

Report on Growth Capital for Nonprofits

**A Nonprofit Seminar sponsored by the
Center for Nonprofit Strategy and Management**

School of Public Affairs

Baruch College

City University of New York

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Featured Panelists:

Linda Franciscovich, Vice President of Development and Philanthropic

Services, Fairfield County Community Foundation

Christine Park, President, New York Life Foundation

The Center for Nonprofit Strategy and Management at the School of Public Affairs presented a seminar on "Attracting Today's Philanthropists: Working with High Net Worth Individuals and Corporate Foundations." This event took place on September 22, 2008, at 135 East 22nd Street.

Two engaging panelists addressed this topic:

- Linda Franciscovich, Vice President of Development and Philanthropic Services, Fairfield County Community Foundation
- Christine Park, President, New York Life Foundation

Jack Krauskopf, Distinguished Lecturer and Director of the Center for Nonprofit Strategy and Management, introduced the two panelists. Mr. Krauskopf noted that philanthropy and nonprofit fundraising are timely topics for this panel discussion, given that the "great uncertainty in today's financial market affects what philanthropists are able to do."

Linda Franciscovich on High Net Worth Individuals

High net worth individuals can be defined differently and profiled

Ms. Franciscovich described the varying profiles of a high net worth individual:

- The United States Trust Survey of Affluent Americans defines people with high net worth as “individuals or households with a net worth of \$2 million, excluding primary residence, and earning over \$250,000 in annual income.”
- Bank of America¹ identifies high net worth individuals as those with “household assets of \$1 million or household income over \$200,000.”

Ms. Franciscovich noted that 3.1% of all households in America meet Bank of America’s criteria for high net worth—and account for two-thirds of all charitable giving.

High net worth individuals can also be profiled. Such individuals are well-informed and well-educated. Moreover, they use advisors, particularly for tax, law, and philanthropy, to get information to make decisions.

High net worth individuals give in different ways

High net worth givers see philanthropy as being a part of the estate plan or wealth transfer. They are also interested in knowing what peers are doing to become an informed donor. Furthermore, to invest disposable income into an organization, these donors make use of multiple vehicles for giving:

- Donor-advised funds
- Private foundations
- Deferred gifts

Philanthropic values affect giving

Individuals with high net worth also share common beliefs about philanthropy:

- They value information and advice from nonprofit professionals.
- They are likely to give if the organization gets them involved.
- They are concerned about the impact of wealth on children; they would like to share charitable values with the younger generation.
- They are motivated by altruistic feelings. Even if the income tax deduction was eliminated or decreased, the majority of donors would still continue giving to organizations they care about.
- They take a strategic, rather than transactional, approach to giving, and want to know how contributions are used and whether gifts are to be stewarded.

Philanthropic advisors serve as intermediaries for individual donors

¹ More information on Bank of America’s “Portraits of Donors” may be found by visiting www.bankofamerica.com/portraits

Philanthropic and financial advisors for high net worth individuals play an important role. They help families establish philanthropic giving. The majority of families have private foundations in which advisors set up governance to help educate the next generation. As intermediaries and gatekeepers, they negotiate gift agreements, usually for large capital, multi-year grants.

Four factors that influence how individuals work with advisors:

1. The level of wealth, which affects the choice of entity (vehicle) for giving and the scale of giving
2. Tax planning for estate planning
3. Property available for giving
4. Intergenerational training

Inherited wealth and new wealth are characterized differently

In Ms. Franciscovich's personal experience, the field of philanthropy has changed in the past 15 years, when 80% of wealth was inherited and 20% was new wealth. Families with inherited wealth usually had a long history of philanthropy. In some family foundations, there may be a "junior board" to engage multiple generations. In contrast, new wealth can be defined as wealth amassed in one generation.

Characteristics donors with inherited wealth include passive giving, the importance of a social network, and giving through a foundation that exists in perpetuity. A changing trend for this group has been the strategy of spending down a foundation. Large giving and creating giving are typically associated with new wealth.

Christine Park on Corporate Philanthropy

Different, competing factors affect corporate grant-making

Ms. Park notes that every company has its own culture, including history and leadership—and this influences corporate grant-making. Ms. Park believes that “many people think the corporate philanthropy agenda is not philanthropic.”

Corporate philanthropists must consider many factors when making grants:

- Competing agendas between stakeholders of the corporation
- Fluctuating budgets
- Multiple responsibilities, not just grant-making
- Grant-making in all areas due to a changing priority list

Corporate philanthropy has moved towards strategic grant-making

The trend in corporate philanthropy has been towards making grants strategically. Giving is no longer “just about general, basic human need in the community,” according to Ms. Park. Corporation foundations have been “pushed to be strategic in who you are as a company.” The advantage is that strategic giving creates a focus; it is deeper and resonates with the company’s stakeholders.

The disadvantage is that it does not address other responsibilities that corporate citizens should have, including international ones. Corporate grant-making should “not be just about visibility and branding,” stated Ms. Park. “Marketing should not drive grant-making.”

Corporate foundations prefer short-term commitments and projects

Corporate foundations prefer fewer long-term commitments because of changing priorities and fluctuating budgets. They also prefer projects because they are easier for trustees to understand, easier to communicate, and easier to engage employees. Ms. Park recommended that nonprofit organizations should put capacity building into their project budgets, approximately 10% to 18%.

The challenge for grant-seekers is to get the attention of the staff and build a real relationship. Grant-seekers must answer the question, “How is the company going to get visibility?” They must consider the process of reporting, in which the trend is for corporations to want more.

Relying upon corporate grants can be risky

Can corporate philanthropists be counted on for grants? Ms. Park states, “It depends on the integrity of the company.” Corporate grants are more reliable if they are delivered through a contract. Some companies provide exit grants when pulling out of a project. Mergers and acquisitions can also affect a corporation’s community funding.

New trends in corporate philanthropy affect both grant-makers and grant-seekers

- Corporations tend to hire a “target” person instead of a “community” person. Ms. Park criticizes the trend to hire directors of corporate philanthropy without nonprofit experience.
- More companies are hiring young people for corporate philanthropy.
- Companies rotate their workers through corporate philanthropy. Ms. Park asserts, “Not everyone can do this work.”
- Leaders do not stay long; turnover is relatively high.
- There are geographic challenges. Government policy affects international corporate philanthropy. In this particular case, funding through international affiliates is not grassroots.

Grant-seekers may be more successful by following certain tips

- Find funders who have your vision and believe in your mission
- Find a name at the company
- Look for ways your partners can help
- Make a solid needs-based case
- Don’t expect to see the chief executive officer

Biographies

Linda R. Franciscovich Vice President of Development and Philanthropic Services, Fairfield County Community Foundation

As VP of Development and Philanthropic Services, Linda Franciscovich oversees a group of professionals who provide philanthropic advice and services to Fairfield County Community Foundation fundholders. She is responsible for implementing fundraising strategies to increase the Foundation's investment and impact in Fairfield County.

Prior to joining the Foundation, Linda was a Managing Director at U.S Trust. As national head of Private Philanthropy, she was responsible for philanthropic services and advised individuals and families on philanthropic planning, including mission and strategy development, governance, generational succession and other aspects of charitable gift planning.

Linda has lectured widely, including speaking at conferences and workshops of the Council of Foundations, The Philanthropy Roundtable, New York Regional Association of Grantmakers, Association of Fundraising Professionals, Financial Women's Association, and the Council for the Advancement and Support of Education (CASE).

She is a Trustee of the Westport Public Library, and a Director of the National Institute for Reproductive Health and the Berthe M. Cote Foundation.

Linda is a graduate of the University of Denver and New York Law School. She was admitted to the New York State Bar in 1983.

Christine Park President, New York Life Foundation Vice President, New York Life Insurance Company

Christine Park is president of the New York Life Foundation, the charitable arm of New York Life Insurance Company. In addition to her Foundation duties, Ms. Park is vice president of New York Life's Corporate Responsibility unit.

Through its *Nurturing the Children* initiative, the New York Life Foundation devotes the majority of its funding each year to programs that help children in the areas of mentoring, educational enhancement and safe places to learn and grow. In 2006, the Foundation marked \$100 million in giving since its founding. New York Life Corporate Responsibility initiatives include the award-winning Volunteers for LIFE program, which helps New York Life employees nationwide volunteer within their communities.

Prior to joining New York Life, Ms. Park most recently served as president of the Alcatel-Lucent Foundation. In addition, Ms. Park served as first vice president and manager of corporate giving for Washington Mutual, and held numerous philanthropic

leadership positions within the Dayton Hudson Corporation (now the Target Corporation) in Minneapolis. Prior to joining Dayton Hudson, Ms. Park was an assistant to the mayor of St. Paul, Minn., and worked as a school teacher.

Ms. Park currently serves on the board of directors of the National Council on Foundations and has chaired their Corporate Advisory Committee. She serves on the board of the New York Regional Association of Grantmakers, and is the immediate past Chair of the Conference Board's Contributions Council.

Ms. Park earned a Bachelor of Science degree from University of Minnesota. She currently resides in South Orange, NJ.