Philanthropy--Venture

PHOTOCOPY
PRESERVATION

SOCIAL VENTURE PARTNERS

1601 Second Avenue, Suite 615
Seattle, WA 98101

**SOCIAL VENTURE PARTNERS**

seeks to develop philanthropy and volunteerism to achieve positive social change in the Puget Sound region. Using the venture capital approach as a model, SVP is committed to giving time, money and expertise to create partnerships with not-for-profit organizations.

SOCIAL VENTURE PARTNERS
1601 Second Avenue, Suite 615
Seattle, WA 98101

# SOCIAL VENTURE PARTNERS

PHIL-VENTURE

## A COMMUNITY OF SOCIAL INVESTORS

## A NEW KIND OF GIVING

Business and Technology professionals looking for a way to invest their time, expertise and resources in the Puget Sound community have joined to form Social Venture Partners. Building a dynamic connection between entrepreneurial energy and grassroots innovation, SVP links business professionals and non-profit organizations to make a hands-on difference.

Social Venture Partners was the inspiration of former Aldus Corporation president Paul Brainerd. Additional founding members include technology industry leaders Scott Oki, Ida Cole, Bill Neukom and Doug and Maggie Walker. The vision of the founders is to build a philanthropic organization using a venture capital model, where Partners invest in innovation, and then actively nurture their financial investments with guidance and resources. SVP gives professionals a way to engage in a new style of philanthropy that allows Partners to take an active role in their charitable giving.

## CONNECTING BUSINESS WITH COMMUNITY

Social Venture Partners is a non-profit, volunteer-driven organization dedicated to addressing children's and educational issues in King County. Each Partner commits to a minimum annual contribution (tax-deductible) of $5,400, for at least two years.

As responsible investors, Partners have a genuine interest in providing whatever it takes to help bolster the success of every one of our investees. Partner involvement ranges from hands-on work — such as mentoring a child, setting up a website or network, coordinating a special event, or designing a marketing brochure— to management support in the areas of finance, strategic planning, fundraising, legal, training, promotions, real estate and more. Although Partners are not required to contribute time and expertise, over two-thirds do.

**SVP is looking in the community to identify where the needs and solutions are—in the same way a venture capitalist would look for innovation and entrepreneurship.**

**—Paul Brainerd**

## INNOVATIVE SOLUTIONS FOCUSED ON CHILDREN AND EDUCATION

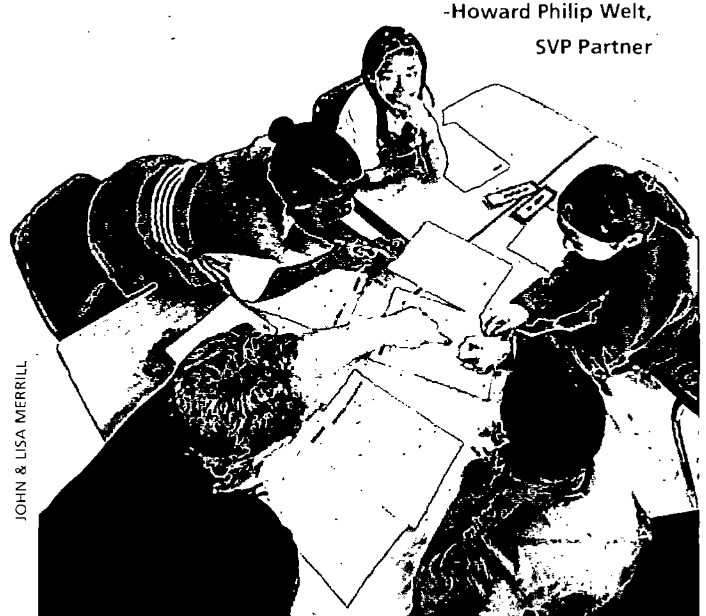
Most of our work takes place in small entrepreneurial groups of Partners who research children's and education issues, make investment decisions, and organize volunteer efforts to help our investees. Since SVP was launched in 1997, we have granted over $900,000 among thirteen nonprofit organizations in King County. In 2000, we expect to invest an additional $1 million more in schools and nonprofit organizations whose programs support positive outcomes for kids.

## CATALYZING A NEW GENERATION OF SOCIAL INVESTORS

SVP also offers a range of information, workshops, and resources to further develop the personal philanthropy of its Partners. Excellent speakers are invited to share their expertise on topics such as creating personal giving plans, social entrepreneurship and children's and education issues. By informing and educating its Partnership, SVP hopes to catalyze the philanthropic potential of the Puget Sound region.

**With SVP there is a real connection to the beneficiary. I get to see my gift at work, volunteer, and also learn about evaluating candidates. I use information and processes learned at SVP in my other philanthropy.**

**-Howard Philip Welt, SVP Partner**



JOHN & LISA MERRILL

## WE INVITE YOU TO LEARN MORE

To learn more about Social Venture Partners, or to sign up to become a Partner, please visit our website at www.svpseattle.org, send email to info@svpseattle.org or call us at 206-374-8757.

OR

Complete this card and return it to Social Venture Partners.

☐ Please contact me with more information. The best way to reach me is:

EMAIL: ____________________

PHONE: ____________________

BEST TIME TO PHONE: ____________________

☐ I'd like to attend the next Partners Meeting (October or May).

☐ I am not interested now, but please contact me again in 6 months.

☐ Please sign me up to be a new Partner. I am enclosing my tax-deductible contribution of $5400*.

NAME ____________________

ADDRESS ____________________

CITY ____________________

STATE/ZIP ____________________

EMAIL ____________________

PHONE ____________________

** For information about corporate matching or donating stock, please call us at 206-374-8757.*

# SVP.ORG NEWS

| The virtual water cooler for Social Venture Partners partners | Volume 1 | Number 2 | Summer 1999 |

## Learning more about Kimball Elementary

When June Thornton pulled up to Kimball Elementary for her first site visit, she had to park behind a police car. Not sure what to expect, she nervously asked the officer if there was some kind of trouble. Kimball Elementary is one of the most ethnically and economically diverse schools within the Seattle School District.

About 50% of the students qualify for free or reduced lunches. More than 30% come from a home where English is only spoken as the second language. Kimball is also an "Open Concept" school, which means there are no walls between classrooms. Add a squad car to the mix and June figured it was a good recipe for chaos. June wanted to make sure she knew what she was getting into before she walked into the school.

The officer laughed, "You know, we never have any trouble at this school. I just drop by to visit with the kids." And after spending time at Kimball, June has to agree. "It's amazing. The kids are so polite and focused. It's a close-knit and caring community and, after our site visits, I was determined to get them a grant." She also became their Lead Partner.

Victoria Foreman has been the principal at Kimball for over twelve years. Several years ago, she realized that the school needed to be more aggressive and direct in dealing with the growing problems of declining economic levels and growing ethnic diversity of the students. She hired a full-time counselor, Theresa Escobar, to help students in academic, emotional, or social need.

Theresa is the link between the student, the staff, the parents, and any additional community support needed to keep the child on track. She also coordinates programs such as scholastic tutors and Special Friends, which pairs a child with a mentor. This past year, over one hundred students at Kimball were tutored at least one hour per week on a one-to-one basis. In addition, forty-two children were placed with a mentor in the Special Friends program. SVP had six Special Friends at Kimball this year; they were John Schwabacher, Mike and Molly Hanlon, Martha Dale, Erin Hemmings, and Paul Shoemaker.

Kimball also started the innovative Conflict Manager program. This program empowers students, especially fourth and fifth graders, to identify, confront, and peacefully resolve potentially volatile situations between students. The mangers learn non-violent techniques to settle disputes and take their role very seriously. When they can't resolve a conflict immediately,

*kimball continued on p.5*

SVP PARTNER MIKE HANLON PROVIDES HOMEWORK HELP AND IS A MENTOR TO HIS "SPECIAL FRIEND" AT KIMBALL ELEMENTARY SCHOOL.

© John and Lisa Merrill

## Three New Education Investees

ON APRIL 27, EMER DOOLEY'S Spring ' 99 Education Grant Committee finalized its decision on three new Education Investees for SVP. Thank you to all of them (Megan Dahl, Barbara Norman, Joan Morse, Michelle Chor, Madeline Kirbach, Martha Dale, Molly Hanlon, Mike Hanlon, Lisa Slivka, Jabe Blumenthal, Julie Edsforth, and David Ostroff).

### Youth Tutoring Program

Youth Tutoring Program (YTP) is an academic enrichment and remedial tutoring program for at-risk youth (ages 6-19) in Seattle's six low-income public housing communities.

SVP is funding half of a staff restructuring proposal that upgrades the status of four part-time Education Coordinators to full-time status. The coordinators recruit and schedule volunteers, oversee tutor training, build individualized tutoring plans for each student, create workplans for tutors, and administer program assessment. YTP's Lead Partner is Molly Hanlon.

### Seattle Children's Home

Seattle Children's Home is a school for emotionally disturbed young people who have been unsuccessfully placed in schools two or three times during the course of a single year. Often these children are homeless, victims of physical abuse, or children of broken homes. All are in a dysfunctional emotional state. SVP is funding a program within SCH that focuses on Activity-based Learning and Service Learning projects. The training provides on-going formal and informal assessments and transition support as the child is re-integrated in a larger school program. SCH's Lead Partners are Barbara Norman and Lisa Slivka.

### Meany & Madison Middle Schools with the Institute for Community Leadership

Meany and Madison Middle Schools will contract with ICL to provide 360 incoming 6th grade

*new grantees continued on p.7*

# Barksdale to Help Silicon Valley Shed Tightwad Image

By Ann Grimes
*Staff Reporter of* The Wall Street Journal

SAN FRANCISCO—Is Silicon Valley changing its miserly ways? Another technology tycoon, Jim Barksdale, is making a big donation to a university. Mr. Barksdale and his wife plan to announce today that they will give $100 million to the University of Mississippi Foundation to create the Barksdale Reading Institute, which will focus on improving children's reading skills.

An 'Ole Miss graduate, Mr. Barksdale is the former chief executive of Netscape Communications Corp. and a leading venture capitalist. "We've been blessed and it's time to give back to society," he said in a statement.

The Barksdales' gift comes on the heels of a $150 million donation by entrepreneur James H. Clark for a cross-disciplinary initiative in biomedical engineering and science at Stanford University, where he was formerly a faculty member. "I hope I'm starting a trend," Mr. Clark said at the time.

Both gifts, of course, follow the donations of Bill and Melinda Gates, who have given billions in the last few years for education and health initiatives.

The donations come amid a widely held perception that the technology community has been slow to share its wealth. Even President Clinton chided the sector at a recent White House conference on philanthropy. "Silicon Valley and the whole venture-capital, high-tech community needs to be at the forefront of . . . [giving] because of the same reason Willie Sutton robbed banks. That's where the money is," he said.

The Valley's Scrooge-like image isn't baseless. A recent study by Community Foundation Silicon Valley, a major San Jose, Calif., philanthropy, found that almost 45% of Valley households with incomes over $100,000 gave less than 2% of their income, the national average. Another 6% gave nothing at all. Six in 10 wealthy households donated used household goods and clothing, rather than cash.

*Jim Barksdale*

When it came to corporate philanthropy, 48% came in the form of products, often computer hardware and software that was written off at retail.

But Peter Hero, Community Foundation's executive director, says the tide is beginning to turn. His foundation's endowment jumped to $412 million in 1999 from $70 million in 1996. Start-ups, like online auctioneers eBay Inc., have donated pre-[illegible] stock worth millions, and Mr. Hero is [illegible] proached regularly by rich entreprene[illegible] who want to start private foundations or [illegible] nate to his.

"Mr. Barksdale is the next person i[illegible] lengthening line to become meaningf[illegible] involved in charitable giving," Mr. H[illegible] said. Still, he says, "We've only scrat[illegible] the surface."

Part of the reason entrepreneurs ha[illegible] been slow to give, Mr. Hero says, is becau[illegible] they don't know how. "Not many h[illegible] strong role models for giving and volu[illegible] teerism growing up," he says. Many w[illegible] young families are actively building bu[illegible] nesses. They are reluctant to give aw[illegible] "monopoly money," or can't because the stock is restricted.

Mr. Hero says it is common to see e[illegible] trepreneurs like Messrs. Barksdale a[illegible] Clark donate to their alma maters. Alm[illegible] 40% of charitable giving in Silicon Valle[illegible] goes elsewhere, in part because 60% of t[illegible] people are transplants. It's also becaus[illegible] "people focus on contributions that a[illegible] easy and organizations that they have co[illegible] fidence in, like university alma maters an[illegible] children's schools," Gib Myers, a ventu[illegible] capitalist active in philanthropy, sai[illegible] "People are more inclined to give $1 mi[illegible] lion to an out-of-state university tha[illegible] $25,000 to a local cause because they kno[illegible] how to do this."

Mr. Hero and his colleagues are tryin[illegible] to educate all parties involved. Venture capitalist Kevin Fong has started an adjunct group that targets young entrepreneurs: "Silicon Valley is developing its own identity and dynamic on philanthropy," he says. "We want to give in a different way than the older generation—the Gordon Moores and David Packards." This new giving is more hands-on than writing a check. It's also profit-oriented. Mr. Fong wants non-profits to run more like for-profits "to enable them to be more appealing to the new philanthropy of Silicon Valley."

Effective giving takes work, Mr. Hero says. Mr. Barksdale's gift, for instance, is a public-private venture that will pool resources and build on a successful research-based reading reform model. "It has been proven that these programs do work," Mr. Barksdale said, "but only if they are properly implemented." The Institute will be a joint venture with the University of Mississippi's School of Education, the state's Education Department and seven other state university schools of education.

Mr. Barksdale and his wife, Sally, say they chose Mississippi schools "because it is our home state and we want it to serve as an example of what can happen when the public and private sectors work together to attack society's greatest issues."

*—Kara Swisher contributed to this article.*

[illegible]
PHIL

THE WALL STREET JOURNAL
THURSDAY, JANUARY 20, 2000

# Nasdaq Hits New High; Dow Slides

## WEDNESDAY'S MARKETS

By E.S. Browning
*Staff Reporter of* The Wall Street Journal

**Microsoft** sagged, but most other technology stocks surged, pushing the Nasdaq Composite Index to its first record close since Jan. 3.

Most hurt by Microsoft was the Dow Jones Industrial Average, which has included the software titan since last year. The blue-chip index fell 71.36 points, or 0.62%, to 11489.36, leaving it down 2% from Friday's record and marginally down since the year began.

Microsoft's fourth-quarter performance disappointed Wall Street, as did that of **Honeywell International**. The two stocks together accounted for about 70 points of the industrials' decline. (Every $1 move in an industrials component's 4 p.m. price moves the index about five points.)

But in the Nasdaq Stock Market, Microsoft's fall was outweighed by big gains from the likes of **Yahoo!** and **Qualcomm**. The Nasdaq composite advanced 20.48, or 0.5%, to 4151.29, surpassing its Jan. 3 record close of 4131.15.

Bonds regained some ground and the dollar was mixed.

Nasdaq avoided a decline because "money was coming out of Microsoft and going into other Nasdaq tech stocks," explained John Peluso, head of block trading at Lehman Brothers. "It was truly a reallocation of funds there."

Earnings are driving the market, Mr. Peluso said. After earnings announcements that followed the close of regular trading yesterday, America Online rose in after-hours trading, as did **International Business Machines** and **Apple Computer**.

Drug stocks such as **Merck** and consumer-product stocks such as **Coca-Cola** gained, but financials fell. On the New York Stock Exchange, almost the same number of stocks advanced as declined, 1,449 to 1,560.

The Russell 2000 small-stock index remained strong, rising 6.56, or 1.28%, to 520.02. It is up 3% for 2000, outpacing the Nasdaq composite, which is up 2%. "There is money shifting around, looking for the next new area," noted Warren Epstein, head trader at Richard A. Rosenblatt.

Internet stocks had another strong day.

"It is going to get tough out there when the enthusiasm for the Net gets saturated," worried Ned Riley, chief investment strategist at State Street Global Advisors, a subsidiary of State Street Corp. He prefers oil, drug and biotechnology stocks. But he added that, "for the next six months, I don't think anything is going to hold back the tech sector because of the money flows."

Outside the U.S., stocks declined in dollar terms. The Dow Jones World Stock Index, excluding U.S. stocks, fell 1.76 points to 186.12.

In major market action:

**Stocks were mixed.** On the Big Board, 1.06 billion shares traded.

**Bonds gained.** The bellwether 30-year Treasury bond rose 12/32, or $3.75 for a $1,000 bond, pulling the yield down to 6.714%.

**The dollar was mixed.** Late in New York, it traded at $1.0126 to the euro and 105.35 yen to the dollar, up from $1.0136 but down from 105.69 yen.

THE WALL STREET JOURNAL
THURSDAY, JANUARY 20, 2000

Los Angeles Times

December 20, 1999, Monday, Home Edition

SECTION: Part A; Page 5; National Desk

LENGTH: 1102 words

HEADLINE: WASHINGTON OUTLOOK;
NATIONAL PERSPECTIVE;
Enormous Information-Age Wealth Could Fund Charitable Outpouring

BYLINE: RONALD BROWNSTEIN

BODY:

Looking through a list of America's largest philanthropies is a little like leafing through a Social Register from the Gilded Age. Most of the 20 largest foundations are built on fortunes won late in the 19th century or early in this one. Even now, the names over the doorways at many great philanthropies memorialize the visionaries and cutthroats who industrialized America and built a national consumer market: Rockefeller, Ford, Mellon, Lilly (of Eli Lilly), Mott (General Motors), Johnson (Johnson & Johnson), Kellogg, Pew (Sun Oil) and Kresge, the lord of the humble five and dime.

Today the information-age economy is generating another wave of massive fortunes--in finance, entertainment, communications, computers and the Internet. What's not clear yet is whether this new affluence will produce charitable institutions that affect American life as profoundly as those the industrial age left behind.

The problem isn't any lack of resources. Americans' total wealth has increased as fast in this decade as in any this century, calculates Edward Wolff, an economist at New York University. In 1982, Forbes magazine counted 13 billionaires on its list of America's wealthiest; now it finds 267. Ten years ago, the number of mere millionaires stood at 1.3 million; now the total is 5 million. Forbes says the trend lines point toward 20 million millionaires in a decade. Even Regis Philbin can't match that pace.

Is this new wealth inspiring renewed social commitment? The evidence is mixed. As a share of the gross domestic product, charitable giving has increased in the last four years--though only to 2%, no more than in 1970. As a share of household income, charitable contributions have actually declined slightly since 1989.

Yet because the economy is growing so fast, even these mixed trends are widening the flow of funds to American charities. Total giving last year rose 11% to nearly $ 175 billion. The number of private foundations supporting charitable work has increased by nearly one-third in just the last seven years. And the names on those new foundations are beginning to include some of the titans of the new economy--led by Microsoft founder Bill Gates, whose Bill and

Melinda Gates Foundation is now America's largest.

The line behind Gates isn't as long as it should be. But it's much too early to write off the civic spirit of the Internet rich. "If people are assuming that the score is done and the game is over, they will be disappointed," says Paul Shoemaker, 38, the executive director of Social Venture Partners in Seattle, a group that connects younger high-tech execs to charitable activities. "But in fairness, it's the second inning of a nine-inning game for this generation." And indeed at two distinct poles of the charitable world, there's reason for optimism that a new surge of engagement and creativity is coalescing.

One promising sign is the emergence of the megaproject. So much money is now available to the very richest of the rich that the most aggressive are able to pursue ideas not at demonstration project levels but as full-fledged national programs comparable to those the federal government might launch.

If Washington had produced a scholarship program to help more minority students earn college degrees in math, the sciences and education, it probably wouldn't have been much larger than the stunning $ 1 billion that Gates' foundation recently committed to that cause. Likewise, the $ 155 million that New York venture capitalist Theodore Forstmann recently raised to provide private school scholarships for needy children rivals the national tests of school vouchers that House Republicans have tried (without success) to pass.

Even projects as ambitious as these can't replace government. But they do open an alternative avenue to innovation at a time when the standoff between the two parties has prevented Washington from funding virtually any significant new domestic initiatives. "There's stalemate on issue after issue here," says Bruce Reed, President Clinton's top domestic policy advisor, "but we could easily get around it if the nonprofit sector thinks big enough."

Down in the (relatively speaking) weeds of the new money there are other promising developments. One distinctive characteristic of this boom is the amount of money it has placed in young hands. That creates great philanthropic opportunities but equal challenges, because philanthropy, like a taste for winter cruises, traditionally has been a passion acquired with age.

Yet innovative efforts are emerging to change that pattern. The industrial-age moguls built imposing national philanthropies that re-created the top-down structures of their companies. Now the information-age rich are assembling decentralized, locally focused charitable networks that reflect their management ethos, notes White House aide Eric Liu, who helped organize a recent presidential conference on philanthropy.

The best example is Social Venture Partners, which has spread from its founding in Seattle in the fall of 1997 to Austin and Phoenix, with another affiliate now forming in Dallas. The groups raise funds from young high-tech execs (who agree to give $ 5,000 a year) and then contribute both money and expertise to local nonprofit organizations, mostly small start-up groups working in low-income communities. In what's been dubbed "venture philanthropy," the partners burrow in to help the organizations upgrade their technology and devise tangible plans to raise their visibility, stabilize their finances and measure their progress.

"Benefiting shareholders is one thing," says David Lunsford, a senior Dell Computer Corp. executive who founded the Austin Social Venture Partners. "But benefiting people who directly benefit from your services is another thing entirely."

This intimate involvement reflects a desire for direct action among the baby boom and younger generations that has replaced a belief in national politics as the best means to improve society. Over time, the key question may be whether young executives accustomed to the instant gratification of the IPO and the adrenaline rush of business on Internet time can sustain their commitment to civic work where progress typically comes more grudgingly. Now more than ever, speed is the key to business success. But, today as much as a century ago, the indispensable ingredient for social change is stamina.

Ronald Brownstein's column appears in this space every Monday.

See current and past Brownstein columns on The Times' Web site at: http://www.latimes.com/brownstein.

GRAPHIC: GRAPHIC-DRAWING: (no caption) JEFF DANZIGER / For The Times

LANGUAGE: English

LOAD-DATE: December 20, 1999

NEW PROFIT inc.

# Memo

Philanthropy —
Venture

From: New Profit, Inc. Team

Date: November 24, 1999

Re: NPI Update

---

Greetings and Happy Thanksgiving. This is an exciting and busy time at New Profit, Inc. with lots to report. Some highlights of recent events include:

> ***NPI In the Press*** – NPI was recently featured in *Fast Company* magazine and the *Wall Street Journal;* find both articles enclosed for your review.
>
> ***NPI & Monitor Deliver*** – we are very excited about the recent deployment of Monitor coaches to our portfolio organizations. Robin Webby is working with the Codman Square Health Center; Lisa Grove is working with Citizen Schools; Margaret Covell is offering strategic guidance to Jumpstart and Nancy Michels is assisting Working Today in New York. Additionally a fundraising institute was held at Monitor Cambridge for Jumpstart.
>
> ***NPI Adds Muscle*** – we are very pleased to announce that Victoria Wilde has joined our team. Victoria brings experience from Nextera Enterprises Consulting and will be working closely with Vanessa on Investor Relations.
>
> ***NPI In the Field*** – NPI recently presented at two notable conferences for high net worth individuals and philanthropists. Vanessa and Kelly presented venture philanthropy at the request of Rockefeller and Company at a conference entitled "New Generations of Wealth" at the Rockefeller Estate in Tarrytown, New York. Vanessa and Aaron Lieberman delivered a one-two punch to The Philanthropic Initiative's recent conference on new trends in philanthropy.

**Enjoy the Holiday!**

NPI - Boston Sunday Globe - 11/28/99

2 CANAL PARK • CAMBRIDGE, MA 02141 • PHONE 617.252.3220 • FAX 617.252.2100

THE ULTIMATE GUIDE TO CHANGE

# FAST COMPANY

WHAT ARE YOU WORKING ON? | DECEMBER 1999

## SPECIAL ISSUE

16 CHANGE AGENTS, DIGITAL THINKERS, TALENT SCOUTS, DESIGNERS, AND DREAMERS WHO ARE CREATING *YOUR* FUTURE

## PLUS

THE WEB LEARNS TO LAUGH

THE MINT MAKES CHANGE

"MAYBE-PROOF" YOUR COMPANY

GIVE BACK FOR THE HOLIDAYS

12

0 U9281 03101 7

# Social Justice

Those with the talent to succeed in the new economy have a responsibility to address its harsh side effects.

Article by Cheryl Dahle Photographs by John Huet

"If you are exposed directly to an injustice or a need, you want to do something about it."

# Alan Khaze and Vanessa Kirsc

# If Alan Khazei ever forgets

why he set out to change the world, all he has to do is swivel around in his chair and survey the office wall behind him. There, in a golden frame, hangs a collage of snapshots from a 1995–1996 trip around the world that he and his wife, Vanessa Kirsch, took to meet other social entrepreneurs. The people in those photos believe in the same things that Khazei and Kirsch believe in. They've fought similar battles—for funding and for survival. And they've prevailed against great odds to reshape their respective corners of society. Included in the collage are Debashis Nayak, an architect in Calcutta who works with communities to preserve ancient landmarks; Ashraf Patel, a young Indian woman who heads a cultural-awareness program to bring Muslims and Hindus together; and dozens more.

Seeing their faces fills Khazei with a renewed sense of purpose. It reassures him not only that he chose the right path but also that he is not alone on that path. "We went on the trip looking for change agents—people involved in making a difference in all sectors: business, government, and nonprofit organizations," Khazei says. "We found that these were people with whom we shared common values, common desires, and common hopes—hopes for children, hopes for peace, hopes for what's possible in the 21st century. I came back from the trip even more committed to what we're doing."

Before their nine-month sabbatical, both Khazei and Kirsch had independently built visionary vehicles for social change in the United States. Khazei's brainchild was City Year, a sort of domestic peace corps that he cofounded with law-school buddy Michael Brown in 1988. The program had grown from 50 members in Boston to 1,000 members in 11 cities. Kirsch was no less accomplished. In 1991, she started Public Allies, a thriving national youth-service program based in Washington, DC. Both Kirsch and Khazei were looking for an answer to the question "What's next?" "We knew that what we were doing was extremely important work, but we felt like we were banging our heads against a wall," says Kirsch. "It's so hard to grow something. We thought that by taking a step back, we could ratchet up the work that we were doing—not only for ourselves and our own organizations but also for the nonprofit sector."

The trip around the world was one leg of a larger journey for both of them—a journey toward what Kirsch calls "high-impact" social change. "We want to make a big dent in history," she says. Their quest: to create a venture-capital mechanism for the nonprofit world—a system that would reward creativity and performance in the social sector with funding for growth. They want to help build the next generation of great, sustainable nonprofit enterprises. They aim to define the future for a new generation of social entrepreneurs.

**PARALLEL UNIVERSES**

In hindsight, it seems inevitable that Khazei's and Kirsch's lives intersected. Both were born into mixed-religion homes: Hers was Jewish and Protestant, his Catholic and Muslim. Both went to colleges in the Boston area—he to Harvard and she to Tufts. In 1988, she worked on Michael Dukakis's presidential campaign; he worked on Gary Hart's in 1984. And both had parents who inspired them. Kirsch remembers coming home from school to find her artist mother painting. "I loved watching her take a blank canvas and transform it," Kirsch says. "I would often run home from school so that I could paint with her. It gave me a sense of limitless possibility."

Khazei's immigrant father, who came to the United States from Iran, instilled in him the virtues of citizenship. "My father came from a country with a dictatorship, so he appreciated the value of democracy," Khazei says. "He said, 'The United States is the greatest country in the history of the world. It's the only country I could come to as a foreigner and be accepted and raise a family and contribute.' But he also raised me to have a critical eye. We Americans have these ideals that we don't always live up to."

Neither Khazei nor Kirsch knows how to take no for an answer. Shortly after Kirsch launched Public Allies, she got in her car and drove from Washington, DC to Chicago. There she waited outside a hotel to accost a program officer for the MacArthur Foundation. She offered the woman a ride to the airport, and on the way, pleaded her case. They parted with a noncommital "Come and see me the next time you're in Chicago" from the program officer. Weeks later, Kirsch road-tripped to Chicago again and called the woman. This time, Kirsch walked away with her first $25,000 grant. "She thought that Public Allies was extremely entrepreneurial," Kirsch says. "And probably crazy as well."

Kirsch is, by nature, a relentless battler. Dyslexic, she had to fight her way into college. "Everybody told me that I wasn't going to get into the school that I wanted to attend," Kirsch says. "I wrote to Tufts, 'Look, my scores are terrible. But I really want to go to Tufts.' It was a heartfelt letter. I just wanted them to know how badly I wanted to get in—and I did."

Khazei is no different. He wanted President Clinton to attend the festivities for City Year's 1998 annual convention. After all, it was a campaign stop at a City Year site that had inspired Clinton to launch the $250 million AmeriCorps program in 1994. But the president's staff said that he had no time for a trip to Boston. So Khazei pulled out all the stops, lobbying everyone he knew with a connection to the

White House and calling on City Year corps members to pen more than 700 letters to the president. When the day of the event arrived, "Clinton was there. Apparently, he found time for a trip to Boston," says former U.S. Senator Harris Wofford, who befriended both Kirsch and Khazei years ago, and who now runs the AmeriCorps program. "Alan Khazei got Bill Clinton to attend by sheer force of will."

**YOUTH-SERVICE JUGGERNAUTS**

Khazei's dream of starting a national-service program germinated while he was still in college. "We'd have late-night discussions about how to change the world, and about how the United States is the richest country on the planet but it still has homeless people and illiteracy and gang violence," says Khazei. "Why do we have that disparity? For me, national service makes so much sense because it gets to the root of the issue. It gets people involved at a young age so that they will learn what's going on in a direct way. It turns on what I call people's 'justice nerves': If you are exposed directly to an injustice or a need, you want to do something about it."

Khazei went on to Harvard Law School because, as his father advised, he could always find work with a law degree if all else failed. But after graduating, he turned down lucrative law-firm offers. Instead, with classmate Brown, he founded City Year. Their hope was that City Year would spark a movement, taking hold first in Boston and then spawning parallel efforts in other cities. The premise was simple: that national service could become both commonplace and obligatory, a bridge between high school and college. Young adults (ages 17 to 24) from all walks of life would dedicate 1,700 hours a year to working together on service projects all over the city. In addition to a modest living allowance, they would get partial college scholarships.

City Year began with 50 participants and funding from Bain & Co. and Timberland, among others. Today, wearing their red parkas, khaki pants, and City Year T-shirts, young corps members have become a fixture all across the country, doing morning calisthenics in the plazas and squares of their host cities. Teams of members take on community projects such as cleaning up vacant lots, providing HIV education, tutoring and mentoring other students, and helping the elderly. Nationwide, this year's contributions will look something like this: more than 1.5 million service hours; more than 22,000 kids educated about HIV; about 970 outdoor spaces renovated; roughly 150,000 kids tutored and mentored; and almost 3,000 elderly provided with support services.

## What's fast

After spending roughly a year networking with other social entrepreneurs around the world, **Vanessa Kirsch** and **Alan Khazei** have a good sense of the future of civil society.

**Get used to new profit.** "In the future, change agents will have to be comfortable in all different sectors, both public and private," Khazei says. "They'll have to be willing to work with the government, to work with nonprofit leagues, to work with businesses. We saw that everywhere we went. Even in China, which is communist and very much government-controlled, we found that there were people doing borderline nonprofit work."

**Say goodbye to big government.** "The era of big government is over, and not just in America," Khazei says. "The issue of government corruption was everywhere. But it wasn't that people were against the government or ready to throw government away. They were recognizing that they needed more nonprofits and businesses involved in addressing issues."

**Meet the new revolution.** "Social entrepreneurs will lead change as politicians led change in the 1960s," Kirsch says. "But it's a different kind of revolution. It's not a revolt in the streets; it's institution building. But we don't have a system to take any of those innovations to scale—yet. While we have social innovation that we believe in, and that has been proven, there's no system to take that innovation to scale. That's the next battleground."

**That vision thing.** "America is in a transition period now," Khazei says. "Don't forget, for 50 years, when we were in the middle of the Cold War, it was very clear what our mission as a society was. And it was also very clear what the role of government was. Then the Cold War ended, and we didn't have an offensive mission. What are we trying to accomplish as a country? We have no idea. And the irony is that we sit atop the world. America is like a colossus: We have the resources to do so much. We just need to find the will."

As City Year was getting off the ground, Kirsch was working for Peter D. Hart Research Associates, canvassing young people about their attitudes toward citizenship. Depressed by the gloomy results, which painted her Gen X peers as slackers and poor citizens, she decided to find out for herself if that picture was accurate. Living off of a bonus from work, Kirsch took a month off and drove cross-country, interviewing young people along the way. She found that in many cases, young people were interested in doing public service, but they didn't know where to begin.

Kirsch then discovered many nonprofits that needed assistance. They were worried about the future leadership of their organizations, but they didn't have the resources or time to recruit new blood. Kirsch envisioned a solution that would help young people, nonprofits, and their communities. "We needed to create an infrastructure and organization that would bring those resources together. We'd help nonprofits and young people, and we'd create a whole notion of national service, of citizenship, of buzz about its potential. And we would begin to change the way Gen X was defined."

Public Allies, started in 1991, places young people in 10-month paid apprenticeships with local nonprofits. "Allies"—the teenage participants—get anywhere from $1,300 to $1,500 a month (depending on which city they live in), plus an educational grant from AmeriCorps of up to $4,725. One day a week, they work on team-based projects, such as a citywide forum for high-school peer health educators and violence-prevention programs. The notion has caught on: With an operating budget of $4 million, Public Allies now places roughly 200 youths each year with organizations in nine cities.

City Year and Public Allies became models for the national public-service movement. Both programs acquired steady funding, a healthy dose of media coverage, and, arguably, reasonable success—and that's when the frustration began.

Around 1992, both Khazei and Kirsch began to feel crunched: They had outgrown their startup phases, but they lacked the resources to grow. Kirsch had more requests than she could meet to expand Public Allies into new cities. Paradoxically, though, "Some of the foundation people were saying to me, 'Vanessa, you're getting too successful. We can't fund you anymore,' " Kirsch says. "And I was thinking, 'Now, that makes a lot of sense.' Others were saying, 'Vanessa, you're raising enough money, and you're showing surpluses. We can't give you money.' And I'm thinking, 'If I were showing deficits, then you'd give me money. But you're not going to give me money because I did what I said I was going to do?' "

Khazei, though extremely proud of City Year's success, had grown more impatient with its limitations. "I want to see a million young people in service. City Year's great, I love it, but it's only 1,000 people. AmeriCorps is great, but it's only 25,000 people. The money's there now, and the president just vetoed a $792 billion tax cut. Well, if there's $792 billion for a tax cut, then there's $10 billion for national service. There has to be."

In April 1992, Wofford suggested that Kirsch meet one of the founders of a service program similar to hers in Boston. Wofford started egging Khazei on as well. "He told me, 'This woman started an organization called Public Allies, and it's really hot. She's going to blow by City Year. You've got to watch out because she's young, entrepreneurial, aggressive, dynamic, beautiful, and talented,' " Khazei says, mimicking Wofford's teasing warning. "And so I said, 'Well, I've got to meet this person.' "

Fate collaborated with circumstance at a June 1992 conference for social entrepreneurs in Concord, Massachusetts. "I was a little late, so when I came in, everyone was already seated for dinner," Khazei remembers. "There was this incredibly beautiful, energetic woman at one of the tables. She was glowing with positive energy, and there was an empty seat next to her at that table. And I thought to myself, 'I bet that's Vanessa.' And lucky for me, it was. I sat down at her table, and we started talking. And we hit it off. She talked about Public Allies and what she was doing and how she started it. I talked about City Year. We both talked about the political campaigns that we had worked on. We ended up staying up until 2 AM. Dinner was long over, they'd closed down the bar, and everybody had gone to bed."

Soon after meeting, the two began a long-distance relationship. They kept it quiet, not wanting nonprofit-world gossip to overshadow their work. They commuted between Washington, DC and Boston, and scheduled flight layovers in the same city whenever their travels permitted. Their mutual travel agent was the first to guess. "He busted Vanessa," Khazei says, grinning. "He asked, 'Are you and Alan dating?' and she was shocked. She asked him how he knew, and he said, 'Because no one except you two ever requests layovers.' "

**BREAKTHROUGH ON THE BEACH**

Two years after they met, Khazei and Kirsch decided that they needed to step back from their cherished nonprofit projects to seek out new ideas and perspectives. Drawing on the experience of matchmaker Wofford, who had traveled to India with his wife shortly after the two were married, Kirsch and Khazei decided that a pilgrimage around the world would be the perfect tonic for their stagnation. The nine-month-long trip served as a celebration of their engagement—and of their shared mission. "We thought that this would be a great way to start our life together—by traveling abroad, trying to meet change agents and future leaders and learn from them," Khazei says.

They were on a beach in Thailand, two and a half months into their travels, when it came to them: They would create a second-stage capital market for nonprofits. During their travels, Khazei and Kirsch interviewed more than 350 social entrepreneurs, businesspeople, and government leaders in 20 countries. And after seeing their own difficulties mirrored in their compatriots' experiences and witnessing how far American capitalism had reached into even the developing countries that they had seen, the answer seemed obvious.

"There's lots of startup money for nonprofit work," Khazei explains. "There's lots of money for the really big, established groups. But there's almost no money for those organizations in between—those who need bridge money to sustain and to grow."

Because of that lack of second-stage funding, nonprofits and philanthropists remain locked into the startup-phase mentality—rewarding need and new ideas rather than performance and tested models. "With all of the effort and money that goes into the nonprofit sector, why aren't we solving more problems?" Kirsch asks. "Because the system is broken. This is not an intellectual argument. I'm talking about thousands of people not getting immunized or thousands of kids not getting access to childhood-development intervention so that they can learn to read. It's about how to have the greatest possible impact; how to effect large-scale social change."

Back home in 1996, Khazei returned to City Year, aiming to seed the organization in 10 new cities within five years. Kirsch, who had left Public Allies, began to lay the groundwork for a venture-capital fund that would serve nonprofits. She approached the project as she had any other in her life: with complete obsession. "By the time I got back to America, I couldn't think of doing anything else. When people say, 'Oh, I think you're off here. Maybe the timing's not right,' I think, 'We're doing the right thing because I know it,' " Kirsch says. "There's such a higher drive for me, because I've listened to voices in Russia, the Middle East, South Africa, China, and Japan, among others, all saying the same thing. I don't want to sound mushy—but this is my calling."

Kirsch, with Khazei's help, spent a year researching the idea, assembling a think tank of students, professors, social entrepreneurs, and business leaders. Kirsch and a coworker bulldozed their way into the office of Harvard accounting professor Robert Kaplan, who had invented the "balanced scorecard" method of evaluating companies' nonfinancial performance. Within an hour, they had persuaded Kaplan to adapt his method for Kirsch's venture, New Profit Inc. Kirsch then struck a deal with the Boston-based Monitor Group to provide mentoring and strategy consulting for the nonprofits that her company would choose to groom—as well as office space for her four employees.

Then Kirsch started raising money—$2 million to date from investors including the Knight Foundation, Mark Nunnely of Bain Capital, and Chris Gabrieli of Bessemer Venture Partners. Initially, New Profit will provide four entrepreneurial nonprofits, chosen from among 40 applicants, with consulting and financial services worth up to $1 million over three to five years. The inaugural investments: Jumpstart, which matches college-age tutors with preschoolers; Citizen Schools, a group that fosters community involvement in public after-school education; Working Today, a union, of sorts, for free agents; and Codman Square Health Center, a Boston clinic that serves the disadvantaged. Mirroring the for-profit venture-capital paradigm, a New Profit representative will sit on the board of each funded organization to advise and monitor its progress.

Like Public Allies and City Year, New Profit is intended to be a test case. If it's successful, Kirsch hopes and expects to witness the organization launch a whole new sector—not nonprofit or for-profit, but new-profit. In the new-profit world, investors will demand a strict accounting of strategy, operations, and results. They will seek a quantifiable return on their social investments—not a financial return per se, but one that is based on measurable social progress. New Profit grantees that meet certain standards will be rewarded with additional funding; those that fall short of meeting those standards will ultimately be dropped.

Competition, in other words, will arrive in the nonprofit world. "American industry wouldn't be the entrepreneurial mecca it is if it weren't for venture capital. In venture capital, a lot of the new ideas get the big grants. People take big risks on new ideas," Kirsch says. "But the nonprofit sector is stuck with a conservative, banking mentality. Funders don't take big risks on big new ideas. There are a few people who generally control what gets funded. My goal is to someday have hundreds of venture-philanthropy funds to fill in that green space that hasn't been developed." ★

CHERYL DAHLE (CDAHLE@FASTCOMPANY.COM) IS A *FAST COMPANY* SENIOR WRITER.
CONTACT ALAN KHAZEI (AKHAZEI@CITYYEAR.ORG) OR VANESSA KIRSCH (KSPAN@EARTHLINK.COM) BY EMAIL, OR LEARN MORE ABOUT NEW PROFIT INC. ON THE WEB (WWW.NEWPROFIT.COM).

# A Rare Disappointing Rubin Move

When Bob Rubin was tapped as a top executive of Citigroup last week it was cited on the front pages of the New York Times, Wall Street Journal and Washington Post, with major, highly positive stories. Television too covered Mr. Rubin going to the global financial giant.

But six weeks earlier when the former Treasury secretary was named chairman of the Local Initiatives Support Corporation (LISC), the country's leading community development support group, there was no such blanket coverage. There were stories in the three major newspapers but they were short and buried inside. To television, it was a non-event.

Yet when it comes to Mr. Rubin's ability to affect people's lives, leading a drive to increase and enhance community development in underprivileged areas is more important than the infinitely more lucrative job at Citigroup. (He's not doing it for the money; Mr. Rubin's net worth is several hundred million dollars.)

## Politics & People

By Albert R. Hunt

One wishes that the roles were reversed, that he'd be part-time at the huge financial services company and dedicate most of his energies to community development. "It would be almost unprecedented to have a Bob Rubin devoted to LISC," notes Billy Shore, an activist and analyst of the growing and changing nonprofit field. "It could have a huge transformational impact on the nonprofit model." Likewise, Vanessa Kirsch, who started New Profit Inc., a venture philanthropic fund for the nonprofit sector, says "Bob Rubin provides the type of leadership and reputation that could ignite a whole burst of new philanthropic giving."

It's easy to see why Citigroup wanted the former Treasury chief. His sterling reputation and wealth of experience will provide valuable intelligence and open doors around the world for Citigroup's global ambitions. The company's co-chairs, Sanford Weill and John Reed, are big names in the business community but around the globe are nobodies compared to Bob Rubin.

The most successful Treasury secretary this century, Mr. Rubin is a man of uncommon intellect, decency and values, who genuinely cares about the inner cities and the underclass.

Thus the appeal of bringing his exceptional acumen to social problems. There is a model: Gen. Colin Powell, while serving on a corporate board and making lucrative lectures, spends most of his time spearheading America's Promise, marshaling more resources for at-risk children.

There are the stirrings of a real revolution in the nonprofit arena. The old line institutions, like the Ford Foundation and United Way, remain, but a new philosophy is emerging among the recent proliferation of newer ventures. More willing to take risks, they focus more on kids and poverty and generally embrace a more entrepreneurial, less traditional approach. One of the pioneers is Billy Shore, who heads Share our Strength, a national nonprofit that has mobilized thousands of volunteers and raised over $80 million for antihunger and antipoverty efforts. In an inspirational new book, "The Cathedral Within," he chronicles some of these innovative ventures: Boston City Hospital's Failure to Thrive Clinic, Seattle's Pioneer Human Services, the Chicago Children's Choir and City Year, a great success story in tapping young people for community service.

With the tremendous accumulation of wealth this decade there should be far more resources available for these needs. Certainly the established religious, educational and cultural institutions are getting their share. The challenge, however, is to tap into this money for the less traditional causes that hope to deal with cutting edge problems. That will take some persuasion. According to Billy Shore—an idealist without illusions in the Kennedy mold—despite all the exciting developments in the nonprofit area, the available funds, when measured against the problems, "are so inadequate" that long-term planning or strategies are impossible.

*Robert Rubin*

Although a growth in charitable contributions has accompanied the vast proliferation of wealth in the 90s, giving as a percentage of income has been steady. Part of the reason for the stasis, however, may be that some of these rich folks are looking for more strategically placed investments that could have a bigger impact.

That's what the Vanessa Kirschs of the world are working on. "We're trying to create the same energy and dynamism in the nonprofit sector that exists in the private sector today," she says. Some of these would be self-sustaining ventures, others would get government contracts and some would serve as catalysts to get more people and organizations involved. Central to all of this, she believes, is that nonprofits "must become more business-like" to attract and absorb efficiently any new money that may come in.

In all of this, there will be risks. Any venture that seeks to make a big impact has, by definition, a higher chance of failing; that's as true for nonprofits as it is for private sector entrepreneurs. America's Promise has been legitimately criticized for hyping its achievements and not fully disclosing some of its salaries. Yet it also has energized countless citizens, including more than a few rich companies who've opened up their wallets to help kids in need.

America's Promise likely will get over these growing pains. And Colin Powell deserves real credit for his leadership in these important achievements. He could have spent most of his time raking in big bucks, but by all accounts, he plans to stay at it—at least until the next presidential administration takes office.

Bob Rubin, with his extraordinary reputation and cache in the business community, might have been the one person who could have done even more. Along with the chairmanship of LISC—which has a highly regarded president and chief operating officer—he could attract financial support and spearhead new innovations for this risky business of helping deal with the urban problems that matter so much to him.

In an interview this week, the former Treasury chief remarked that he'll "remain active in public policy issues," though Citigroup will be a full-time job. He insists his involvement is enriched by "having a strong sense of what's going on in markets and economics. . . you get that by being engaged." Rather than seeing the pressing demands of his new job as a deterrent, he thinks continual contact with people of great means will help him channel more resources into groups doing good: "I think I can do more for LISC by being at Citigroup."

I hope he's right; I suspect he's not.

An abused mother appeals for help in getting her two sons toys for Christmas – B7


# Boston Sunday Globe

SUNDAY, NOVEMBER 28, 1999


SUN, SUN
SENSA
Today: Mostl
Tomorrow: (
Details, I


GLOBE STAFF PHOTO/PAM BERRY

*David Feinberg,* BOSTON

**Law firm partner** with Foley, Hoag & Eliot

With his wife, Marsha, devotes time and money to **children's programs**.

GLOBE PHOTO/MATTHEW F. WITCHELL

*Frederick and Toni Green,* MINNEAPOLIS

Manufacturing **company owner** and **foundation executive**

Their family foundation gives to **education** and the **arts**.

# SPREADING THE WEALTH

## Rich, young entrepreneurs are turning to social activism instead of the typical charities with their time and money

By Lynda Gorov
GLOBE STAFF

SEATTLE – The notion struck each of them in their own time.

Some say they had always intended to give back, if they had ever made the money, if they ever had the hours free. Others thought only of the next software program, the latest legal brief, that business contract on the table, until they glanced up from their desks and realized they were rich.

Not rich by Bill Gates's standards, or even Oprah Winfrey's, but wealthy enough to wonder what good their good fortune might do. A million or two, or 20, they came to realize, was enough to do well and live well. As more than one new millionaire put it, "It just seemed like it was time."

"It takes awhile for things to become real and to have a sense of what you've got and what you're dealing with," said Chris Evans, 33, who sold his Raleigh, N.C.-based computer software company, Accipiter, for $55 million last year, and who is now grappling with how much of his wealth to keep, how much to give away, and to whom. "It's not as easy as you'd think. At the moment, the resources that were created are a bit of a puzzle to me."

Added Michele McGeoy, 39, who sold her own software company in Berkeley, Ca-

# Spreading the wealth: A new way of giving

**DONORS**

Continued from Page A1

pany, RH Solutions: "Giving was never an option before. It was just heads down," McGeoy said. "I built my last company with no investment money, just sweat. Even if I'd wanted to give back, and I did, I didn't know how."

Now in their 30s and 40s, their careers established, their companies sold for large sums, or their stock options paying off, scores of like-minded men and women are pursuing philanthropy with the same intensity they had brought to their professions.

Many of these givers want results, and they apply the same rules to making donations as they did to making money. That means a solid return on investment, measured now in societal good.

In interviews with dozens of newcomers to philanthropy around the country, charities hoping to benefit from their benevolence, and experts in giving, it became clear that many of the new givers think hard before writing checks, that increasingly they want to understand exactly what their dollars will be doing. One result is a tendency to steer clear of the biggest, best-known charities in of smaller philanthropic endeavors.

"The swift rich and the earned rich, as opposed to the traditional blueblood, have a more entrepreneurial way of thinking about philanthropy," said Paul Schervish, director of the Social Welfare Research Institute at Boston College. "It's got to be innovative, effective. They want to see something done."

The names of these new givers are not on buildings – yet. And many insist they cannot imagine forgoing relative anonymity for back-patting publicity. Often coming from middle-class backgrounds, they do not like to talk about their money much, at least not with strangers.

But money they have made. And it is being given away in record amounts, for reasons as varied as the people donating.

"Where I am in life right now, my major energy is going to loving my children, and it's an easy transition from that to loving children's programs," said David Feinberg, 40, a father of three and partner with the Boston law firm of Foley, Hoag & Eliot. "At a certain point, you realize you can make the contribution and it doesn't affect your lifestyle. Once that happens, it becomes much easier to become more generous."

Last year, total donations to nonprofit organizations in the United States reached $174.5 billion, according to the American Association of Fund-Raising Council, 10.7 percent more than the previous year. Buoyed by a strong economy, giving by individuals climbed by almost the same percentage to $134.84 billion, by far the largest portion of charitable contributions. The trend upward is expected to continue, as elderly parents pass billions of dollars in assets on to the baby boomer generation. At the same time, studies have found that more people than ever are bequeathing portions of their estates to charity.

"I will meet with donors, and they will say, 'I've been extremely successful, I'm at a point now where I don't have to worry about my own future or our kids' future,'" said Emmett D. Carson, executive director of the 84-year-old Minneapolis Foundation, which has $450 million in assets and which made grants of $28 million last year. "They'll say, 'I want to give my kids enough to make them comfortable but not enough to remove their drive.' I've had that conversation 60 times."

Peter Bladin, 36, arrived in Seattle from Sweden 12 years ago with two suitcases and $100 in his pocket, then did well enough with his Microsoft Corp. stock options to become a stay-at-home father two years ago. He is one of the newly rich who do not expect to

GLOBE PHOTO / DANIEL SHEEHAN

**Internet entrepreneurs Chase and Teri Franklin donate money and time to Social Venture, which helps children and schools.**

leave much money to their children. He said he intends to pay for their college educations, then give the rest of his portfolio away in his lifetime. In addition to setting up a foundation, Bladin now gives in the mid- to high-five figures a year, and offers his marketing expertise for free to nonprofits.

Still, there has been criticism of the new generation of potential philanthropists. The perception of stinginess among instant Internet millionaires and billionaires – many of them still in their 20s, without families of their own, or even social lives – has drawn both attention and disdain.

Recently President Clinton called the newly rich to task at the first White House conference on philanthropy, urging the high-tech wealthy to "find ways to bring enterprise and opportunity to hard-working, decent people" who had been left out of the economic recovery. For her part, Hillary Rodham Clinton expressed concern that philanthropic giving, as a percentage of household giving, has hovered around 2 percent for three decades despite the tremendous surge of wealth.

For instance, 83 percent of Silicon Valley households make some kind of donation to charity, compared with 69 percent nationwide. A recent survey by the Community Foundation of Silicon Valley found that 45 percent of the wealthiest contributors in the region give just $2,000 or less a year to charity. Six percent give nothing at all.

"It's early in the game," said Paul Shoemaker, 38, whose seven years in the Microsoft marketing department left him financially secure, enabling him to set up a family foundation and quit to become executive director of a Seattle-based organization called Social Venture Partners, which nurtures nonprofits with the time, money, and expertise that venture capitalists typically provide to start-up companies.

"This generation is going to give more money away than has ever been seen before," Shoemaker added. "Why haven't more tech people given more money away? Well, the game ain't over yet."

For the newly wealthy or newly active donors, the trick is often deciding where, and how, their substantial checks and hands-on commitments can have the most impact. Uncertainty is the number one reason cited for delayed giving, both by philanthropists and the charities that depend on them.

Not surprisingly, there are books on responsible giving, philanthropy consultants, advisers, and estate planners; all are ready to help the undecided determine where to spend their donation dollars. The Rockefeller Foundation in New York offers a four-week course in strategic giving. The cost: $10,000 plus a commitment to donate another $10,000 during the course. This spring, Harvard's Hauser Center for Nonprofit Organizations will hold its first workshop for wealthy individuals interested in strategic philanthropy.

"We're trying to make educated consumers of people who have an increasing number of options concerning where to give their money," said Christine Letts, the center's executive director. "People who have amassed great wealth but haven't grown up with it can feel alone because it isn't normal to talk about money in our society. So they're not liable to do something about it, and if they do, they might not do something smart."

For years, Toni and Frederick Green of Minneapolis gave in dribs and drabs, $100 here, $250 there. She is an executive of the Cargill Foundation, he owns a manufacturing concern, and they had never considered that they could, or should, give more. Then the University of Minnesota approached them about writing a $7,500 check to help acquire a collection of rare African-American books. Now they have a family foundation, and make multiyear grants to education and arts groups, among others. They also give heavily to their church.

"Now we look at large dollar gifts and know that we could do it," said Toni Green, 49. "It's not scary at all. It feels good, really good. It was an interesting corner we turned with that first check."

In the philanthropic world, word of available money spreads fast, and donors speak of being inundated with requests from organizations they know little or nothing about. Like the Greens, some say they responded, however reluctantly, to the solicitations. Others initially sought out institutions close to their hearts: their churches, their children's schools, their alma maters.

In time, many became students of charitable giving themselves, studying the nonprofit sector as they would the private, searching for the same efficiencies that give them satisfaction as businessmen and women. Through a variety of organizations geared toward hands-on giving, they volunteered to teach the charities a thing or two.

Chase and Teri Franklin of Seattle say they were looking for the same jazzed-up feeling from philanthropy and community service that they got from their jobs. He made his money at Microsoft, she was a pilot at United Parcel Service, and now they have Internet-related start-ups of their own.

The couple, both 42, also donate to Social Venture, whose current emphasis is on children and education, and volunteer their time. He has helped persuade apartment owners to use an empty unit as a community center for afterschool programs. She has helped bring authors into the schools. They have other, individual commitments, too. She calls Planned Parenthood "my pet."

"We made a personal commitment to feel some pain," said Chase Franklin. "It should be meaningful in the sense that we're not just out liquidating funds that don't matter to us. We want to walk the walk."

Walking the walk has special meaning for Michele McGeoy, the Berkeley entrepreneur who sold her company, went to work for the new owners, then saw it resold and shut down, leaving both her and her employees unemployed.

Devoted to social change, McGeoy said she hopes that her current employees will have built enough equity in her second company to buy her out in four or five years. As a member of Responsible Wealth, a Boston-based group that limits itself to the richest 5 percent of Americans and advocates against tax and other rules that favor the wealthy, she has also pledged to donate 8 percent of her annual income to like-minded groups. Thirty percent more of the profits from RH Solutions, when those profits come, will be earmarked for charity.

Then there is ASAP, her solution to the growing gap between the computer revolution and the lack of applicable technology training received by many minorities and women getting off welfare.

"Making money isn't my priority anymore," McGeoy said. "The question is: How do I build something that takes advantage of my skills but doesn't build on the backs of others. . . . But the question of where to give money, that's been the real challenge. Part of me wants to give to everyone who asks, and yet I want to leverage my money to do the most good it can."

To be able to give as much as they want, Nicholas Lovejoy and his wife, Barbara Gordon, have kept their lifestyle simple: a small house and one 13-year-old car between them, often leaving him to ride his bicycle in the cold Seattle rain. The decision of where to give the freed-up money was more difficult. After both gave stock worth $100,000 to their college alma maters, they considered a variety of issues – from math and science education for girls to overpopulation – before settling on public lands and sustainability. Their new $2 million family foundation will make its first grants this year.

"I spend a tremendous amount of energy talking and learning about philanthropy, how it works, how society works," said Lovejoy, 29, who was the fifth employee on board at Amazon.com, worked at the company for three years, and is now retired. "You have to think outside the box. There is room for new ideas in the not-for-profit sector that change the paradigm."

For their part, Feinberg and his wife, Marsha, have long been active in Boston charity circles, sitting on the boards of several organizations concerned with the well-being of children. He expresses his continuing loyalty to Harvard University with donations, and could see himself "getting excited about hard-core antipoverty programs."

But these days the bulk of his time and money goes to the two-year-old New Profit Inc., a so-called venture philanthropy out of Boston whose aim is to affect what it calls large-scale social change. Like Social Venture Partners in Seattle, which asks donors for $5,000 but often receives more, New Profit's performance-based fund pools financial and technical resources and turns both over to nonprofit organizations.

"In the long run, there's no bigger turn-off than making a contribution, getting a perfunctory thank-you note, then getting solicited a year later for another contribution and that's it," Feinberg said. "What we're trying to build is a whole community of people who want to invest part of their lives in making the world better."

Chris Evans, the North Carolinian, likes the idea of venture philanthropy, too. This fall he gave $50,000 to the Triangle Community Foundation's new Entrepreneurs Venture Fund, which is seeking donations from new and established entrepreneurs and will allow them to pick the causes they want funded. His was the first contribution.

"A lot of what I'm looking for is what I've been trained to look at from a venture standpoint: bang for the buck, leverage for your investment," he said. "By joining with other entrepreneurs in town, we're creating a way to generate 10 times as much giving. There's a lot of power there."

But Evans's contribution made only a small dent in his sudden wealth. Now he is trying to decide whether to set aside enough to start another company one day. A practicing Christian, he supports his church, his daughter's school, and a community learning center for disadvantaged children. He also worries that charities will see him only as a checkbook, rather than someone with skills from which they can also benefit.

"My primary objective is to be where God wants me to be and do what he wants me to do," Evans said. "Right now, I'm listening. It's not like it's written on my wall or anything when I wake up. But we view the bulk of the gains as something that's not really ours but something we're the stewards of. Sure, we're going to enjoy some of it. But the rest of it is somebody else's that we're only holding on to until we figure out what to do with it."

PHIL – Ventures



# Turning Baby Internet Moguls Int

By PATRICIA LEIGH BROWN

LEONARD ELY, a 76-year-old real estate magnate and veteran philanthropist in Palo Alto, Calif., awaits the day in the possibly distant future when all those young whippersnappers stop obsessing about the Gaggeneau kitchen ranges, personal helipads and those charming $9-million cottages on Turkey Farm Lane in Woodside.

"They're all millionaires and billionaires by the time they're 30," grumbled Mr. Ely, one of the founders of the Community Foundation of Silicon Valley. "So they have a whole lifetime to figure out how to make a difference."

Philanthropy, Mr. Ely pointed out, is a learned behavior. And this particular learned behavior is not what initially springs to mind in that hotbed of individualism, where, until recently, simply broaching the subject with new cyber-millionaires could be dispiriting. "They'd say, 'Look, I don't have my Ferrari and my place in Tahoe, and you're telling me I should give money away?' " Mr. Ely said.

But, like the Lost Boys, even baby zillionaires have to grow up eventually. The task of shepherding them through the passage from "high net-worth individuals," as they are known, to mature adults who care about community has fallen largely to the Community Foundation, which began life in 1954 with $50,000 in leftover war bonds.

It is now, predictably, one of the fastest-growing community foundations in the country. Over the last decade, the group's war chest, with about 400 separately endowed funds, has multiplied from $7 million to $320 million in assets, with $97 million in new gifts last year alone. It has been helped by donors like the 42-year-old Infoseek founder, Steve Kirsch, who calls giving away money "a significant growth opportunity" and has a $50 million supporting organization fund with the foundation, and the 34-year-old billionaire Jeff Skoll, whose company, Ebay, donated 107,000 pre-I.P.O. shares of stock last June (value then, $1 million; value now, about $40 million).

The Valley's inward-looking culture seems to be shifting: last month, a group of about 100 young techies gathered at Mr. Kirsch's Los Altos Hills home to talk charity and eat tandoori chicken on the tennis court overlooking the waterfall cascading into the swimming pool. They were there to raise money for SV2, or Silicon Valley Social Venture fund, a three-tiered membership organization and new offshoot of the foundation whose raison d'être is weaning a new generation of Medicis.

"Lots of people here are still in the

# ıet Moguls Into Big Givers


Peter DaSilva for The New York Times

borhood in east San Jose, referring to Silicon Valley to the north. "I think of lots of money, the impossible dream, unreachable for the person who is working class." Mrs. Lopez, 64, is on the board of the Mayfair Neighborhood Improvement Initiative, one of the foundation's most ambitious projects. A collaboration involving the Community Foundation, the William and Flora Hewlett Foundation, local governments and nonprofit agencies, the program is giving $4.5 million over six years to finance 76 projects generated by the neighborhood.

ALTHOUGH a quarter of the residents live in poverty, with an average income of $7,403, the neighborhood has a strong tradition of community activism. (Cesar Chavez grew up here.) Instead of swooping in to bestow grand public works, the initiative is supporting incremental improvements suggested by residents: hiring crossing guards for Cesar Chavez Elementary School, for instance, or a network of promotores, community health advisers who travel from school to school and door to door.

But the slow nature of philanthropy is a psychological hurdle for many Silicon Valley donors. "It isn't quite as satisfying as start-ups, because you can't see results right now," Mr. Ely said.

It is up to the 57-year-old Mr. Hero to hold the hands of inexperienced givers and allay their anxiety. Widely credited with galvanizing the foundation since he arrived 11 years ago, he was inspired by his mentor, Ernest C. Arbuckle, the former dean of the Graduate School of Business at Stanford and chairman of Wells Fargo Bank, who died in 1986. Arbuckle put forward the theory of "repotting" oneself periodically in "a bigger world, a bigger challenge." Mr. Hero has even repotted the foundation's name rechristening it the Community Foundation of Silicon Valley from the original Community Foundation of Santa Clara County, "a meaningless political boundary," he said, "as opposed to a region, an attitude."

Part of his strategy is using the Valley attitude, chiefly, workaholism, to enlist support, developing networks like SV2 that play upon professional contacts. Above all, observed Susan Luenberger, the foundation's vice president, 34-year-olds who have built their own financial empires "don't want to look stupid or do the wrong thing." The buzzwords of the moment are "social entrepreneurship" and "venture philanthropy," defined by Mr. Fong of SV2 as "going beyond contributing dollars to participate, using your business skills to help run things."

Mr. Fong, whose father, Arthur, grew up in the Chinatowns of Sacramento and Los munity Foundation, which began life in 1954 with $50,000 in leftover war bonds.

It is now, predictably, one of the fastest-growing community foundations in the country. Over the last decade, the group's war chest, with about 400 separately endowed funds, has multiplied from $7 million to $320 million in assets, with $97 million in new gifts last year alone. It has been helped by donors like the 42-year-old Infoseek founder, Steve Kirsch, who calls giving away money "a significant growth opportunity" and has a $50 million supporting organization fund with the foundation, and the 34-year-old billionaire Jeff Skoll, whose company, Ebay, donated 107,000 pre-I.P.O. shares of stock last June (value then, $1 million; value now, about $40 million).

The Valley's inward-looking culture seems to be shifting: last month, a group of about 100 young techies gathered at Mr. Kirsch's Los Altos Hills home to talk charity and eat tandoori chicken on the tennis court overlooking the waterfall cascading into the swimming pool. They were there to raise money for SV2, or Silicon Valley Social Venture fund, a three-tiered membership organization and new offshoot of the foundation whose raison d'être is weaning a new generation of Medicis.

"Lots of people here are still in the wealth-accumulation mode," explained the SV2 mastermind Kevin Fong, a 45-year-old venture capitalist with the Mayfield Fund, who knows. "We're talking to them in terms of emotional return." The era of R.O.E.I., return on emotional investment, is dawning.

First-generation Valley pioneers like Bill Hewlett and David Packard, men of Mr. Ely's vintage, embraced philanthropy as a corporate ethic, but, with certain notable exceptions, the Internet generation has not followed suit. A foundation study published last year found that among people making $100,000 or more in the Valley, a third give away less than $1,000 annually. This has much to do with the shifting sociology of a region where entrepreneurs are still using Clearasil and, in the great California tradition, have only recently arrived.

The study, intended to answer the question "is philanthropy dead?" (the conclusion was no), found that 60 percent of the people who live in Silicon Valley, a sprawling 1,500-square-mile region that extends north to San Mateo and south to Gilroy and includes a portion of the lower East Bay, came from somewhere else, and that 20 percent had lived in the Valley less than five years. Significantly, the study also discovered that 40 percent of all giving left the Valley, in contrast to a place like Kansas City, Mo., a bastion of old money, where only 10 percent left the immediate region.

"Philanthropy, to the extent it exists here, is different than it is in Minneapolis or Cleveland," said Peter Hero, president of the foundation, an M.B.A. and former corporate marketing director. "There, your father served on the symphony and your mother on the board of the Junior League and then they put the charities in their will. It is socially *done*. The idea that simply because you are wealthy you have an obligation is not necessarily compelling out here."

Debra Engel, a former senior vice president of 3Com who recently retired at 47, noted the peculiarity of the moment: young people with fortunes far vaster than their parents ever dreamed of who can't look to them as philanthropic role models. Financially, she said, "the time frame's compressed," adding that her own parents were in their 70's before they felt secure enough to embark on full-throttled giving.

Ms. Engel has a donor-advised fund, in which the contributor makes recommendations about where the money will go but leaves the paperwork to the foundation. And she said that she plans to leave most of her own money to charity. (A supporting organization fund, like Steve Kirsch's, has its own independent research staff and controls its own investments.) She also described herself as an old-timer in this environment. "If you're young and have just come into money," she said, "you haven't thought about your life, let alone your giving."

MUCH of the cyber-giving has taken the form of vast sums to an alma mater (witness the Netscape founder Jim Clark's $150 million gift to Stanford). But, Mr. Hero said, "the curve is steepening," in part because Bill Gates has raised the standard. Philanthropy is emerging in the Valley with a new dynamic. In place of social or moral obligation, Mr. Hero said, the new givers are driven by personal satisfaction. "They want to *invest*, especial-

ly ir
'hov
are
wan
T.
the
trur
For
hou:
ther
whi
whe
apa
the
Hou
a nc
Tl
chai
edn
wor
stuc
to a
to fi
"]
of N


Peter Hero, president of the Community Foundation of Silicon Valley, works with students
Renee Solis preparing a Halloween event at the Mexican-American Community Service Ag

# A Billion Reasons to Be on Board

**. DOBRZYNSKI**

well L. Ander-
Whitney

**PHOTOCOPY PRESERVATION**

with one that has absolutely nothing to do with the art. In this particularly golden gilded age — a time when museums are forced to compete with better-heeled collectors for $40 million Picassos and $20 million Warhols, and when everyone in the art ... about the prospect of $100 mil- ... — the number of billionaires ... something

the moguls who are prospective trustees, another approach is required. Often these recently minted billionaires are not schooled in art, but they are eager to learn. A curator's offer of advice on finding, researching, framing, hanging, restoring and storing works is usually right on the money, so to speak.

As more and more boards bulk up on billionaires, something else is happening — the art neighborhood is being rearranged. New York, where Wall Street contin- ... riches to financiers and ... The Museum of


Peter DaSilva for The New York Times

Community Foundation of Silicon Valley, works with students Ruby Valencia, left, Raul Ochao and
oween event at the Mexican-American Community Service Agency Youth Center in San Jose, Calif.

ving left the
like Kansas
y, where only
region.
t exists here,
nneapolis or
president of
rmer corpo-
re, your fa-
y and your
nior League
in their will.
that simply
ve an obliga-
ng out here."
r vice presi-
etired at 47,
ment: young
r than their
can't look to
dels. Finan-
ame's com-
arents were
cure enough
ng.

Ms. Engel has a donor-advised fund, in which the contributor makes recommendations about where the money will go but leaves the paperwork to the foundation. And she said that she plans to leave most of her own money to charity. (A supporting organization fund, like Steve Kirsch's, has its own independent research staff and controls its own investments.) She also described herself as an old-timer in this environment. "If you're young and have just come into money," she said, "you haven't thought about your life, let alone your giving."

MUCH of the cyber-giving has taken the form of vast sums to an alma mater (witness the Netscape founder Jim Clark's $150 million gift to Stanford). But, Mr. Hero said, "the curve is steepening," in part because Bill Gates has raised the standard. Philanthropy is emerging in the Valley with a new dynamic. In place of social or moral obligation, Mr. Hero said, the new givers are driven by personal satisfaction. "They want to *invest*, especially in leaders," he said. "They're not asking 'how many people are hungry?' but 'what are your ideas to address this issue?' They want to give to solutions, not problems."

The problems exist in abundance, behind the parade of billboards along Highway 101 trumpeting money and the latest dot-com. For every headline about a suburban ranch house in Palo Alto selling for $1 million, there is the flip side: a housing crisis in which jobs outpace housing five to one, and where rent for an average one-bedroom apartment has increased by a quarter over the last two years, to $1,650, according to the Housing Trust Fund of Santa Clara County, a nonprofit organization in San Jose.

The Community Foundation's biggest challenge may be instilling a sense of rootedness among freshly arrived baby moguls working 18-hour days in reflective-glass and stucco campuses, whose sense of connection to a wider community involves pilgrimages to fine restaurants in San Francisco.

"Beyond," said Naomi Lopez, a resident of Mayfair, a predominantly Latino neigh-

their anxiety. Widely credited with galva
ing the foundation since he arrived 11 y
ago, he was inspired by his mentor, Er
C. Arbuckle, the former dean of the Gr
ate School of Business at Stanford
chairman of Wells Fargo Bank, who die
1986. Arbuckle put forward the theor
"repotting" oneself periodically in "a
ger world, a bigger challenge." Mr. F
has even repotted the foundation's na
rechristening it the Community Founda
of Silicon Valley from the original Com
nity Foundation of Santa Clara County
meaningless political boundary," he s
"as opposed to a region, an attitude."

Part of his strategy is using the Va
attitude, chiefly, workaholism, to enlist
port, developing networks like SV2 that
upon professional contacts. Above all,
served Susan Luenberger, the foundati
vice president, 34-year-olds who have b
their own financial empires "don't wan
look stupid or do the wrong thing."
buzzwords of the moment are "social en
preneurship" and "venture philanthro
defined by Mr. Fong of SV2 as "going
yond contributing dollars to participate,
ing your business skills to help run thin

Mr. Fong, whose father, Arthur, grew
in the Chinatowns of Sacramento and
Angeles and became a designer for Hewl
Packard in 1949, notes that the Inter
generation is only now entering the "
cycle" — getting married, having child
— that will make its members care ab
the larger world. SV2 plans to cre
"strength grants" to help nonprofit gro
update technologically and improve th
financial strategies. "It's what this Valle
good at, collaboration," he said.

A major limitation for the foundation
been the fact that the new contributi
have strings attached. Of the $320 mill
less than 10 percent is unrestricted. In p
this reflects the growing zeal for perso
involvement and youth itself; unlike be
factors in older communities, these don
are not dead yet.

Mr. Ely, however, is confident that w
he calls "the generational gap between co
munity needs today and the interests
donors" will close over time as post-ado
cent donors mature. "Sure, we want un
stricted money, but we'll take money a
way we can," he said. "People get old. Th
make wills. The important thing is we
started communicating with some very g
erous people."

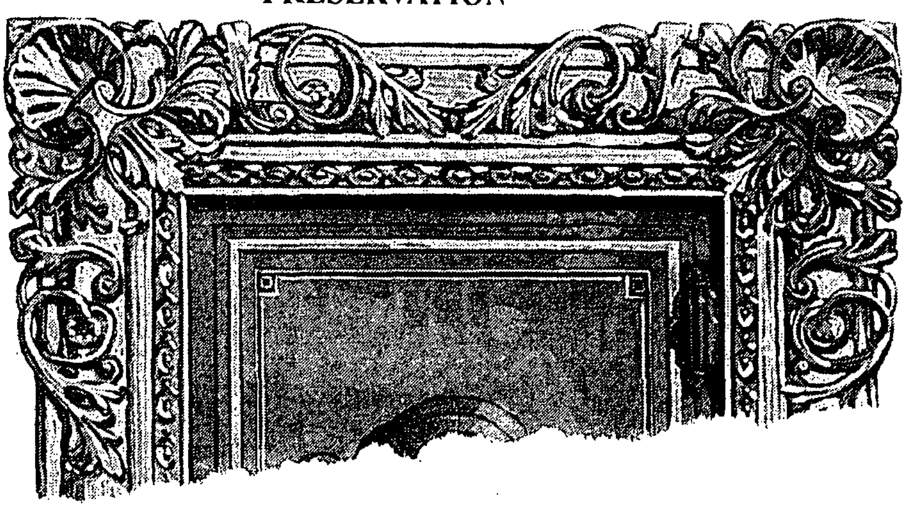


# o Be on Board

othing to do
arly golden
useums are
eeled collec-
l $20 million
in the art
of $100 mil-
billionaires
t something

the moguls who are prospective trustees, another approach is required. Often these recently minted billionaires are not schooled in art, but they are eager to learn. A curator's offer of advice on finding, researching, framing, hanging, restoring and storing works is usually right on the money, so to speak.

As more and more boards bulk up on billionaires, something else is happening — the art neighborhood is being rearranged. New York, where Wall Street contin-
...it riches to financiers and
...own The Museum of



# g Well: lurry

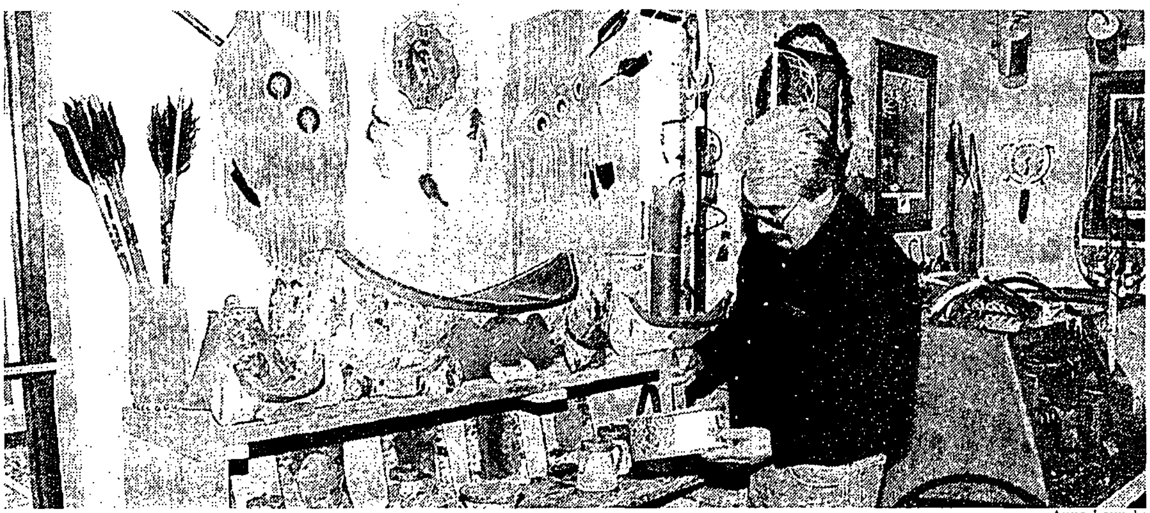
ized because $6.6 million in fees paid to executives of the non- broadcasting operation. "You to pay people competitively," iid, adding that some of the ıg profits were set aside to pay ials of other business ventures. rk Weinberg, a lawyer in Rock- Md., who represents nonprofit iizations, said creating a sister ofit also makes it clear that table assets are not being used ıfair advantage. Mr. Weinberg that when a surplus broadcast ı, for example, is leased to busi- s, the charity can say, "We do hrough our taxable entities and ay taxes on those profits just very other business."

course not all nonprofit groups ge in commercial activities. many of those that do impose to protect their images and their liabilities.

t the lure of easy money is a call and has drawn many chari- nto relationships that have been ly criticized for going too far.

ofessor Weisbrod pointed to the ersity of Wisconsin, which ac- d money and equipment from under a contract that would prohibited "disparaging" the ıany. Complaints about restric- on intellectual inquiry killed clause, but Professor Weisbrod the dispute is a reminder that can't become dependent on a ıue source without developing allegiance to the source."

## GRASS ROOTS



Anna Lewicki

Marvin Manypenny, the director of the Aniishinabe Cultural Center and Gallery in Detroit Lakes, Minn.

# A Dream of a Place for Sharing and Celebration

**NAME:** Aniishinabe Center
**FOUNDED:** 1995; Detroit Lakes, Minn.
**MISSION:** To assist Native American families by teaching youth about their heritage.
**CONSTITUENCY:** About 8,000 youth and adults from the Detroit Lakes area.
**FINANCING:** A combination of private foundations and individual contributors. The center also owns a store that sells Native American arts and crafts.

One night in 1990, Natalie A. Greenlaw, a member of the Minnesota Chippewa Tribe (White Earth Reservation, Mississippi Band) who sold furniture and newspaper advertising in Detroit Lakes, her hometown, had a dream that changed her life. "It was a great big open space where hurting people could come and gather and speak openly, and there were services available to help them, and to celebrate the gifts our creator has bestowed on us," she explained.

She had the dream interpreted by a local medicine man, who said it meant that she must create a gathering place for Indian people of the Detroit Lakes region.

But Ms. Greenlaw had little experience with such things. She decided to go to college and earned a degree in social work at Moorehead State University in Minnesota. For her final research project, she studied the needs of Indian families in the Detroit Lakes region and developed a plan for a social service center. With the help of a professor, and a small grant from the Otto Bremer Foundation, she opened a 12-by-24-foot storefront office to begin creating programs for local families.

The programs for youth include money management classes, high school equivalency tutorials and assistance with job searches and résumé preparation. The center also offers after-school Ojibwe language classes, a drum society and an Indian dance troupe.

NINA SIEGAL

PHOTOCOPY
PRESERVATION

PHIL -
Various



# Doing Good or Doing Well: It's Starting to Get Blurry

By DAVID CAY JOHNSTON

THERE is a new phrase in the charity lexicon, one that began as an oxymoron and quickly evolved into an accurate description: nonprofit business. A growing number of charities are creating profit-making subsidiaries, some to make money from the intellectual property they own, and others to separate customers who can afford to pay for services from those who receive those services free, or at a nominal charge.

The poster boy for this phenomenon is Minnesota Public Radio, which last year sold a mail-order business begun with small loans from its directors, putting $90 million into its endowment. The sale made it the financially strongest public broadcasting charity in the nation.

Then there is Family Service of America, whose social workers help troubled families without charge or for modest fees. Xerox Corporation hired this nonprofit to provide the same services to employees whose families needed counseling.

There is a flow the other way, too. The Fidelity and Vanguard mutual fund companies, for example, have created public charities that accept tax-deductible donations, with the donors later advising on the charities to which the money should be passed.

As these examples show, it is getting hard to distinguish organizations that are out to do good from those that want to do well. And it is going to get harder, according to scholars, executives of nonprofit groups and tax lawyers who say that fundamental economic and political forces are blurring the lines between charitable and commercial activities, in some cases to the point where they cannot be differentiated.

"You have to work very hard to keep straight in the public's mind what is charitable and what is commercial," said Peter Goldmark, the president of the Alliance for Children and Families, the successor to Family Service of America. That's why his group's for-profit division uses a different name: FEI (for Family En-

But there is no free lunch, he said, noting that such deals are often accompanied by "a loss of confidence by the public in charities, with donations declining only to be replaced increasingly by this commercial, ancillary activity in a sort of downward death spiral."

Death may seem a strange word for a sector of the economy with total revenues of about $750 billion this year. But Professor Weisbrod said the corrosive, long-term effect of commercialization is that "charities are losing the claim to have some kind of special status as they just become front men or agents for these profit-seeking firms."

On the other hand, many charities that plead for donations have assets that could supplement or replace donations, said Will Haddeland, a vice president of Minnesota Public Radio.

Minnesota Public Radio grew wealthy because Garrison Keillor, the host of "The Prairie Home Companion," wanted to give away a Powdermilk Biscuits poster to promote his program at a cost of about $3 a poster. The board balked, said Mr. Haddeland, who was a director at the time, but then agreed after someone suggested enclosing a coupon offering T-shirts and other items for sale with the biscuit logo. "To our amazement, we had a 25 percent response rate and we realized there's a business here," Mr. Haddeland said.

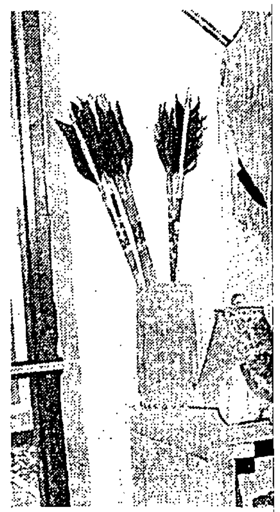
The sale of the catalog business to Dayton-Hudson for $120 million was criticized because $6.6 million in fees were paid to executives of the nonprofit broadcasting operation. "You have to pay people competitively," he said, adding that some of the catalog profits were set aside to pay for trials of other business ventures.

Mark Weinberg, a lawyer in Rockville, Md., who represents nonprofit organizations, said creating a sister for-profit also makes it clear that charitable assets are not being used for unfair advantage. Mr. Weinberg said that when a surplus broadcast studio, for example, is leased to businesses, the charity can say, "We do that through our taxable entities and we pay taxes on those profits just like every other business."

Of course not all nonprofit groups engage in commercial activities. And many of those that do impose rules to protect their images and limit their liabilities.

But the lure of easy money is a siren call and has drawn many charities into relationships that have been sharply criticized for going too far.

Professor Weisbrod pointed to the University of Wisconsin, which accepted money and equipment from Nike under a contract that would have prohibited "disparaging" the company. Complaints about restrictions on intellectual inquiry killed that clause, but Professor Weisbrod said the dispute is a reminder that "you can't become dependent on a revenue source without developing some allegiance to the source."



Marvin Manypenny, the

## A Dream o

**NAME:** Aniishinabe Cent
**FOUNDED:** 1995; Detroi
Minn.
**MISSION:** To assist Nativ
can families by teaching y
about their heritage.
**CONSTITUENCY:** About
youth and adults from the
Lakes area.
**FINANCING:** A combina
private foundations and in
contributors. The center a
a store that sells Native A
arts and crafts.

One night in 1990, Natal
Greenlaw, a member of th
sota Chippewa Tribe (Whi
Reservation, Mississippi
who sold furniture and ne

latest year for which detailed analy-
sis is available, said Lester Salamon, a political science professor at the Johns Hopkins University and an expert on nonprofit finance. Fees accounted for 52 percent of the growth, while government contracts and grants accounted for the remaining 40 percent, Professor Salamon said in a report financed by the Nathan Cummings Foundation in New York.

The growing reliance on fees paid by clients stems in large part from national political changes, experts on the nonprofit sector said. James J. McGovern, a tax lawyer with KPMG Peat Marwick, said that in the last 20 years, sources of financing for nonprofit organizations have switched. "In 1975, four-fifths of support came from contributions and one-fifth from program service revenue," said Mr. McGovern, who until 1996 was the Internal Revenue Service assistant commissioner overseeing tax-exempt organizations. "Now it's the reverse. What drove this was the Reagan administration's decision to significantly defund, or not fund, the third sector of the economy."

Nonprofit hospitals are an example of the revenue shift. Medicaid, Medicare and private insurance — always the mainstay — dwarf charitable gifts, which have shrunk to 5 percent of nonprofit hospital revenues, down from 11 percent in 1982.

Professor Salamon is one of many nonprofit experts who believe that charities change as their lifeblood of donations is transfused with fees. "Commercial values drive out charitable values and, increasingly, charities are having to rely on commercial activities to grow," he said.

The evolution of the nonprofit business, or the commercial nonprofit, as it has also been described, began during the late 1970's. Charities that historically solicited donations to pay for services that they distributed free, like summer recreation programs, began charging fees to clients. Museums and other institutions, which had charged token admission fees and opened many events to the public, raised prices and clamped down on who paid.

A variety of Washington researchers lauded these moves, theorizing that if recipients of charitable services paid part of the cost, they would make wiser use of those services.

By contrast, Burton A. Weisbrod, a Northwestern University economist who has studied nonprofits, argues that such commercialization is retarding the growth in donations and may lead to their decline.

Gifts to charities, including religious organizations, have held steady at about 2 percent of individual incomes for decades, despite significant increases in the standard of living and wealth, Professor Weisbrod said. Charities, he said, are too quick to jump at alliances with businesses that appear to offer money in exchange for the use of their names.

# For the Children of Harlem, Many Different Kinds of Help

By SOMINI SENGUPTA

IN fall 1988, when David N. Dinkins was still Manhattan Borough President and she was only 6 years old, Starrene Rhett of Harlem signed a contract with an executive of the financial services giant Merrill Lynch.

The small print of what she had signed on behalf of her fellow first graders at Public School 30-31 on East 109th Street that morning was lost on her. And understandably so, for the contract came with this seemingly incredible pledge: to Starrene and her 24 classmates, Merrill Lynch guaranteed a free ride to college, any college that accepted them. The youngsters, in turn, agreed to work hard to graduate; their parents were to stay on their backs.

Today, that 11-year-old Merrill Lynch pledge, known as the Scholarship Builders program, is about to reach fruition. As it does, the lives of that batch of first graders, most of whom are 17 and high school seniors, reveal a snapshot of a generation of Harlem's young.

Starrene, for instance, holds a strong B average at La Guardia High School for the Performing Arts. Her mother is an elementary school teacher; her sister graduated from Yale University; and Starrene has her eyes set on Syracuse University.

Ikay Henry, plucked from public school four years ago and sent to a Roman Catholic boys school, his tuition cobbled together by mentors through the Merrill Lynch program, wants to study computers after graduating. If accepted — he is applying to Howard University in Washington and the State University of New York at Stony Brook, among others — he will be the first in his family to attend college.

Monet Herman has made up for the school years she squandered following a pack of wayward friends at the Frederick Douglass Academy by transferring to an alternative school, City as School, in Greenwich Village, and taking classes during the summer and, now, at night. She is set to graduate on time.

Yet another classmate opted for a randomly selected nationwide whose students were offered social services through local chapters of the Urban League, is part of a vast range of philanthropic efforts directed at public schoolchildren in Harlem.

Indeed, education receives the largest share of charitable grants nationwide, and almost everyone agrees that more private money is pouring into public schools than ever before. The New York City school system alone collected about $90 million in private money in 1998, mostly from foundations and corporations, according to Board of Education estimates.

"There's a larger commitment to public schools than there once was," said Barbara Bryan, the director of the New York Regional Association of Grantmakers. "In the donor community, there was always a recognition. It's risen now to the level of corporations not just giving lip service, but understanding that this is where their future work force is going to come from."

But where does the money go? Central and East Harlem, where educational grant-making ranges from the serendipitous to the sensible, offer a glimpse of some trends.

For several years, corporate benefactors have been drawn to some of the neighborhood's prominent schools, sometimes paying for extracurricular activities, at other times pitching their own products.

At the Frederick Douglass Academy, for instance, the Gap Corporation has helped students establish a campus store; school uniforms and clothes made by the Gap and its subsidiary, Old Navy, are sold there, and profits are used for scholarships.

Scholarships continue to be a major thrust of private support. A Better Chance, a national organization with local offices in Harlem, collects private contributions to send disadvantaged children to elite public and private schools.

The Harlem Educational Activities Fund, a small foundation established by the Rose family of real estate developers, spends $1.4 million a year ushering a cadre of Harlem high school students through speech classes and more traditional academic tutorials to arm them for voted funds to the city school system.

Foundations have been aiding grass-roots parent groups, too, since the city school bureaucracy now allows parents to influence budgets and programs directly at individual schools.

The attention paid to charter schools and vouchers has prompted conservative philanthropists to direct their money to public schoolchildren who want to attend private and parochial schools.

The Student-Sponsor Partnership, for example, spent $4.5 million this year to send students from selected low-performing public schools to parochial schools, mostly in the Catholic Archdiocese of New York; of the 1,280 students served this year, 177 were from Harlem.

Perhaps the newest area of interest — and object of private foundation and corporate largess — is after-school programs, the result primarily of a challenge grant two years ago from the financier-philanthropist George Soros.

This year, $38 million — mostly in private donations, but some from the city youth department — was spent on after-school programs citywide. In Harlem, five elementary schools and one high school received $2.7 million for literacy and recreational programs after school.

"I am convinced that philanthropists, both small donors and large foundations, are increasing their commitment to K-to-12 education," said Beth Lief, the executive director of New Visions, a private nonprofit group that has started dozens of small public schools, including several in Harlem, with the aid of private funds. "There is a growing recognition that unless we prepare our more disadvantaged kids, we are in trouble."

In Harlem, preparing students — notably for higher education — has unearthed a variety of challenges for youngsters and their families. Donors have had to take note. Traditional youth programs, like the Rheedlen Center for Children and Families, a sprawling social services agency in Harlem, have turned to housing and to community organizing.

The Harlem Educational Activities Fund has had to confront the

PHOTOCOPY
PRESERVATION





# For the Many D

By SOMINI SENGUPTA

IN fall 1988, when David N. Din was still Manhattan Bor President and she was on years old, Starrene Rhett of Ha signed a contract with an exec of the financial services giant Me Lynch.

The small print of what she signed on behalf of her fellow graders at Public School 30-3 East 109th Street that morning lost on her. And understandabl for the contract came with this se ingly incredible pledge: to Star and her 24 classmates, Merrill L guaranteed a free ride to college, college that accepted them. youngsters, in turn, agreed to hard to graduate; their parents to stay on their backs.

Today, that 11-year-old Me Lynch pledge, known as the Sch ship Builders program, is abo reach fruition. As it does, the liv that batch of first graders, mo whom are 17 and high school sen reveal a snapshot of a generati Harlem's young.

Starrene, for instance, hol strong B average at La Guardia School for the Performing Arts. mother is an elementary s teacher; her sister graduated Yale University; and Starrene her eyes set on Syracuse Univer

Ikay Henry, plucked from p school four years ago and sent Roman Catholic boys school, hi ition cobbled together by mer through the Merrill Lynch prog wants to study computers after g uating. If accepted — he is app to Howard University in Washin and the State University of York at Stony Brook, among ot — he will be the first in his fami attend college.

Monet Herman has made u the school years she squandere lowing a pack of wayward frien the Frederick Douglass Academ transferring to an alternative sc City as School, in Greenwich Vil and taking classes during the mer and, now, at night. She is s graduate on time.

# How would Mary Higgins Clark play a key role in a number of charities without setting up a private foundation?

## "It's no mystery."

*—Mary Higgins Clark, famed mystery writer and philanthropist. Board Member, Catholic Communal Fund.*

The Catholic Communal Fund can provide you with an efficient way of making a significant contribution to a qualified not-for-profit organization or charity* without going to the expense of appointing a Board and setting up a private foundation.

When you set up a fund, you can direct CCF to make contributions to specific charities or to charities working in a particular area such as medical research, social services, education or the arts. If you don't want to direct contributions now, you can make suggestions for giving at a later date.

The Catholic Communal Fund handles all the administrative tasks. You can open a fund in minutes. And you can contribute cash or publicly traded or private securities and get a full fair-market value tax deduction immediately, without incurring capital gains tax.

To learn more about the Catholic Communal Fund, call (212) 588-0624. We'll send you a free booklet that takes the mystery out of charitable giving.

PHOTOCOPY
PRESERVATION

The Catholic COMMUNAL Fund

1011 First Ave, New York, NY 10022

*When planning any gift, we recommend consultation with your financial counselor or attorney.

THE TR
CON

FOR THE

"AN ACC
AND A SO
AND ENGLISH M
A GREAT C

For more info

Center for A

WE NEED
By Donating
I would like to help the CAC
the stray and abandoned anin
York City with my tax deduct
__$15__$25__$50 Other $_
__Check payable to CACC is
__Please charge my credit ca
*circle* Visa Master
Account #________
Expiration date________
Signature________

Name________

City________

Center for Animal Care and Control | 11

CACC is a nonprofit organization (501(
A copy of the latest annual financial rep
or from the Office of the Attorney Gene

[C]atholic Communal Fund can
[provide you] with an efficient way of making
[a gif]t contribution to a qualified
[nonpro]fit organization or charity*
[without goi]ng to the expense of appointing
[trustees and] setting up a private foundation.
[Once] you set up a fund, you can
[choose] to make contributions to
[specific cha]rities or to charities working in
[an] area such as medical research,
[social servi]ces, education or the arts. If
[you w]ant to direct contributions
[you c]an make suggestions for giving
[la]te.

[C]atholic Communal Fund
[handles] the administrative tasks. You
[can open a] fund in minutes. And you
[can contrib]ute cash or publicly traded or
[other sec]urities and get a full fair-market
[value d]eduction immediately, without
[c]apital gains tax.

[To le]arn more about the Catholic
[Communa]l Fund, call (212) 588-0624.
[We'll send] you a free booklet that takes
[the mystery] out of charitable giving.

[*We recomm]end consultation with your financial counselor or attorney.

THE TRUSTEES OF THE HUNTER COLLEGE FOUNDATION
CONGRATULATE PRESIDENT DAVID A. CAPUTO,
HUNTER FACULTY, AND STUDENTS
FOR THE FOLLOWING HUNTER COLLEGE DESIGNATION IN
*TIME/PRINCETON REVIEW:**

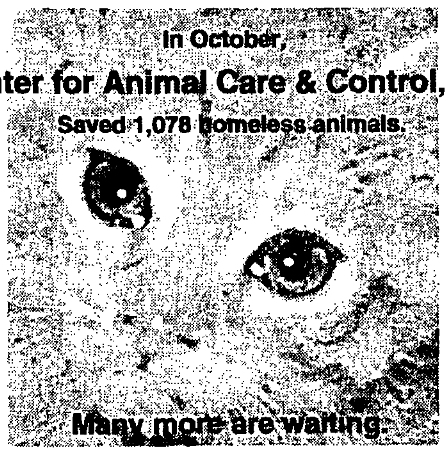
"AN ACCESSIBLE LOCATION ON MANHATTAN'S EAST SIDE
AND A SOLID REPUTATION IN THE SCIENCES, SOCIAL WORK,
AND ENGLISH MAKE THE CITY UNIVERSITY SYSTEM'S CROWN JEWEL
A GREAT CHOICE FOR SELF-MOTIVATED STUDENTS WHO SEEK
AN AFFORDABLE EDUCATION."

*THE BEST COLLEGE FOR YOU, *TIME/PRINCETON REVIEW*, 1999

PHOTOCOPY
PRESERVATION

**HUNTER**
The City University of New York

For more information, call 212-772-4490 • Visit the Hunter Web site at http://www.hunter.cuny.edu




**WE NEED YOU TO DO YOUR PART...**

**By Donating**

I would like to help the CACC care for the stray and abandoned animals of New York City with my tax deductible gift of:
__$15 __$25 __$50 Other $______
__Check payable to CACC is enclosed
__Please charge my credit card
*circle* Visa MasterCard
Account #__________
Expiration date__________
Signature__________

**By Adopting**

I would like to be called when the following pet is available for adoption:

*Please circle preferences*
dog cat male female
Size: small medium large
Age: puppy kitten adult
Breed request__________

Home Phone__________
Work Phone__________

Name__________ Address__________

City__________ State______ Zip________

| Center for Animal Care and Control INCORPORATED | 11 Park Place, Suite 805<br>New York, NY 10007 | www.nycacc.org |
|---|---|---|

CACC is a nonprofit organization (501(c)(3)) all donations are tax deductible in accordance with IRS guidelines
A copy of the latest annual financial report and registration filed by this organization may be obtained from CACC or from the Office of the Attorney General by writing the Charities Bureau, 120 Broadway, New York, NY 10271.

What do

**Johnson & Johnson**
**Cummins Engine Fdn.**
**Eaton Corporation**
**Outboard Marine Corp.**
**and**
**Sumitomo-Contec Corp**

have in common?

They all support CHF commun[ity]
based development program[s]

**CHF**

*An international non-profit organizatio[n]*
*Communities, Habitat, & Finance. To [learn]*
*more, call 301.587.4700 or visit www.chfh[...]*

**ADVOCATES FOR ADOPTI[ON]**

BUILDING FAMILIES
THROUGH DOMESTIC ADOPT[ION]
CALL 212-957-3938
TO REQUEST SERVICES O[R]
TO MAKE A CHARITABLE
CONTRIBUTION

**A NYS APPROVED ADOPTION AG[ENCY]**
**362 W. 46th St.**
**New York, N.Y. 10036**

**Memo for David Beier**
**October 21, 1999**
**Peter Buckley**
**Venture Philanthropy**

---

Venture Philanthropy is a new approach to philanthropy that has emerged from the minds of the people that have transformed technology, in particular, the minds of Silicon Valley. Traditional Philanthropists would consider giving money to worthy causes and after much deliberation they would grant money to the worthiest causes. This would most assuredly be enough to start new initiatives, but seldom enough to bring them to fruition. The new breed of philanthropist is also a "social entrepreneur". These "social entrepreneurs" are mostly venture capitalists and internet/technology moguls who have accumulated great wealth in the recent technology boom. These new philanthropists wish to give, not only of their wealth, but also of their time and expertise. Through investments of time, energy and know-how, the non-profits and charities receive much needed support in areas such as strategic planning, business management, communications and technology matters. In this way, the non-profit can survive fiscally, as well as, provide much needed services. Additionally, the new trend in philanthropy is not only to give but also to teach others how and why to give. The new rich are very young and most do not come from great wealth. Therefore, a lack of education about philanthropy exists. Many organizations such s those that follow have taken the lead in educating the corporate community about reasons for giving and opportunities to give. Here are a few examples to review:

- **Robin Hood Foundation**: a past example of an "engaged style of giving". Attorneys, accountants and management consultants who wished to give not only of their money, but also of their time and expertise to help recipient organizations succeed, began this foundation in the late 80's.

- **Social Venture Partners**: a Seattle-based organization inspired by Paul Brainerd, former Aldus Corporation president, that seeks to develop philanthropy and volunteerism to achieve positive change in the Puget Sound region. Using the venture capital approach as a model, SVP is committed to giving time, money and expertise to create partnerships with not-for-profit organizations. SVP is committed to investing in Children and Education. An example of SVP's work is Project Look; a program designed to constructively fill after-school time in areas of low-income housing. Project Look aims to give kids tutoring, mentoring and help with family problems-all in their own neighborhood.
  - www.svpseattle.org

- **The Entrepreneurs' Foundation:** a foundation begun by Gib Myers to benefit education and youth development in the San Francisco Bay Area. The EF has developed a unique service center to harness the potential of Silicon Valley companies enabling them to become better corporate citizens. The members of the EF are venture capitalists who approach principals at successful target start-ups (in the mezzanine stage of development, i.e. doing well and desiring expansion) and convince them to donate equity, usually in the form of common stock options, to the EF. When the company goes public or is taken over, the EF exercises the options. The money made in the transaction is used to strengthen SF Bay charities (The first donation from the EF is expected sometime in the near future) In the meantime, the EF challenges these companies to draw up community involvement plans outlining direct philanthropic goals. The EF is located in a region where the infrastructure is primed for expansion, however the communities in the area are struggling to survive. The EF strives to level the playing surface, by encouraging its clients to reinvest in the surrounding community. The EF treats giving like an investment.

- *Note Kevin Fong of the Mayfield Fund (Gib Myers Corporation) will be in attendance on Friday*
- www.the-ef.org

- **The Community Foundation Silicon Valley:** founded in 1954 the CFSV has grown and changed with Silicon Valley. The CFSV is a resource for those in the Silicon Valley interested in philanthropy. The CFSV put out a report in November 1998 entitled "Giving Back, The Silicon Valley Way", which chronicles the new culture of giving and volunteerism in the Silicon Valley. Peter Hero is the president of CFSV. He is frequently quoted in these articles. One of the CFSV's most notable accomplishments was the establishment of SV2, Silicon Valley Social Ventures.
  - www.cfsv.org

- **Silicon Valley Social Ventures (SV2):** a network of partners, each contributing time and money, with the goal of building a new generation of donors from the many young Silicon Valley tycoons. Steve Kirsch, CEO of InfoSeek, is a key member.

- **The Peninsula Community Foundation:** In 1964, caring local citizens created the Peninsula Community Foundation to serve as a permanent charitable institution dedicated to addressing the changing needs of the San Francisco Peninsula. The PCF sees itself as a resource where needy organizations can link up with caring contributors. Recently the PCF has developed The Center for Venture Philanthropy. The Center for Venture Philanthropy is a forum for community donors to collaborate and catalyze societal change. An outgrowth of the CVP is Philanthropy 2000 and the Venture Van. Philanthropy 2000 highlights community issues and the work of non-profits, while the Venture Van provides a "campus on wheels" for like minded investors to study non-profit strategies en route to site visits.
  - www.pcf.org

- **The American Leadership Forum Silicon Valley:** is an organization dedicated to building a better Silicon Valley community by joining and strengthening leaders to serve the common good. The ALFSV brings these leaders together to collaborate and create solutions and strategies to address giving in the Silicon Valley.
  - http://206.67.61.169/pilot/

Some experts believe that the traditional model of philanthropy encourages non-profits work hard to create a facade of virtue in order to receive grants. On the other hand, this new engaged style of giving used by many new philanthropists focuses on improving organizational virtues, such as developing the acumen to buy real estate at good value or providing human resources training to hire competent staff. These new philanthropists have a competitive style and drive; they want to see the organizations that they contribute to succeed, and they are willing and able to contribute their own time, money and talents to achieve that goal.

I spoke with Patty Burnesse of the Entrepreneurs' Foundation and she stressed that venture philanthropy is not e-philanthropy. These venture philanthropists use the medium of the Internet to attract customers (most of which are technology companies) and to spread their message, however this is not to be confused with e-philanthropy. Venture philanthropists take a cut of the money to prevent paying from their own pockets.

**Memo for David Beier**
**October 21, 1999**
**Peter Buckley**
**The Implications of New Technology on Philanthropy**

The boom in technology has given way to a new breed of philanthropists, but also a new ways to give and receive charity. The Internet has become a new avenue for philanthropy to occur. Not only has the Internet provided a medium for education, research and development of philanthropy, it has also provided a venue for philanthropy to take place. The following organizations are pioneers in e-giving:

- **www.helping.org:** is a new website recently launched by AOL and the AOL Foundation which will provide a resource for nonprofits, as well as, a medium to donate online. We had a meeting with the Vice President of the AOL Foundation, David Eisner, and he provided detailed information. A media kit is included.

- **www.philanthropycenter.org:** focuses on Peninsula and Silicon Valley Non-Profit groups and is equipped for e-giving. This site attempts to provide a resource for those interested in nonprofits. It is sponsored by the Center for Venture Philanthropy (mentioned earlier).

- **www.allcharities.com:** a website scheduled to open later this week. Allcharities.com will host to over 670,000 non-profit organizations nationwide. This site will be equipped to allow online giving by credit card or debit card, as well as, stock giving online. David Scholz is the president of this company.

- **eBay:** this online auctioneer has opened its site for the use of fundraising and charity auctions. Talk show host Rosie O'Donnell has used the site to conduct a fundraising effort for The For All Kids Foundation. There is also a Giving board where stories of persons in need are posted and members can donate money and/or goods.
  - www.ebay.com
  - http://members.ebay.com/aboutme/4allkids/

- **The eBay Foundation:** was created by eBay President, Pierre Omidyar and Vice President Jeff Skoll with at $40 million endowment (107,250 shares) of eBay stock. The stock was donated to the Community Foundation Silicon Valley (mentioned earlier) and The eBay Foundation was created. The eBay Foundation supports organizations that provide tools, hope, and direction to those who seek new skills. They "teach the teachers", who in turn help people recognize the potential in themselves to improve their surroundings, their lives, and their communities. The eBay Foundation supports organizations that have long-term implications, and maximize the ability to do well in the world. Ebay put stock in a great idea, giving new definition to IPO, immense philanthropic opportunity.

- www.volunteermatch.com: A powerful online database that allows volunteers to search thousands of one-time and ongoing opportunities by zip code, category, and date. Users signup automatically by email for those that fit their interest and schedule. Contributing organizations post their own opportunities, giving volunteers easy access to an accurate and diverse source of activities including, walk-a-thons, beach day cleanups, tutoring, home-building, meal deliveries and more. Supported by Senators McCain and Kerry.

- www.greatergood.com: this website allows users to shop online at their favorite e-businesses and 5% of every purchase is donated to a cause of their choice. Dr. Jay D. Hair is the Executive President of GreaterGood.Com and he will be on the panel. His Information is provided.

The number of online giving sites is increasing dramatically as companies develop them and as nonprofits enter the world of cyberspace full steam. It seems like some Internet giants, such as AOL, are genuine in their efforts to develop nonprofits in this medium. From what I gather from Eisner, this stems partially from a desire to see the Internet used for good. These people have been innovators of the medium and naturally want to look back in ten years and see the world a better place as the result of their efforts. Unlike the venture philanthropists, AOL is paying out of pocket to fund its effort (somewhere between $2 and $4 per donation, a transaction fee that AOL is picking up).

Philanthropy –
venture [illegible]

## Memorandum

To: Eric Liu
From: David Milner and Ken Himmelman, Community IMPACT! USA
Re: Neighborhood Venture Funds for Youth -- Policy Paper

September 24, 1999

DRAFT

**A Clear Need**

Research has repeatedly demonstrated the value of investing in the well-being of youth. In families and communities where youth feel supported and cared about, the level of academic achievement rises, youth are less prone to risky behaviors, and they are more engaged in the civic life of the community. The Journal of the American Medical Association reported in September 1997 that children who reported feeling connected to a parent (or another caring adult) were protected against many different kinds of health risks, including emotional distress, suicidal thoughts and attempts, cigarette, alcohol and marijuana use, violent behavior and early sexual activity. Such findings are confirmed repeatedly in other studies, whether they pertain to juvenile justice, teen pregnancy or civic participation.

This accumulated research has serious policy implications. The estimated annual cost to taxpayers of births to women aged 15-17 years alone is at least $6.9 billion in lost tax revenues and increased spending on public assistance, health care for the children, foster care, and the criminal justice system. A recent paper from Harvard University argues that spending money on building social capital will "reduce expenditures down the road (for out of school youth, for youth without jobs, on crime prevention, on income assistance programs, by increasing academic performance, by raising tax income, etc.)."

The dangers of not investing in youth are particularly acute among the poor. According to a recent US Department of Education study, one in seven $10^{th}$-$12^{th}$ graders dropped out of school among the poorest 20% of American families. In many urban areas, such as East Baltimore, Southeast Washington, DC, or Camden, NJ, percentages are routinely above 50%.

Children grow up in families and communities, not in programs. What is needed is a reliable mechanism for neighborhoods to invest directly in their own youth and their vision for a strong community. By investing in youth, neighborhoods plan for the future and weave a web of positive relationships that can support and sustain youth as they grow.

**A Proven Model**

For the last nine years, Community IMPACT! has worked in low-income neighborhoods in Washington, DC to launch neighborhood venture funds for youth. Neighborhoods are defined geographically and do not exceed 30,000 people. For each neighborhood a venture fund is established so residents can invest in local youth and in their ideas for change. A committee of neighborhood residents, including 25% - 60% youth, is recruited to oversee the fund. This committee creates a vision for how it wants to invest in local youth and takes action by awarding scholarships for higher education and grants for projects that improve the community and involve youth in positions of leadership.

A survey of Washington, DC residents conducted by Peter Hart Associates for Community IMPACT! revealed several telling statistics: that an overwhelming majority of youth (85%) and adults (72%) believed that scholarships were the best way to keep youth on track; that youth who feel strongly connected to the neighborhood believe much more strongly that adults around them care about them; and that both youth and adults are looking for meaningful ways to work together on common problems.

Neighborhood venture funds for youth promote strong relationships between all members of the community – youth, adults, schools, churches, businesses and so on. In the last year two DC neighborhoods have mobilized more than **5,000 residents** to participate in community-building projects; awarded more than **75 scholarships** to neighborhood youth; leveraged over **$200,000** to give in local grants; and **managed partnerships** with corporations such as The Home Depot, Fannie Mae, and Clark Construction.

While these short-term results are impressive, the long-term results are the most important. The long-term goal of this Fund/Committee structure is to drive up a "Neighborhood IPO": **investment** (I) in youth and community; **participation** (P) in civic life; and **optimism** (O) about the future among all residents, especially youth. Measuring a "Neighborhood IPO" is critical for the future of neighborhoods and for our country. Over time, a rising Neighborhood IPO will indicate a community moving in the right direction with regard to its youth.

**Proposal: Funding Democracy on the Grassroots Level**
- $10,000,000 demonstration fund as part of existing legislation (EZ/EC? HUD? HHS?)
- low-income neighborhoods as defined by census data on income would be eligible; they are defined geographically by residents, not by zip code
- they would choose an eligible non-profit or government agency as fiscal agent/ oversight agent
- each neighborhood would be eligible to receive $30,000: $10,000 would be given up front, $5,000 for scholarships and $5,000 for grants; $20,000 would be released over two years on a 1-to-1 matching basis after funds are raised locally through other sources
- Neighborhood committees would submit annual reports on short-term outcomes (scholarships, grants, jobs, leadership opportunities) and long-term IPO

Amend current legislation (EZ/EC? HUD? HHS?):

(a) Purpose: It is the purpose of this Fund to catalyze and support the formation of neighborhood venture funds for youth. These funds will expand the capacity of low-income neighborhoods to invest in their youth and in their ideas for the future in rural and urban areas across the country.

(b) Criteria: Grantees shall:
   (1) be a neighborhood committee of diverse residents, 25% - 60% of whom are under the age of 24
   (2) be able to demonstrate their status as "low-income"
   (3) represent a distinct geographic area with a common identity, with a population not to exceed 30,000 residents
   (4) be funded through a local 501(c)3 fiscal agent
   (5) demonstrate a clear vision and plan for how they will invest in local youth
   (6) agree to track both short-term outcomes (scholarships, grants, jobs, leadership opportunities) and long-term results ("Neighborhood IPO" -- investment, participation and optimism) on an annual basis

(c) Priority will be given to low-income communities with strong resident support and a clear plan, including a viable accountability system. Additional points will be awarded to EZ/EC communities?/ HUD?/HHS?

(d) Applications. Meet criteria above. Further funds will be available to those whose IPOs are going up.

(e) Project periods. The original award will not exceed 3 years. Additional funds may be given to successful neighborhoods based on the above criteria listed in subsection (b).

(f) Proposal.
- $10,000,000 demonstration fund as part of existing legislation (EZ/EC? HUD? HHS?)
- low-income neighborhoods as defined by census data on income would be eligible; they are defined geographically by residents, not by zip code
- they would choose an eligible non-profit or government agency as fiscal agent/ oversight agent
- each neighborhood would be eligible to receive $30,000: $10,000 would be given up front, $5,000 for scholarships and $5,000 for grants; $20,000 would be released over two years on a 1-to-1 matching basis after funds are raised locally through other sources
- Neighborhood committees would submit annual reports on short-term outcomes and long-term IPO

NEW PROFIT inc.

# Fax Cover Sheet

TO: Eric Liu

FAX #: 202 - 456 - 2878

FROM: Vanessa

DATE: 10/6/99

RE: NPI in wired article - See p. 115

Pages to follow cover sheet:

Eric -

Vanessa wanted you to

See this.

- Eroica

If there are any problems with this fax, please call (617) 252-3220.

2 CANAL PARK • CAMBRIDGE, MA 02141 • PHONE (617) 252-3220 • FAX (617) 252-2100

# Nonprofit Motive

## The new breed of Silicon Valley philanthropists would make Mother Teresa crunch the numbers. Call it virtue capital.

**By Scott Kirsner**

It's 6 p.m. in Los Altos Hills, and 70 members of Silicon Valley's entrepreneurial set are milling around at the sleek, contemporary home of Kevin Fong, a venture capitalist with the Mayfield Fund. On the patio, a platoon of caterers glides back and forth with trays of mini-quiches; deep in the backyard, a waterfall cascades into a swimming pool. Fong clinks a glass and opens the first meeting of the Silicon Valley Social Venture Fund - SV2 for short - a cluster of newbie philanthropists, some of whom aren't so sure about this giveaway thing. But they're here, which means they're at least willing to entertain the idea. Tonight, everyone will be urged to write a check for $2,500 or more to join - a sort of good-intentions cover charge.

Infoseek founder Steve Kirsch, one of the few Internet moguls already known for his generosity (he and his wife gave $5.7 million last year), stands in the grass and delivers a spirited, sometimes jokey appeal about the joys of giving. Kirsch is aware that high tech movers and shakers are saddled with an image of stinginess, and he thinks they ought to commit to a counteroffensive. The first generation of Valley empire builders - people like Intel founder Gordon Moore and David Packard of Hewlett-Packard - set an admirable example for future high tech philanthropists, but the newer generation has been a bit slow off the mark. One study, completed last year by the Community Foundation Silicon Valley, reported that among people making $100,000 or more, a third give away less than $1,000 annually. Another survey, conducted by a Stanford University professor, noted that from 1994 to 1997, the companies in the region preferred to donate products and services, not cash.

"We've been focused on creating wealth," Kirsch tells the crowd, "and not enough on philanthropy." (Cisco cofounder and Urban Decay CEO Sandy Lerner, who has donated $20 million to sponsor an array of research and nonprofits, is a little more direct. By phone she says, "It's an embarrassment that people in Silicon Valley are giving so little.")

Of course, when Valley millionaires do give generously, the press seems to notice only if they indulge their more eccentric passions. Lerner, for example, has contributed through her Leonard X. Bosack and Bette M. Kruger Foundation to fund SETI's searches for extraterrestrial life-forms. USWeb founder Joe Firmage has

VC Gib Myers has raised about $3.5 million in donated stock options.

**"All of this is Venture Capital 101,"** Myers says. "But **there's been nobody doing it** in the philanthropic world **until now.**"

famously spent millions to research the physics of space travel. PeopleSoft founder David Duffield, meanwhile, has started a $200 million foundation to prevent the killing of unwanted pets. The endowment is so immense that homeless Bay Area dogs and cats can find themselves impounded in their own Victorian mini-apartments.

Kirsch's patio appeal is more practical than that, and mixes lofty eternal questions with - what else? - the bottom line. "The thing is, there are no tax advantages to giving after you're dead, so why not do it now?" he says. Besides, he adds, philanthropy can work *for* you if you play it right - stock options being a good example: "You can give away stock that you got for free and you can put it in a foundation. When you deduct it from your taxes, you can deduct the fair market value of that stock."

Kirsch offers a guided tour of favorite causes. He likes groups that are ambitious, he wants his money to make a measurable difference, and he prefers that the altruism be balanced by sound business sense. He likes being intellectually stimulated by what he underwrites. (One of his favorite beneficiaries is Targesome, a startup biotech company working on cancer treatments.) And, yes, he likes his quirky causes. He gives to the University of Arizona's Spacewatch Project, which seeks to identify asteroids that could strike the earth.

"It's cheap collision insurance," Kirsch cracks. "I pay more for my Acura NSX."

Demographically, this crowd is young - the average age looks to be late thirties - so they're in a position to give big for a long time. Among those present are eBay billionaire Jeff Skoll, MKIRisk chair Rod Beckstrom, and Laura Lauder, wife of venture capitalist Gary Lauder. Overall, their reaction to Kirsch's pep talk is positive. The event snares 10 new partners for Kirsch's group and rakes in pledges of $125,000.

That's just a hint at the potential, given the unprecedented wealth surging out of the Valley these days. But like Kirsch, the new breed of high tech philanthropists want to reinvent the art of generosity. They share his sense that simply giving money away is too passive and uninvolved. They want to lend business expertise, identify and support "social entrepreneurs" hungry to shake up the nonprofit world, and quantify their results. In short, they want to create a new kind of charity. But they don't call it that. They call it venture philanthropy.

Sitting at the head of a shiny conference table in the Mayfield Fund's Menlo Park office, Gib Myers explains why he missed Fong's garden party earlier in the week. He was hosting a dinner of his own, at Palo Alto's Il Fornaio, for the advisers and members of the Entrepreneurs' Foundation, another venture philanthropy group. Like Fong, the 57-year-old Myers is a partner at the well-regarded VC firm, but since last year, when he began focusing on the foundation full-time, he's been earning his cred as a leader in the first wave of "VP."

As Myers practices it, venture philanthropy involves taking equity in promising new tech startups, watching the value go up, and then investing the money in entrepreneurial nonprofits. He and members of the Entrepreneurs' Foundation (fledgling companies like Ramp Networks and Guy Kawasaki's garage.com, as well as other blue-chip VCs like Brook Byers of Kleiner Perkins) are coming up with novel ways to track the effectiveness of their donations, much as they track their ROIs. The Entrepreneurs' Foundation also seeks to get its member companies engaged in projects like painting low-income apartments and tutoring students. This, Myers says, excites the Valley's young philanthropists in a way that scribbling a check to the Salvation Army never will.

"All of this is Venture Capital 101," Myers says. "But there's been nobody doing it in the philanthropic world until now."

Crucial to VP 101 are the same financial instruments that build personal fortunes in high tech: stock options and IPOs. It's relatively painless for paper millionaires to give away shares - especially shares they can't cash in themselves because of SEC or company restrictions - and prepublic companies can afford to be generous with options, too. Armed with a PowerPoint presentation, Myers has wrung about $100,000 each in stock options from 36 companies. Seven of these are preparing to go public. At press time, the fund's fortunes had risen to an estimated $3.5 million.

Meanwhile, a few Internet companies are already doing this on their own. In 1998, when eBay was preparing for its IPO, founder Pierre Omidyar and Jeff Skoll, the company's vice president of strategic planning and analysis, decided to set aside 107,250 shares of stock to create the eBay Foundation. "The investment bankers weren't wild about the idea," Skoll says, "but we were just really firm about doing it."

Last winter, the eBay Foundation began making investments out of an endowment that had rapidly grown to $30 million. One of the early "investees" was College Kids, a group that helps low-income children get prepared for the challenges of pursuing higher education. Skoll is now counseling several prepublic companies on how to set up similar foundations.

Elsewhere, other energetic VPs have been kicking up dust. In Seattle, a group of young entrepreneurs led by Aldus founder Paul Brainerd helped form the Social Venture Partners, a model for SV2. The group has attracted 177 partners - about half of them from Microsoft - who each put at least $5,000 a year into a kitty. A member committee decides which community groups to invest in. The partners take a hands-on approach, similar to venture capitalists, in working with literacy organizations, elementary schools, and mentoring programs. They negotiate leases, help agencies get online, and offer advice on marketing and branding. In May, SVP held its largest meeting to date, with 225 people attending the gathering was held in the recital room of the Seattle Symphony's Benaroya Hall.

"We're not afraid of taking risks," says Brainerd. "We want to create as big an impact as we can with our money - and use our brainpower, not just our checkbooks."

A founding manifesto of today's venture philanthropy was a 1997 *Harvard Business Review* article called "Virtuous Capital: What Foundations Can Learn From Venture Capitalists," written by Christine Letts, a lecturer at Harvard's John F. Kennedy School of Government, and two coauthors, a consultant named William Ryan and Outward Bound CEO Allen Grossman. Letts says that when she first organized a series of seminars in 1995 and 1996 for fund-raisers and the business leaders who supported them, "we were trying to divine why it was so difficult to create strong nonprofits."

Because of the seminars, Letts says, she became interested in the differences in how nonprofits and private-sector businesses grow. She decided that some practices of

VCs – like helping management develop and execute strategies, measuring investment performance, and maintaining a long-term relationship – would benefit both foundations (the organizations that make grants) and nonprofits (the organizations that deploy grant money). She saw, for example, that in the five states with the most active foundations, only 5.2 percent of all grants were awarded for more than a year, forcing nonprofits to continuously raise money. In contrast, venture capitalists typically maintain relationships with companies in their portfolio for five years or more. They also provide startups with a large portion of their funding needs at the outset so CEOs can focus on developing the organization.

"Clearly, foundations and venture capitalists face similar challenges," the article stated, "selecting the most worthy recipients of funding, relying on young organizations to implement ideas, and being accountable to the third party whose funds they are investing." The piece pointed out that while venture capital firms had a strong track record of launching "'moon rockets' – ventures that produce a big payoff with a successful initial public offering," traditional foundations were more risk-averse and thus had fewer stellar successes to boast about. What Letts et al. didn't anticipate was how much this analysis would appeal to high tech's young millionaire class, eager to do their part but wary of bureaucracies.

"I started this because I don't think philanthropy works," says Vanessa Kirsch (no relation to Steve Kirsch), founder of New Profit. This Boston-based venture philanthropy group is managing a $4 million fund with help from the area's venture cap and high tech do-gooders and is building a $20 million trust. A fast starter, New Profit recently moved from its cramped one-room office in Boston's Red Cross building to more spacious digs donated by the Monitor Company, a consulting firm that will also give free counsel to the social entrepreneurs New Profit supports.

Earlier in her career, Kirsch launched what she calls an "urban Peace Corps" group in Washington, DC, called Public Allies and expanded it to seven cities. "Traditional philanthropy and grant making isn't based on performance and results," Kirsch adds. "When I was running Public Allies, I discovered it was nearly impossible to get money for things that are successful. The mentality of foundations is, 'This organization isn't doing well, so let's give them more money.' I could only get money for Public Allies programs in cities that were running a deficit. That's backward."

VP pioneers say that **funding should buttress success, not prolong failure.** Nothing good can be achieved through **"checkbook philanthropy."**

Kirsch and her fellow VP pioneers say that funding should help buttress successes rather than prolong failures. Their rallying cry is that "checkbook philanthropy" is not enough, a sentiment Sandy Lerner expresses with her usual candor.

"The problem with older charities is that after a while it's like a company. You get wedded to one approach," Lerner says. "Giving to the World Wildlife Fund is a total waste of money. All of it goes to overhead. Just like United Way. My partner Len and I are big believers in leverage. We look for projects with extremely low overhead. We try to empower people who take unorthodox approaches. We look for people who are going to get dirty."

To identify the people who are going to get dirty, the VPs say, you can either be as directly involved as Lerner is in selecting your beneficiaries, or you can develop more rigorous measures of nonprofit performance.

In San Francisco, the Roberts Enterprise Development Fund – created by George Roberts, one of the founders of the New York investment firm Kohlberg Kravis Roberts – has been a pioneer in trying to develop VC-like ways of measuring the returns on its "investment" in social entrepreneurs. One project is Juma Ventures, which recruits high-risk urban youth to work in Ben & Jerry's shops.

"We're kind of the lunatic fringe of venture philanthropy, taking financial metrics and applying them in the social sector," says Jed Emerson, the Roberts fund's executive director. "Too many nonprofits are concerned with getting grants – not what they do with them. And too many foundations are oriented more toward giving grants, rather than tracking the outcomes and what you're trying to achieve with that money."

The Roberts fund recently hired a full-time financial analyst from J. P. Morgan to help build models for determining what Emerson calls "social return on investment." Juma Ventures, for example, employs 71 youths, all from a San Francisco neighborhood with high unemployment, in part-time positions. The Roberts fund closely tracks how many of the youths drop out of the training program, how long the others stay in their positions, and how many eventually make a transition to better jobs. The fund also estimates how much its investees, like Juma, save government human-services organizations. The fund's managers say that another organization that it underwrites, Rubicon Programs – which employs homeless and disabled people in various landscaping, janitorial, and food-service businesses – will save local, state, and federal agencies at least $6 million over 10 years. "We basically view all of our philanthropy as a form of investment," Emerson says. "We want to know what impact it has."

**Cisco cofounder Sandy Lerner, photographed in front of her Virginia home, has donated roughly $20 million to a variety of hand-picked, enterprising nonprofits.**

"**Giving to the World Wildlife Fund,**" says Lerner, "**is a total waste of money.** We look for projects with extremely **low overhead.**"

Not everyone in philanthropy is ecstatic about VP. As Letts acknowledges, "a small subset of the foundation world believes our ideas are evil." Some of the Old Guard finds the New Guard a bit smug. "One would like to think that social problems are solvable in the same way that business and science problems are solvable – but they aren't," says Bruce Sievers, who, as executive director of the Walter and Elise Haas Fund in San Francisco, supervises a $225 million endowment from members of the family that owns Levi Strauss & Co. The Haas fund supports arts organizations, education programs, human services such as local clinics, and ethics curricula.

In 1997, Sievers wrote a harsh reply – a countermanifesto, really – to Letts' *Harvard Business Review* article for *Foundation News & Commentary*. Says Sievers, "We have huge social problems that we've dumped zillions of dollars into, and we're still dealing with them. There's a little hubris involved when you have these technology millionaires saying they know how to fix social problems – that it's just a mess because people aren't disciplined enough, not paying enough