bring added voices, expertise, and experience to foundation strategy setting;
 - strengthening and increasing support for independent, outside groups that review foundation performance and governance and help ensure that the foundation community as a whole upholds the public’s trust.
4. **Strengthened Foundation Staff and Board Engagement and Preparation.** Conscientious and well-informed foundation boards and staff can be cultivated through formal board and staff training, professional development, board retreats, regular board and staff self-evaluations, regular board involvement in setting and reviewing foundation mission statements.

COF 2005

Annual Conference

April 10-12, 2005



Colleagues:

San Diego has a special opportunity coming our way in 2005 when **the Council on Foundations (COF) holds its annual conference in San Diego, April 10-12, 2005**. The event will bring together over 2,000 grantmakers to learn, reflect, network and celebrate. This conference will provide a unique opportunity to highlight the inspiring work of the nonprofit sector and foundation partners in our community.

San Diego Grantmakers and our partners invite you to participate in these exciting events. This is a tremendous opportunity to demonstrate the management and leadership models that grantmakers throughout San Diego are implementing to make a positive difference in the world through our grantmaking.

Plan on joining us in 2005! We look forward to working with you to showcase the best of our nonprofits and of our collective work in 2005!

Judy McDonald
Parker Foundation
COF Annual Conference Host Committee Co-Chair

Al Panico
Waitt Family Foundation
COF Annual Conference Host Committee Co-Chair

Congratulations . . .

San Diego Honors its Givers National Philanthropy Day 2004

On November 9th San Diego celebrates National Philanthropy Day at an annual luncheon. This year, in addition to paying tribute to Joan Kroc and Helen Copley and their important legacies of giving, we celebrate the following individuals and organizations for their important gifts of time, talent and treasures:

- Outstanding Philanthropic Corporation: Cox Communications
 - Outstanding Philanthropic Organization:
San Diego Women's Foundation
 - Outstanding Volunteer: Katie Sullivan
 - Outstanding Fundraising Volunteers:
Yolanda Walther-Meade and her daughter Yolanda S. Walther-Meade
 - Outstanding Youth/Student Volunteers: Gidget Schultz and Alexis Tarbet
 - Outstanding Fundraising Professional: Janie Anderson
- Congratulations!**



Congratulations to SDGrantmakers members: **Change A Life Foundation and The California Wellness Foundation**. Both received Wilmer Shields Rich awards for excellence in communications from the Council on Foundations.

Change a Life Foundation received a silver award for their website, www.changealife.org, and a bronze award for their recent annual report. The California Wellness Foundation received a gold award for their public campaign "The Get Real About Teen Pregnancy" campaign's *AdvoKit*.

Congratulations go to **Qualcomm** for winning the 2004 Corporate Citizen Award! Recognized for their leadership, vision, ethics, fairness, communication, respect, earth-friendliness, strategy, innovation and success, an international panel of judges and over 1300 people selected Qualcomm as the first national recipient of this prestigious award.

For more information on the award, visit the Corporate Citizen Group, www.corporatecitizengroup.com. And for more information on Qualcomm's community giving, visit www.qualcomm.com/Community/index.html.

Governance ... CONTINUED FROM PAGE 1

A funder interested in particular activities or programs of a multi-program organization can generally achieve its aims through general support for the program or organization as a whole, coupled with expectations and evaluation focused on those activities or programs.

In return for long-term, multi-year support, funders can appropriately expect top-notch performance from nonprofit organizations in strategic planning, financial management, evaluation, development, and ultimate impact.

Rigid requirements for proposal and reporting formats may subject an organization to respond to inconsistent demands by multiple funders. Therefore, a funder should take into account the size of its grant vis-à-vis those of other funders when considering what demands to place on a grantee, and should consider collaborating with others on common due diligence, evaluation, and reporting processes, with one funder taking the lead.

BARRIERS

If reliable core support is so important to nonprofit organizations and can often achieve a funder's goals, why is core support such a small percentage of grants and why are so many grants made for short periods or not renewed?

- Funders may not appreciate that they can often achieve their strategic goals and evaluate their achievement through core support grants.
- Funders may not endorse, support, or even like everything a grantee does, or they may be enthusiastic in deepening, expanding, or highlighting particular activities of the grantee. The result is increased tentativeness about general support and higher affinity toward project grants.
- Funders may be prone to "donor fatigue," getting bored with regularly supporting strong organizations, and prefer to explore new ventures.
- Funders may not trust grantee organizations to make good decisions about how to use core operating support.
- Because project grants, which are often favored by funders, usually have a completion date, it is not surprising that there are not many renewals. The focus on project grants encourages grantees to continually propose new ideas to funders that possibly might fit narrow grant guidelines instead of focusing on building institutional capacity.

Respond, Recover, Rebuild: A Funder's Role in Times of Crisis

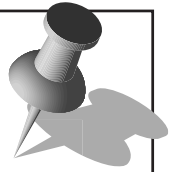
In October 2003, San Diego County experienced the largest fire in California since 1932. The devastation was tremendous. Twenty-two lives were lost, more than 3,500 structures destroyed and 400,000 acres burned. Disaster relief providers responded quickly – within days, American Red Cross – San Diego had established 12 shelters throughout the region, provided health services to nearly 10,000 people and more than 122,000 meals. San Diegans responded with generosity and compassion, mobilizing significant resources to meet the immediate needs of those devastated by the fires.

The enormity of this disaster has caused local funders to ask: What is the role of the philanthropic community in responding to disaster and supporting efforts aimed at long-term rebuilding? While suburban neighborhoods have made significant progress in rebuilding, in the months following the wildfires, few homes destroyed in the rural communities of San Diego County have been rebuilt. The communities most devastated by the wildfires were largely rural and without independent local governments, resulting in a leadership vacuum in the immediate aftermath of the disaster.

In the one year following the wildfires, grassroots leaders have demonstrated enormous commitment to the long-term rebuilding of their communities. This leadership has coalesced to form The San Diego Wildfire Community Recovery Team, a consortium of seven local recovery groups. While the Community Recovery Team is leading long-term rebuilding efforts, the road to reconstruction is wrought with challenge – the most detrimental of which is public apathy.

For the Community Recovery Team, the stakes are high. To achieve success, CRT must raise public awareness of ongoing needs and constantly infuse new energy into the rebuilding efforts. Still, substantial funding is required to restore the lives of our most vulnerable community members – the uninsured and the elderly. While it is unrealistic to expect that charitable giving alone could finance long-term rebuilding efforts, local funders have the continued unique window of opportunity to strengthen the capacity of Community Recovery Team to successfully navigate financial barriers to rebuilding. The question remains, are local funders rising to the occasion?

Calendar of Events ...



Post-Election Policy Update with John Edie

MONDAY, DECEMBER 6, 2004

12PM - 1:30PM; TELEPHONE CONFERENCE

You are invited to join a timely overview of legislative or regulatory actions related to philanthropy. In Congress and in the Internal Revenue Service, events are already unfolding that will make progress over the next year, regardless of electoral outcomes. The elections add a layer of uncertainty to national policy decisions. This national teleconference will be led by John A. Edie, former long-time General Counsel for the Council of Foundations, and current director in the Washington National Tax Services division of PricewaterhouseCoopers. John will provide his analysis on the key issues that affect grantmaking institutions.

From the Badlands to the Path to a High Performing Nonprofit Sector

TUESDAY, DECEMBER 7, 2004; 8AM - 3PM

LOCATION TO BE DETERMINED

Expanding on last year's popular presentation, Mary O'Hara-Devereaux, Ph.D., provides insights as to how to navigate the Badlands terrain with an updated context for operation. Dr. O'Hara-Devereaux will provide guidance for small group discussions about creative ideas and innovative solutions. Co-sponsored by LEAD San Diego, The San Diego Foundation, and Sempra Energy

*Please RSVP online at
programs@SDGrantmakers.org*

SDGrantmakers is committed to increasing the impact of philanthropy in San Diego by creating a forum for the open discussion of ideas among grantmakers. To achieve our goal of strategic education, programs are open to members and other grantmakers as guests, unless otherwise noted.

Child Welfare Services: Our Future at Stake

**WEDNESDAY,
DECEMBER 8, 2004
11:30PM - 2PM**

CASEY FAMILY PROGRAMS

California is currently undertaking a number of momentous changes to improve results for children and youth in the child welfare system. These exciting efforts include a new Child Welfare Outcomes and Accountability Process (AB 636) which provides counties with data on child outcomes every quarter and requires accountability for efforts to improve those outcomes through system improvement plans.

As part of the new accountability process, San Diego County has involved broad sectors of the child and family service community in identifying areas of strength and of improvement for its County self-assessment. In the coming months San Diego County will develop a System Improvement Plan (SIP) which will outline county strategies and actions to improve the county's system of care. Come learn and strategize with us about the implications of these changes.

*Measuring Investment
Kelly Prasser, Sempra Energy*
**TUESDAY, JANUARY 25, 2005
8:30AM - 10:30AM**

SEMPRA

Breakfast & Program
Free for SDG Members

San Diego Grantmakers Reserve your seat today!
phone 619/744-2180 • fax 619/744-2182 • programs@SDGrantmakers.org

People . . .

Judy McDonald, The Parker Foundation, and **Al Panico**, Waitt Family Foundation, have agreed to chair the Host Committee of the Council on Foundation's 2005 Annual Conference. This is a tremendous opportunity to highlight the innovative work of San Diego's nonprofit sector.

Under the direction of **Pat Libby**, USD intends to launch a Center for Applied Nonprofit Research. **Ruth Riedel, Ph.D.**, has been appointed Chair of the Center's advisory board. Good luck to all!

Congratulations to **Dean Thorp** who was recently promoted to President of the Wells Fargo Foundation California!

Further congratulations go to **Kathy Patoff** who moved to Union Bank of California to serve as the vice president of the foundation and Community Development Officer.

Paul Thompson, formerly of Callaway Golf Company Foundation has launched Global Community Solutions, Inc. We would like to thank Paul for his involvement and dedication to San Diego Grantmakers and wish him the best of luck in his new endeavor.

SDGrantmakers welcomes **Ileana Ovalle** as our Director of Funder Relations. With a strong background in nonprofits, PR, and government relations, Ileana will be working hard to make a difference in your work with excellent programming and communications. Welcome Ileana!

Welcome to **Carly McKeon** and **Chapin Cole**, who join SDGrantmakers from USD and UCSD, respectively, as our philanthropy interns.



SAN DIEGO GRANTMAKERS PHILANTHROPY LINK

We encourage members to contribute

suggestions, article ideas, news items, and personnel changes. Submit items or ideas to Link@SDGrantmakers.org or mail to the our office.

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