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Bailout Strategists: Thinking Through Philanthropy in a Time of Troubles



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As the global economy spirals into the unknown, fiscal certainty remains hard to come by in the region, especially when it comes to issues of social justice and support for the underprivileged. It's hard to bear marginalized communities over the din of big banks and corporate CEOs. Increasingly, philanthropic organizations are being relied upon to fill the gap between having and needing, but can we expect philanthropy to thrive given predictions of darkening financial gloom? Vivek Shandas recently sat down with the principals from two local foundations outside the mainstream to learn about their strategies for success.

Marjory Hamman is Executive Director of the Mackenzie River Gathering Foundation (MRG), a community-supported foundation that funds work on social, environmental, and economic justice in Oregon. —the Editor

Vivek Shandas: We know that MRG focuses on a wide range of issues, from affordable housing, to affordable healthcare, to protecting against environmental destruction. But what makes MRG unique?

Marjory Hamman: The models we use. A lot of philanthropies focus on those who donate wealth, giving them the decision making about how their money is used to support causes they believe in. But MRG puts the emphasis on people who are doing the work in the community, and so our grant making process is based on the idea that the people who are doing the work help make decisions about where the money should go.

We have a grant making committee for each of our funds, and the folks that sit on the committees are people that have deep experience in the community. They read applications. They do site visits. They talk about what they see the groups

proposing and how effective they think the organization is going to be, and they draw on their own experience. It's also a great opportunity for activists who serve on those committees to learn about other areas of activism. They talk with one another about what's going on across the city.

VS: Does MRG serve Oregon, does it serve Portland, does it serve the NW, or the west coast?

MH: We fund throughout the state of Oregon, and our support comes from throughout the state of Oregon as well, although people from other parts of the country support us as well. The funding we give out is raised through community donations from people who want to see this work continue.

VS: What are some of urgent issues for Oregonians and for the state in general?

MH: Some issues are ongoing: the fight to make sure there is affordable housing for people, to make sure folks have health coverage and living wage jobs. But from time to time I would say some issues rise in urgency, not because the needs become more urgent necessarily but because there's a particular political moment in time, and one of the issues that's at that moment in time is immigration, and the rights of immigrants and refugees.

First of all, immigration has been highly politicized in the recent elections. In the years since 9/11, there's been a backlash against people who are immigrants, or who are perceived to be immigrants, and so the rights of people who have moved to this country have become much more vulnerable.

The people who we most impacted by injustice are in the best position to find and propose solutions.

MRG's basic philosophy is that the people who are most impacted by injustice are the people who are in the best position to find and to propose the solutions, to proactively move forward. So we focus on funding groups that are based in immigrant and Mexican communities and support practices where people are coming together to identify issues and to propose alternative ways out. Sometimes that means building dialog with people who aren't immigrants and refugees. Sometimes it means organizing immigrant communities to really identify their common issues so that they can then reach out to decision makers to help develop policy in a way that's humane and takes into consideration the impacts on those who are going to be most affected.

VS: How does MRG specifically provide support for groups? Do specific programs come to mind when you're thinking about the role MRG plays in addressing immigration?

MH: One example is a group called CAUSA, which is a statewide coalition of immigrant rights organizations, and so they really take a statewide perspective and are working with groups that are based in different areas of the state. They develop relationships with elected officials, whether they're local or at the state level, again, to help them think through the policies they're developing and to really factor in the impact those policies have on people who are immigrants.

Another example here in Portland would be the Center for Inter-Cultural Organizing (CIO), a group that's been really effective in bringing together immigrants and refugees who come from different parts of the globe. So they're breaking some of the isolation where often people who are coming from one country or one region may find one another and develop community, but they become fairly isolated from people who are from other regions, or from folks who were born and raised in the U.S. CIO has done a great job of bringing people together who have come here from Africa, or Latin America, Russia, Eastern European countries, so that people can share the common experience of what it means to relocate here and settle in, and also build relationships with people who were born and raised here so that there can be better understanding across cultures. They've also done this incredible leadership development work where they've been identifying people within different immigrant and refugee communities that have a lot of formal and informal leadership ex-

perience. They connect those folks to elected officials and other community leaders here, so that people who are newer to this community but who have valuable experience can get engaged in civic life quickly.

VS: Is funding from MRG any different from funding from the state, or from an organization out of Oregon or out of the country? In other words, what is unique about the role a philanthropic organization like MRG plays in these groups?

MH: We're typically funding groups that don't have access to more traditional sources of funding, so the groups we're funding have very small budgets, and many of them are new, or in varying stages of development. Often you have to have relationships with people in order to get access to money, whether it's government funding, or funding from larger foundations, so we're funding those who don't have that access, and so we may be the first foundation that works with a group. It could be that the group is new, or it's working on an issue that isn't well understood in this society, so funding from MRG helps it come together as an organization, clarify its work, and start to develop a track record, which gives a base so that it can approach other, more mainstream foundations. For example, we were one of the first foundations in this area that supported domestic violence shelters, so at a time when domestic violence wasn't talked about, when it was very taboo to acknowledge it was happening, women who were affected by it started coming together to develop these shelters, and MRG was the first group locally to provide funding. Now, of course, domestic violence shelters have a lot of access to funding and they're well understood in the community, but that wasn't the case when we first started supporting them.

VS: That's an excellent historical example. Is there an issue on the horizon today that MRG is funding that could be equivalent to what domestic violence was a decade or so ago?



An immigrants' rights rally organized by CAUSA, a statewide coalition of immigrant rights groups.

We fund social change rather than charities.

MH: I don't think it's a direct one-to-one example, but some groups are looking at military recruitment and the intense pressure that military recruiters are using, particularly in communities of color, so that young people of color are given opportunities to join the military when there aren't many other opportunities for them for employment, or things that would give them economic opportunities. The concept of military recruitment is not a new idea, but it's less understood that a more intense level of recruitment is happening among young people of color. That would be an example of where our funding helps groups get together and do research, get the word out, and help families and communities of color really think about options other than that joining the military is the only choice.

VS: *So MRG is on the frontline, bringing attention to topics that generally are not discussed.*

MH: I would say that's definitely a fair way to talk about the groups we fund, that they are on the edge doing that kind of work, and that those are the groups we look for, so we're definitely there to provide support to that part of the social justice movement. One of the ways we think about our work is that we fund social change rather than charities, social change rather than social services. For example, on the issue of affordable housing, there are groups and foundations that will actively fund the development of affordable housing and homeless shelters and support people who don't have access to housing. Those are critical services in our community. What MRG does is fund the groups that are advocating for changes in allocating the money that's available to develop housing, so we fund the community alliance of tenants, which works with the low income renters to help them understand their rights so they can advocate for their rights with landlords, but also with city and state government, to make sure protections are put into place. We work with groups that are looking at the systems that are creating social problems and trying to change the system, while other groups might be looking at the effects of these social problems, and what can be done to make it easier for people who are living with them.

VS: *So what about the tumultuousness of the current financial market. How does it affect philanthropy in the metroscape?*

MH: I think the groups we're supporting are more vulnerable this year and probably next year than they were last year because the economy is troubling, and their futures are uncertain, so the impact on philanthropy is that it becomes that much more important for us to be stable in our funding so that the groups that rely on us can see it through this difficult time. We're in the process of increasing our grants by \$1000 this year, which we had been planning to do before the market started dropping, but it turns out to be perfect timing because foundations are giving on the strength of their investments by having to peel back a little bit because their investments are dropping, but our foundation, while we do have investments, also is raising money every year from people to support the grants that go out, so we've been able to put the call out and let people know that now is an essential time to support this work. So we're actually able to move the surge forward and put more money out at times when others are having to retract. That's one critical way the economy impacts what we do.

VS: *Are there things you want MetroScape® readers to know about MRG, or about the work you're doing, that we haven't covered yet?*

MH: Sure, I think the Portland/Metropolitan region has an excellent reputation for urban planning, and many, many people who are just incredibly committed to maintaining a livable community. The pieces I would encourage folks to think about are access and equity. How are the great things we have in our region being distributed in different neighborhoods and communities, and who has a say in where resources go? The connection to the work MRG does is our model of putting the people who are most impacted by an issue in a position to make decisions about the solutions. That approach has great relevance for social change, because even folks who are pretty knowledgeable about the region may not know how issues are playing out at the neighborhood level, or in a community that speaks a different language. One of MRG's strengths is our connection to a lot of different community-based organizations. So come to our website, or come to our organization and learn about all kinds of organizing efforts that are going on in communities that folks might not otherwise have a relationship with.

VS: *Where do you see MRG going in the not too distant future, maybe five-to-10 years from now?*

MH: I see us growing. MRG's history has been to have a core group of people who are deeply experienced with social justice activism and who are the heart of our support. In the future we're going to be reaching out to people who share those values, whether or not they've got years of experience as activists themselves. So my personal goal is to have everyone who wants to see racial justice, to see environmental protections, to see peaceful alternatives to war—I'd like all of those folks who value those things to see MRG as a place where they can find other people who share their values and can pool their money with other people so we can continue to support the cutting edge activism that is going on across the state.



African Women's Coalition

Mark Holloway is a principal in Social Venture Partners Portland and works at the Center for Philanthropy office. Social Venture Partners works particularly for children—youth in families at risk.—the Editor

VS: *Given your focus on at-risk youth, what stands out about Oregon?*

Mark Holloway: Foster care here is atrocious. The system is broken. I heard a speaker the other day say that if a system is failing, it's set up to fail, and if it's successful, it's set up to succeed. I think our foster care system is broken and set up to fail. Others are too, like oral health care for kids. Years ago, the big controversy hit locally about whether to put fluoride in the water, and people rejected it, but the reality is that kids, especially poor kids, don't get the fluoride they need, don't have access to good dental care, and later in life they suffer, not only from poor oral health, but from the social effects of poor oral health. Good oral health is a key predictor of success. A smiling person, a person who keeps her head up, who speaks up, who is able to stand in front of the room and lead conversation typically is more successful than people who are cowering in the corner. People who have bad teeth typically cower in the corner.

Another Oregon issue is high school drop out rates. They're getting worse, not better. It's something you hear Sam Adams talk about, but as a re-

gion we need to focus more on high school drop-outs.

A final is childhood, pre-K. The legislature passed this Head Start stuff, but it doesn't cover every kid, and assessment research is showing that the earlier and the more you work with kids before they even reach kindergarten, the better economic payoff you get down the road. Never before have we known so much and done so little. There is so little going into early childhood research as compared to K-12. Imagine a kid in 3rd grade who still can't read. She's almost lost at that point. You really have to start earlier, and yet we're not doing it. There's no plan in Portland on how to address early childhood issues.

VS: *Is early childhood more relevant now than 20 or 50 years ago?*

MH: Twenty years ago we thought, "They're just little mush balls, they're little putty, you rock them, you play with them a little bit, then they get to kindergarten and they start learning." Everything that science has learned in the last 20 years in terms of neurological development shows that more happens in the first three years than at any other stage; 80% of a child's brain is developed in the first three years. There's one other growth spurt in 5th or 6th grade that is key, where they decide either to be motivated as teens or adults or not.

So what's particularly relevant at this time is that we're learning so much more, and yet we haven't caught up with what's been learned. The high school drop out rate and the oral health issue worsen when the economy is bad. Every indicator is showing that the divide is growing, that the rich are getting richer and the poor are getting poorer, and things like oral health become bigger issues because you need to address them in order to determine the long-term tides for kids. Years of a failed education system add to the problems. The "no child left behind" policy may help in terms of academics, but it only reaches a very specific group of kids that respond to a particular teaching method and assessment. You lose all the kids that need non-traditional education, the kids that don't make the grade. There are no comprehensive services that help kids that don't fit the mold. It really becomes quite discouraging.

Good oral health is a key predictor of success.

VS: *You brought up failed systems a couple of times. How useful a role can SVP play if the larger social system is failing?*

MH: I think the world is changing a little bit in this regard. Previously, government always had its role in social services, and business was over there doing its thing, creating products and driving services, while nonprofits were always predictable: Catholic charities that have been around for ages and ages, the Boy's and Girl's Clubs. But the growth of the nonprofit sector has been huge in the last couple of decades.

It now shares a lot of responsibility with government for supplying services, but what I think is really interesting about the nonprofit sector is that it tends to breed the innovators in social services. Government as a series of systems is a slow moving beast. The nonprofits are innovators in helping to produce new concepts.

One way to put it is that at Social Venture Partners, we don't make the products, we make the products better. We don't actually do the programs, we make the programs better. We help to build their financial management capabilities, their IT systems, their leadership development, and their HR systems. We do capacity building for nonprofits. We try to help nonprofits that have strong leadership and proven, effective programs get to the next level. We look for organizations that are ready to go but need an infusion of resources, networks, and just hands on deck.

VS: *Can you describe a few examples?*

MH: We started years and years ago with Morrison Child and Family Services. It's a big agency, and a lot of people say that starting with a big one is not very entrepreneurial. Morrison came up with 20-something ventures—each with a different center independently run—and was depending on paper records, so if clients needed multiple services, they would almost invariably

have to check in with each separate center and fill out a new record. SVP came in and worked with the leadership there to get an online, electronic records system going, which ended up saving an estimated \$1.7 million in staff and administrative time.

Another example is our help with an organization that educates people about the earned income tax credit (EITC). Cash Oregon works with AARP to provide tax services to people and to spread the word about EITC. It started as a seed of an idea, a few people working here and there to make it happen, and now 16,000 returned last year and got \$12.5 million in federal refunds and \$3.5 million in earned income tax credits, so they're really scaling up. We helped build this organization for them, and the SVP Board served as the fiscal agents for them for a number of years. Now it's an actual organization that is really thriving.

VS: *Where do your resources come from?*

MH: We don't have an endowment. The SVP model is built on the venture capital model for investing. Venture capital obviously invests in good ideas and businesses that

have a potential for high return for the investors, and we look for the same. But our investors are looking for a social return on investment, if you will. We call it venture philanthropy. It's primarily professionals that embrace their roles as community citizens who really want to support successful nonprofits. No one was out there doing what Cash Oregon wanted to do, for example, and so there were no obvious mechanisms available for facilitating their work, so SVP came together and said, "This is an idea we can invest in. This is going to have a huge return for the community, and also for us as community members." And like venture capital models, we provide information about the investment, hands on management of that investment, lots of reporting, and lots of outcome management reports.



Through SVPP's Venture Scholars program, graduating seniors receive a scholarship to pursue a technical/professional career.

We have a 5-to-1 leverage factor that every dollar invested has a \$5 return.

VS: *What would be a way to quantify social return?*

MH: We have a metric system. It's not terribly sophisticated, but we say we have a 5-to-1 leverage factor, that every dollar invested has a \$5 return, and our partners pay \$5000 each year to be a part of SVP. On a \$5000 investment, we calculate a \$25,000 return, and the way we do that is by extrapolating from the dollars that we're granting, and then additional dollars we get from partners. Most often we go to foundations and say, "Look at this amazing idea, join us in this effort, make an investment, double our investment." We're not the good housekeeping seal of approval, but we've developed a reputation for picking organizations that are winners, and because of our involvement with them, other foundations, and others in the community, know they're managed well and they'll be set up for success. Then we have volunteers. They're partners. In addition to giving money, many of them also donate their time and personal expertise, so this is the idea of business lending to nonprofit some its the rigor and expertise. Some of our folks are retirees, some are working. The ones who volunteer may be doing anything from IT implementation to strategic planning. One of our partners manages the books for Cash Oregon, another helps to do their grant writing.

Another example is a tiny little nonprofit working for disabled kids in Portland Public Schools. It provides a token economy system in a special ed classroom for kids who are learning-challenged and need that immediate feedback. The kids are given a little shadow box that teaches them how to budget. The kids count the money over the course of a week or month, and once a week or month they are able to cash in for prizes or school supplies, or gifts for their family. It builds a real sense of self-esteem and accomplishment for kids, but the organization itself goes through about \$30,000 every year, and they obviously have accounting and inventory management issues, so we have people that have worked in supply chains of Intel for years who are able to go in and help them with the inventory management system. So we

can quantify the volunteer hours at \$20 an hour, or \$30 an hour, or \$100 an hour depending on the service volunteered.

Another quick example: we worked with the Boy's and Girl's Clubs Kid's Café project to build kitchens to feed kids. We wanted to do something about hunger, and if you build kitchens to a certain standard, with certain equipment in the facilities, the USDA will pay \$2.50 or \$3 a meal per child. So if you get the kitchen built, it's a self-sustaining function after that, and you don't have to worry about grant planning. We count that as an organizational benefit or savings.

So if you add up all that we do, you get to \$5 return on the original \$1 dollar investment we made. What we're not capturing, and what we're going to be looking at now, are things like Cash Oregon's ability to retain \$16 million of tax credit in a community by educating the people about the EITC. Obviously that's a social benefit that we're not even capturing in terms of return on our investment.



Community Alliance of Tenants at a Safe Housing meeting.

VS: *Is SVP a statewide or regional organization?*

MH: We work in Multnomah, Washington, Clackamas, and Clark counties, but there are SVP affiliates in 24 other cities around the world. The model was started in Seattle, and they're still the largest SVP affiliate, but there's one in Tokyo, three in Canada, and 21 in the U.S.

All of them focus on their local communities, because it's about getting people—usually business people—involved in a nonprofit. The other part of our mission is education and strategic planning, learning about how to be a good philanthropist by getting involved in these nonprofits. Our partners drive the investment. I don't pick where the money is going to go. An investment team makes the decision, and that process of making the decision is a real educational experience for people who have never been part of grant request.

VS: *What are your thoughts about philanthropy given the current and predicted financial markets?*

MH: Now is not the time to give up, now is the time to make more with your money. It's not the time to pull back on community investments or giving, it's time to do more, and that's where I think we're really poised to be the model that people look to. Consider that leverage factor: a \$5000 investment here really makes a \$25,000.

SVP in Portland was started in the dot-com bust because people wanted to do more, they wanted to make their dollars stretch farther and be able to give back. Another way to leverage your investment is to be involved yourself, to volunteer. So I think in the near term, people are going to be doing more in terms of future philanthropy and combining not just their money but what they can do to help people that doesn't involve money. I also think that the business people are beginning to find avenues for getting involved. And because of the retirement of baby boomers in the next 10 years, there's an effort locally to really reach out to get them involved, and they will do a lot of mixing of volunteerism and philanthropy. The more you get involved, the more you want to give of your time. It calls out to your heart.

So these tough financial times require partnership and collaboration. We look at every way, not just to leverage our partner's dollars in terms of what they can give, but also how we as an organization can be a lever for more funding for our nonprofits.

VS: Do you tend to partner with some groups more than others?

MH: We partner with the big foundations that share our interests. With Cash Oregon we reached out to the city. There's a particular benefit to the city in reclaiming the EITC because the return is so huge. Its budget is \$150,000, but Cash Oregon is getting \$15 million back for the community, so funding Cash Oregon is an investment. If you can get another 1,000 getting their taxes done, that's more coming out of the federal government in Portland.

With Mackenzie and Company SVP developed a model that does a 10 point capacity assessment of a nonprofit, identifying its strengths, weaknesses, and priorities for growth. Out of, say, 10 areas, each is broken into subcategories, but we may come up with three or four that are their real areas for growth. It could be mission, vision, strategic planning, legal affairs, or marketing communications, but we develop a service plan that will help the organization focus on one or two of these by

working with another of the larger foundations in town that can give them even more resources. Doing the up front assessment assures the larger foundation that the smaller one has a clear idea of its genuine needs. Many times, emerging foundations simply say they need more money or a development officer, but they don't see that their financial management systems are horrible and they don't even know how to account for what they have. But SVP's assessment helps the others in town understand what it is the nonprofits need and what they are doing about a particular issue that no one else is tackling. We find the capacity to support real mechanisms for huge change.

VS: Is there anything else you want the policymakers who read Metroscope to know about SVP and philanthropy in the current economic climate?

MH: My first instinct is to say from the social venture standpoint: look to do more with your money than just donate. But nonprofits would jump all over me because they need money. SVP's partners are the opposite of folks who go to auctions, raise their paddles, and give money without knowing where it's going. Our partners like to have reports, like to have leverage, like to know where they can be most helpful.

There are many paths to philanthropy, and philanthropy doesn't just mean money. There are ways to support philanthropy by being generous in the community, donating both dollars and in-kind gifts, and volunteering time and expert advice. One of the things our partners do, when they don't have time, or they don't particularly have the money, is to connect people and network. And then you can expose your network to new information that you might come by in dealing with other partners. The message I would send Metroscope readers is to try to find the leverage points for your philanthropy and realize that now is not the time to pull back. Now is the time to leverage your dollars and get more out of your investment. **M**