

INVESTING IN A DIVERSE DEMOCRACY:

Foundation Giving to Minority-Led Nonprofits



Fall 2006

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Foreword

The purpose of this study is to measure the role foundations are playing in empowering minority communities to contribute to the nation's cutting-edge public policy dialogue.

In many states, minorities make up a sizeable percentage of the growth population. Eighty percent of the new households being formed in California, for example, are households of color. In spite of this, communities of color are absent from the tables of decision making on "growth" policy issues. Minorities are invisible in the policy discussions, for example, on issues like water, transportation, energy, housing, education and sustainable development. Yet minorities are most vulnerable with respect to these issues.

Historically, foundations have played a laudable role in developing community leadership and indirectly strengthening democracy. They have done so largely by making grants to mostly-white organizations working on social issues. The environmental, campaign finance reform, and health reform movements all demonstrate leadership and expertise developed with the support of foundation grants.

We believe the lack of minority community leadership development and participation at the tables of public policy can be largely attributed to a lack of foundation support to minority-led organizations. We are convinced that minority communities can – and must – contribute to more than only the issues traditionally viewed as civil rights issues (immigration, affirmative action, welfare, and so forth). This is only possible if our communities are provided the same opportunities and resources to learn, grow, and make mistakes that our predominantly-white counterpart organizations have received from foundations.

When we decided to conduct this study, we knew there would be considerable apprehension and some unwillingness to participate. In spite of this, we were surprised at the vehemently negative response from so many foundations.

Greenlining requested information on grants from 35 foundations – only five actively cooperated. Most foundations simply ignored our repeated requests. Some stated they did not collect the data as requested. Some foundations were adamant that we should not complete the study. Almost all foundations that responded in some fashion argued the

study would unfairly portray them as it would not measure the true impact their philanthropy was having on communities of color.

We share foundations' concerns about our methodology. To address concerns about the methodology, we consulted with esteemed researchers prior to conducting the research. We continue to invite foundation feedback on our methodology to continuously improve it. We have sought to learn from those foundations that demonstrate best practices in the funding of minority-led organizations.

Greenlining acknowledges that some of the stated concerns of the foundations are valid, in varying degrees. First, for example, this study is indeed unfair if it is misused to measure the true impact foundations giving are having on communities of color. Second, this study does not fairly represent philanthropic parity; that is, it is entirely possible that total foundation dollars invested in minority-led organizations are proportional to the representation of minority-led organizations in the total universe of nonprofit organizations.

Still, while many foundations felt the study's methodology was flawed, all but one refused our invitation to meet to address their concerns prior to conducting the research.

Just as we share many foundations' concerns about our methodology, we wish foundations in turn shared our fundamental concerns about the very purpose of this study: to address the resource issue at the root of minorities' minimal capacity to impact public policy determining their own destinies.

The invitation remains open for any foundation executive to assist us in the development of next year's study.



John C. Gamboa
Executive Director

Acknowledgements

The Greenlining Institute would like to acknowledge and give special thanks to the following individuals and organizations that contributed their time, expertise, and resources to enable the completion of this study.

Sincerest thanks to Tomasa Dueñas, Research Team Leader, and Erica Cano and Elizabeth Mayorga, Research Interns, for their dedication and commitment to seeing this project through to its end. Your tireless research efforts are greatly appreciated.

Special thanks also to Karthick Ramakrishnan, Associate Professor of Political Science at University of California, Riverside, and Belinda Reyes, Assistant Professor of Social Sciences, Humanities and Arts at University of California, Merced for providing us with critical feedback on drafts of this report.

We would also like to acknowledge those foundations that have cooperated and spent time working with us to improve this study: Annenberg Foundation, The California Endowment, The California Wellness Foundation, California Community Foundation, The James Irvine Foundation, Community Foundation Silicon Valley, Peninsula Community Foundation, San Francisco Foundation, Robert W. Woodruff Foundation, and Robert Wood Johnson Foundation.



Executive Summary

This study yielded a complex set of findings. Overall, investment in minority-led nonprofits remains startlingly low. For example, when a single outlier grant is removed from the grantmaking of the nation's largest independent foundations, a mere 3.6% of dollars are granted to minority-led nonprofit organizations.

Individual foundations vary widely in their investments in minority-led organizations. Some have emerged as leaders in this field; others invest practically nothing in minority-led organizations. More research is necessary to identify and replicate best practices for foundation investments in minority-led organizations.

Our study examined three samples: national private (often referred to as "independent") foundations, California private (or "independent") foundations, and California community foundations. In all three samples, the study examined data from foundation giving in 2004.

Following is a summary of the results in these three samples:

GRANTMAKING BY NATIONAL INDEPENDENT FOUNDATIONS IN 2004

- This sample includes twenty-four national independent foundations.
- There is a wide disparity in giving among the twenty-four top national foundations in this analysis. For example, The California Endowment invested 22.5 percent of its total grants in minority-led organizations, while The Gordon and Betty Moore Foundation provided no investments to minority-led organizations in 2004.
- Of the 13,566 grants analyzed in this sample, 7.7 percent were invested in minority-led organizations. *When the two leading foundations in this sample are removed, the overall percentage of grants decreases from 7.7 to 5.5 percent.* Five of the foundations invested less than 3 percent of their grants in minority-led organizations.
- Of the \$4.8 million in grants analyzed in this sample, \$709,958,155 or 14.7 percent of grant dollars were invested in minority-led organizations. A grant to the United Negro

College Fund by The Bill and Melinda Gates Foundation, in the amount of \$535 million, significantly raised this overall percentage. *When this outlier grant is excluded, the overall percentage of dollars decreases significantly from 14.7 percent to 3.6 percent.* Eleven foundations in the sample awarded less than 3 percent of dollars to minority-led organizations in 2004. Five of the foundations invested less than 1 percent.

GRANTMAKING BY CALIFORNIA INDEPENDENT FOUNDATIONS IN 2004

- This sample includes ten independent foundations based in California.
- There is a wide disparity in giving among the ten foundations in this analysis. The California Endowment awarded the largest percentage of grants (22.5 percent) and dollars (19.6 percent) to minority-led nonprofits.
- Findings reveal that California-based independent foundations provide a greater percentage of grants (11.7 percent) to minority-led nonprofits as compared to the national sample (7.7 percent).
- The percentage of dollars invested in minority-led organizations (4 percent) is significantly lower than the percentage of grants invested (11.7 percent).
- The three largest foundations in California - Hewlett (.94 percent), Packard (1.3 percent), and Moore (0.0 percent) - ranked toward the bottom of foundations by dollars invested in minority-led organizations.

Individual foundations vary widely in their investments in minority-led organizations. Some have emerged as leaders in this field; others invest practically nothing in minority-led organizations.

Executive Summary CONT.

GRANTMAKING BY CALIFORNIA COMMUNITY FOUNDATIONS IN 2004

- This sample includes five foundations based in and serving California's communities.
- There is a wide disparity in giving among the five foundations in this analysis. 18.8 percent of discretionary* grants and 25.7 percent of discretionary dollars were awarded to minority-led nonprofits in 2004. The Community Foundation Silicon Valley awarded the largest percentage of discretionary grants (70.9 percent) and dollars (85.8 percent) to minority-led nonprofits.
- California community foundations invested a greater percentage of discretionary dollars compared to their percentage of discretionary grants in minority-led organizations.
- The discretionary grants analyzed constitute approximately 14 percent of the total giving by the five community foundations in 2004.

Overall, findings reveal that California's community foundations awarded a greater percentage of grants (18.8 percent) and dollars (25.7 percent) to minority-led institutions than both California-based independent foundations (11.4 percent of grants and 4.0 percent of dollars) and national independent foundations (7.7 percent of grants and 14.7 percent of dollars).



Recommendations

Based on the findings of this study, Greenlining offers the following recommendations for the foundation sector:

- ❑ Conduct an internal review of the diversity of foundation grantmaking.
- ❑ Practice transparency and cooperation.
- ❑ Gather and track data on grants to minority-led organizations, and minority-serving organizations.
- ❑ Create opportunities for foundation executives and community leaders to discuss win-win initiatives that remove barriers between foundations and minority-led organizations.
- ❑ Conduct an analysis of the scope and capacity of minority-led organizations to identify needs.

It is still too early to conclude what factors lead some foundations to invest more in minority-led organizations. Several factors that might contribute to these differences include, but are not limited to, the following:

1. Demographic make-up of the region served by the foundation's grantmaking program.
2. Racial and ethnic make-up of foundation staff and board of directors.
3. Initiative from foundation senior level staff to address the issue of diversity and set it as a priority.
4. The number of minority-led organizations in a foundation's grantmaking region.
5. The capacity of minority-led organizations in different regions of the state and country.

* As opposed to donor-advised

Introduction

Since its founding 13 years ago, the Greenlining Institute has helped banks and corporations see the profitability of investing in low-income and minority communities. In that time, we have seen many of these institutions reverse course from redlining and begin to instead “green-line” our communities. Greenlining has long sought to create win-win situations with financial institutions to benefit low-income and minority communities.

Sometimes the banks and corporations have needed a little encouragement. But many of them have taken real leadership in making investments in low-income and minority communities. They have frequently seen that this approach to investing makes good business sense and that it can be profitable.

In recent years, we have expanded our work and applied our model to insurance companies, investment houses, pension funds, pharmaceutical companies... and most recently, philanthropic foundations.

WHY FOCUS ON FOUNDATIONS?

Independent, community, and corporate foundations play an important role in the U.S. philanthropic and democratic landscape. Like banks and other corporations, foundations deal in investments. Rather than mortgages or business loans, foundation investments take the form of philanthropic grants. Grants from foundations must be understood as investments in people, ideas, and solutions to many of society’s most pressing problems.

Foundation funding has long been critical to the capacity of nonprofit organizations to meet their missions. The potential of foundation funding to communities has exponentially increased with declining government funding for social programs. While foundations should not be expected to fill the resources gap created by dwindling government investments in our communities, foundations are in a unique position to help communities empower themselves and create solutions on critical social issues.

Grantmaking foundations have been responsible for the increased capacity of many progressive modern American social movements, from the environmental and campaign finance reform movements to the Civil Rights Movement. On the political right, foundations have also played an

increasingly instrumental role in rolling back the gains of some of these progressive movements. Regardless of where they fall on the political spectrum, or whether they attempt to engage social issues at all, the foundation sector wields enormous influence in matters impacting American democracy.

According to the Foundation Center, the nation’s leading authority on philanthropy, total foundation giving reached \$31.8 billion in 2004, a 5.1 percent increase over giving levels in 2003.ⁱ Foundation assets reached \$510.5 billion, a 7.1 percent increase from 2003.ⁱⁱ Recent gifts and announcements by major philanthropic leaders have brought philanthropy into broader public view. The increased influence of foundations and the projected growth in their giving has generated calls for accountability from many sectors and from elected officials.

Grantmaking foundations have been responsible for the increased capacity of many progressive modern American social movements, from the environmental and campaign finance reform movements to the Civil Rights Movement.

THE CURRENT CRISIS IN DEMOCRACY AND CIVIC PARTICIPATION

Without access to adequate foundation resources, minority-led nonprofit organizations have only a limited ability to contribute to public policy debates and to American democracy itself. The resource disparity has engendered a disparity in civic participation among different racial and ethnic groups.

In California, for example, 70 percent of likely voters in California are white, even though whites comprise only 46 percent of the state population. This disproportionate influence in civic participation extends from the power to elect officials to the very issues that are decided by voters. In California, where many laws are made directly by voters through the ballot initiative process, practically no such initiatives are created or decided with input from communities of color.

Evidence suggests that nonvoters have substantially different political opinions and needs from those that are likely to vote. As a result, minority communities are disproportionately impacted by many of today's policy issues, most of which receive little to no input from communities of color.

The nation's pressing issues need the input of all of the nation's citizens. A significant percentage of the nation's leaders are excluded from tables of decision-making because they lack sufficient resources. Such exclusion has created a crisis in our multi-ethnic democracy by inhibiting some members of the population from using our creative talents to craft a vision for the United States. As the population continues to diversify and minority communities continue to grow, the participation of minorities in policy debates is vital to our democracy.

Without access to adequate foundation resources, minority-led nonprofit organizations have only a limited ability to contribute to public policy debates and to American democracy itself.

WHY FOCUS ON MINORITY-LED ORGANIZATIONS?

In light of the growing crisis in our multi-ethnic democracy and the central role foundations could play in mitigating this crisis, Greenlining chose in this study to examine foundation investments specifically to minority-led organizations. This narrow approach is consistent with all of Greenlining's anti-redlining work.

This is not to discount other efforts foundations make through their giving and programs. Most nonprofit work serving minority communities is valuable. There is certainly no reason to detract from the good work being done by white-led organizations, for example, that serve communities of color.

But at bottom is the issue of empowerment. The impact of nonprofit organizations extends beyond the services they provide to the leadership opportunities they create. As potential avenues for empowerment and self-determination, many nonprofit organizations provide the first opportunity for new voices to lead, govern and share in decision-making power. On the whole, the nonprofit sector provides entrée for diverse communities to actively engage in the policy arena.

For these reasons, organizations led by and for people of color have become instrumental in creating sustainable programs that address key issues in their communities. The most successful outcomes are likely when those most impacted are empowered to speak and act for themselves.

There exist well-documented and widely-accepted parallels of this principle beyond the nonprofit sector. For example, the movement toward cultural competency in the medical profession has nurtured a growing capacity to alleviate racial and ethnic health disparities. Campaigns for supplier diversity in the corporate sector have helped minority-owned businesses build leadership in minority communities and strengthen the competitiveness of American business generally in an increasingly diverse marketplace.

In the policy arena, minority communities are disproportionately impacted by the many of the state's hot-button policy issues. These communities know these issues best from daily experience. The indigenous leadership of these communities holds the best promise for long-term and sustainable policy change.

But thousands of minority-led organizations nationwide fall completely below the radar of the largest foundations. Many of these have the capacity to create policy change, but they lack adequate resources to become major players in policy debates.

GREENLINING'S RESEARCH

This is Greenlining's second annual report on diversity in grantmaking. The first report, *Fairness in Philanthropy*, was published in November 2005 and analyzed independent and community foundation grantmaking to minority-led organizations in 2002. Findings from last year's study revealed that only three percent of grant dollars from the nation's 50 largest independent foundations and 25 largest community foundations were awarded to minority-led nonprofits.

These findings attracted significant attention in Sacramento and Washington D.C., including a historic joint hearing hosted by California's Latino Legislative Caucus, Black Legislative Caucus, and Asian Pacific Islander Legislative Caucus on April 24, 2006.

As a follow-up to the original report and in response to a call for additional data and research on diversity in grantmaking, Greenlining undertook presents this second annual study of foundation giving to minority-led organizations.

Methodology

The purpose of this study is to quantify the number of grants and dollars awarded by a specific group of foundations to minority-led nonprofit organizations. The study does not attempt to assess the impact of foundation grants on minority communities broadly. Instead the focus is on empowerment and access to philanthropic resources for nonprofits that serve and are led by communities of color. Our focus is on governance and decision-making power.

Boards of directors and staff are responsible for setting policies and programs and conducting daily operations, and are therefore responsible for major decision-making within the organization. This study aims to assess the resources afforded to nonprofits that are led and governed by people of color. A detailed description of the methodology and research limitations is attached in Appendix A.

The sample population consists of thirty-five foundations. These foundations represent:

- The twenty-four largest independent foundations by asset size nationally;
- The ten largest independent foundations in California by asset size; and
- The five largest community foundations in California by asset size.

These lists were obtained from data collected and publicly reported by the Foundation Center (foundationcenter.org). We chose to analyze the grantmaking of these thirty-five foundations because they control a significant portion of foundation assets and serve as leaders in the field. Due to the extensive nature of this research, Greenlining did not have the capacity to research more foundations.

The report is divided into two sections: national giving and California-based giving. The first section discusses national philanthropic trends and presents findings for the largest independent foundations in the U.S. by assets in 2004. The second section focuses on California foundations and presents findings for both independent and community foundations.

^{*}There is some overlap with several California-based foundations that are also among the nation's 24 largest independent foundations.

Independent foundations represent the largest and most diverse segment of the philanthropic sector. These foundations generally receive funding from a single source such as an individual, family, or a group of individuals.

GIVING FROM INDEPENDENT FOUNDATIONS IN 2004

Independent foundations represent the largest and most diverse segment of the philanthropic sector. These foundations generally receive funding from a single source such as an individual, family, or a group of individuals. In 2004, independent foundation giving rose 3.4 percent to \$23.3 billion or 73.3 percent of all foundation giving that year. Reflecting continued economic growth, independent foundation assets rose 6.5 percent, totaling \$425.1 billion – surpassing the peak of \$408.7 billion recorded in 2000.^{iv}

Although there are over 60,000 independent foundations in the U.S., only 42 report assets of at least \$1 billion.ⁱ Despite the fact that these large foundations represent less than 1 percent of all independent foundations, they account for approximately a third of all assets and a fourth of all giving for independent foundations.^{vi}

TWENTY-FOUR LARGEST INDEPENDENT FOUNDATIONS BY ASSET SIZE

This section specifically analyzes the grantmaking of the twenty-four largest independent foundations nationally. Table 1 lists the foundations included in the sample by asset size as reported in 2004.

Table 1. National independent foundation sample by asset size, 2004

	Foundation	State	Assets
1.	Bill & Melinda Gates Foundation	Washington	\$28,798,609
2.	Ford Foundation	New York	\$10,685,961
3.	Robert Wood Johnson Foundation	New Jersey	\$8,991,086
4.	Lilly Endowment	Indiana	\$8,585,049
5.	W. K. Kellogg Foundation	Michigan	\$7,298,384
6.	William and Flora Hewlett Foundation	California	\$6,525,004
7.	David and Lucile Packard Foundation	California	\$5,328,293
8.	Andrew W. Mellon Foundation	New York	\$5,301,067
9.	Gordon and Betty Moore Foundation	California	\$5,042,534
10.	John D. and Catherine T. MacArthur Foundation	Illinois	\$5,023,223
11.	California Endowment	California	\$3,729,572
12.	Starr Foundation	New York	\$3,546,600
13.	Annie E. Casey Foundation	Maryland	\$3,295,300
14.	Rockefeller Foundation	New York	\$3,237,184
15.	Kresge Foundation	Michigan	\$2,752,258
16.	Annenberg Foundation	Pennsylvania	\$2,603,501
17.	Duke Endowment	North Carolina	\$2,542,620
18.	Charles Stewart Mott Foundation	Michigan	\$2,527,897
19.	McKnight Foundation	Minnesota	\$2,073,755
20.	Robert W. Woodruff Foundation, Inc.	Georgia	\$2,050,758
21.	Harry and Jeanette Weinberg Foundation	Maryland	\$2,027,562
22.	Carnegie Corporation of New York	New York	\$1,956,024
23.	John S. and James L. Knight Foundation	Florida	\$1,939,341
24.	Ewing Marion Kauffman Foundation	Missouri	\$1,774,756
	Total Assets		\$127,636,338

Source: The Foundation Center, 2006. Dollars in thousands.

With control of thirty percent of all independent foundation assets, these organizations serve as leaders in the field whose grantmaking programs have significant impact on the local, state, national, and international level. Many of these foundations also play a vital role in shaping policy

debates through funding for advocacy efforts, research, and educational outreach. Following is an analysis of each foundation's grantmaking by the percentage of grants and the percentage of dollars invested in minority-led nonprofit organizations.

ANALYSIS OF NATIONAL INDEPENDENT FOUNDATIONS

Investments by the twenty-four foundations reviewed in this study totaled approximately \$5.7 billion in 2004 including investment grants to both domestic and international organizations. For the purposes of this study, only domestic grants were analyzed; therefore, the percentage of grants and percentage of dollars awarded to minority-led nonprofit organizations reported in the following section are based on total domestic giving for each foundation. See Appendix A for further discussion of the methodology utilized in this study.

GRANTS INVESTED IN MINORITY-LED ORGANIZATIONS

The data analyzed for this portion of the study included 13,566 grants awarded in 2004 by the twenty-four foundations in the sample. The grants made by each foundation in the sample were also analyzed to determine the percentage of investments in minority-led organizations. These findings are presented in Table 2.

Table 2. National independent foundation rank by grants to minority-led organizations, 2004

Rank	Foundation	% of grants
1.	The California Endowment	22.5%
2.	W. K. Kellogg Foundation	12.9%
3.	McKnight Foundation	9.9%
4.	Ewing Marion Kauffman Foundation	9.1%
5.	Ford Foundation	8.7%
6.	Annie E. Casey Foundation	7.2%
7.	Bill & Melinda Gates Foundation	6.5%
8.	Kresge Foundation	6.4%
9.	Lilly Endowment	6.3%
10.	Charles Stewart Mott Foundation	6.1%
11.	Rockefeller Foundation	6.1%
12.	John S. and James L. Knight Foundation	6.0%
13.	Robert Wood Johnson Foundation	5.2%
14.	Starr Foundation	5.0%
14.	David and Lucile Packard Foundation	5.0%
16.	William and Flora Hewlett Foundation	4.5%
17.	Carnegie Corporation of New York	4.3%
18.	Andrew W. Mellon Foundation	4.1%
19.	Harry and Jeanette Weinberg Foundation	3.7%
20.	Robert W. Woodruff Foundation	2.9%
21.	John D. and Catherine T. MacArthur Foundation	2.4%*
22.	Annenberg Foundation	0.39%
23.	Duke Endowment	0.14%
24.	Gordon and Betty Moore Foundation	0.00%

0.0 – 4.9%
5.0 – 9.9%
Over 10%

* The MacArthur Foundation contested these results, but refused to conduct their own analysis or provide Greenlining with their data for a second review.

As illustrated in Table 2, there is a wide disparity among foundations in their investments to minority-led organizations. For example, The California Endowment invested 22.5 percent of grants, while The Gordon and Betty Moore Foundation provided no investments to minority-led organizations. The California Endowment and The W. K. Kellogg Foundation lead with 22.5 percent and 12.85 percent of grants awarded to minority-led nonprofits respectively, although The California Endowment almost doubled the investments made by the W.K. Kellogg Foundation. Thirteen of the foundations in this sample invested roughly between 5 percent and 10 percent of their funding in minority-led organizations. Five foundations invested less than three percent of grants to minority-led organizations in 2004.

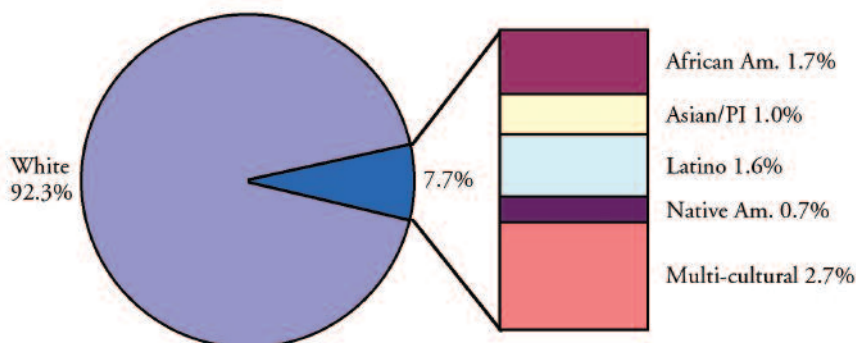
Of the 13,566 grants analyzed in this sample, 7.7 percent were invested in minority-led organizations. When The California Endowment and The W. K. Kellogg Foundation are removed from the sample, the overall percentage of grants decreases from 7.7 to 5.5 percent.

GRANTS INVESTED BY RACE AND ETHNICITY

Each grant in this sample was also evaluated and categorized into one of five ethnic categories: African American, Asian/Pacific Islander, Latino, Native American, and multi-cultural. An organization was categorized as multi-cultural if there was no clear predominance of one particular race/ethnicity within the staff, board of directors, or mission statement, yet was clearly run by and for minority communities. Figure 1 shows the percentage of grants awarded to each racial group.

Each grant in this sample was also evaluated and categorized into one of five ethnic categories: African American, Asian/Pacific Islander, Latino, Native American, and multi-cultural.

Figure 1. National Foundation Grants Awarded by Race, 2004



As Figure 1 illustrates, the overwhelming majority of grants were awarded to white-led nonprofits by the foundations studied. Multi-cultural nonprofits received the largest percentage of grants to minority-led organizations with 2.7 percent of grants. Each of the four remaining groups received less than two percent of grants: African American-led organizations received 1.7 percent; Latino-led organizations received 1.6 percent; Asian-led organizations received 1 percent; and Native American-led organizations received 0.7 percent of grants.



DOLLARS INVESTED IN MINORITY-LED ORGANIZATIONS

This study also analyzed percentage of dollars to minority-led organizations. The data analyzed for this portion of the study included grants totaling \$4,834,557,010. Table 3 shows the percentage of dollars invested in US-based minority-led nonprofits by each foundation.

Again, as illustrated in Table 3, there is a wide disparity among foundations in their dollars invested in minority-led organizations.

Table 3. National independent foundation rank by dollars to minority-led organizations, 2004

Rank	Foundation	% of dollars
1.	Bill & Melinda Gates Foundation	51.5%
2.	The California Endowment	19.6%
3.	W. K. Kellogg Foundation	13.8%
4.	Kresge Foundation	9.7%
5.	Charles Stewart Mott Foundation	8.2%
6.	Ford Foundation	6.9%
7.	John S. and James L. Knight Foundation	6.2%
8.	Rockefeller Foundation	5.3%
9.	Ewing Marion Kauffman Foundation	4.9%
10.	McKnight Foundation	3.8%
11.	Annie E. Casey Foundation	3.7%
12.	Robert Wood Johnson Foundation	3.6%
13.	Robert W. Woodruff Foundation	3.4%
14.	Carnegie Corporation of New York	2.3%
15.	Lilly Endowment	2.2%
16.	Harry and Jeanette Weinberg Foundation	2.1%
17.	Andrew W. Mellon Foundation	1.6%
18.	David and Lucile Packard Foundation	1.3%
19.	Starr Foundation	1.0%
20.	John D. and Catherine T. MacArthur Foundation	0.99%*
21.	William and Flora Hewlett Foundation	0.94%
22.	Duke Endowment	0.13%
23.	Annenberg Foundation	0.09%
24.	Gordon and Betty Moore Foundation	0.00%

0.0 – 4.9%
5.0 – 9.9%
Over 10%

Again, as illustrated in Table 3, there is a wide disparity among foundations in their dollars invested in minority-led organizations. For example, the Bill and Melinda Gates Foundation invested slightly more than half (51.5 percent) of its dollars in minority-led organizations in 2004. This is primarily due to a \$535 million grant made to the United Negro College Fund. If the United Negro College Fund grant is excluded, the percentage of dollars from the Bill and Melinda Gates Foundation decreases from 51 percent to 2.7 percent.

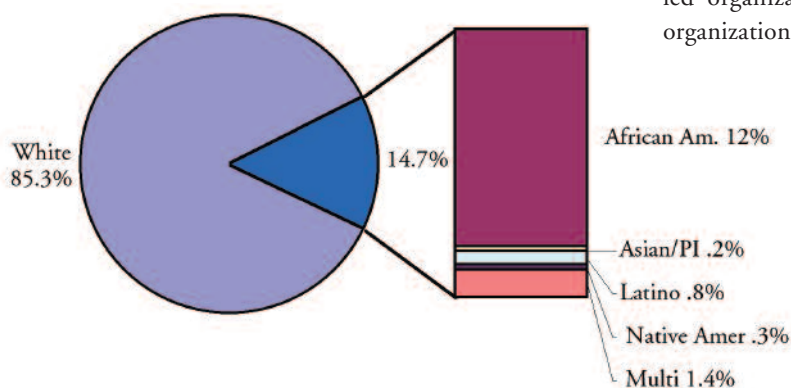
* The MacArthur Foundation contested these results, but refused to conduct their own analysis or provide Greenlining with their data for a second review.

Once again, The California Endowment and The W. K. Kellogg Foundation top the list for percentage of dollars invested in minority-led organizations. This analysis also reveals that eleven foundations in the sample invested less than three percent of dollars to minority-led nonprofits; five of these foundations awarded less than one percent.

Analysis for this section of grants reveals that \$709,958,155 or 14.7 percent was invested in minority-led organizations. If the United Negro College Fund grant is excluded, the overall percentage of dollars decreases significantly from 14.7 percent to 3.6 percent.

The percentage of dollars invested does not keep pace with the percentage of grants invested by the nation's largest independent foundations. Only five foundations in the sample invested a larger percentage of dollars than they did percentage of grants to minority-led organizations.

Figure 2. National Foundation Dollars Awarded by Race, 2004



DOLLARS INVESTED BY RACE AND ETHNICITY

When the dollars invested in minority-led organizations are analyzed by racial category, the distribution is as follows: 12 percent to African American-led organizations; 0.2 percent to Asian/Pacific Islander-led organizations; 0.8 percent to Latino-led organizations; 0.3 percent to Native American-led organizations; and 1.4 percent to multi-cultural organizations. These findings are illustrated in Figure 2.

INVESTMENTS OF MINORITY-LED ORGANIZATIONS IN CALIFORNIA

California is a national leader in terms of the scale and scope of its philanthropic sector. In 2004, California foundations awarded over \$4 billion, ranking second behind New York and accounting for 12.7 percent of all foundation philanthropy nationwide.^{vii} California is home to more than 6,200 foundations whose assets total \$77 billion.^{viii} This extensive foundation infrastructure provides vital support to local, regional, state, and national nonprofit organizations.

The foundation landscape in California is dominated by independent foundations. In 2003, independent foundation assets accounted for approximately 75 percent of assets and 76 percent of total giving.^{ix} Similar to the national trend, a few large foundations control a substantial portion of the philanthropic assets in California. In 2004, only seven independent foundations had assets greater than \$1 billion; however, these foundations accounted for 42.5 percent of all independent foundation assets in the state, compared to 30 percent nationally.* This data demonstrates that almost half of the independent foundation resources in the state are in the hands of relatively few individuals.

Given this high concentration of assets and giving, Greenlining chose to analyze the grantmaking of California's ten largest independent foundations by asset size as reported by the Foundation Center in 2004. Table 4 lists the foundations included in this portion of the study.

The assets of these ten foundations account for 35 percent of all foundation assets and 46 percent of independent foundation assets in California. Following is an analysis of each foundation's grantmaking by the percentage of grants and the percentage of dollars awarded to minority-led nonprofit organizations.

California is a national leader in terms of the scale and scope of its philanthropic sector. In 2004, California foundations awarded over \$4 billion, ranking second behind New York and accounting for 12.7 percent of all foundation philanthropy nationwide.

* This figure was calculated based on the \$77 billion figure reported by the Foundation Center for assets for all foundations in California in 2004.

Table 4. California independent foundation sample by asset size, 2004

	Foundation	Assets
1.	William and Flora Hewlett Foundation	\$6,525,004
2.	David and Lucile Packard Foundation	\$5,328,293
3.	Gordon and Betty Moore Foundation	\$5,042,534
4.	The California Endowment	\$3,729,572
5.	James Irvine Foundation	\$1,541,925
6.	W.M. Keck Foundation	\$1,095,661
7.	California Wellness Foundation	\$1,044,398
8.	Ahmanson Foundation	\$890,413
9.	Weingart Foundation	\$795,208
10.	Wayne and Gladys Valley Foundation	\$648,164
	Total Assets	\$26,641,172

Source: The Foundation Center, 2006. Dollars in thousands.

ANALYSIS OF CALIFORNIA'S INDEPENDENT FOUNDATIONS

In 2004, the ten California foundations studied awarded over \$1 billion in grants. The four largest California foundations were also included in the national foundation analysis. As with the national foundations, the percentages of grants and dollars reported are based on total domestic giving for the sample and all international grants are excluded.

GRANTS INVESTED IN MINORITY-LED ORGANIZATIONS

Analysis conducted for this report included the review of 4,659 grants made by the ten foundations in the sample in 2004. Table 5 lists the percentages for each foundation.

As illustrated in Table 5, there is a wide disparity among California independent foundations in their investments to minority-led organizations. The top three foundations in this sample, The California Endowment, The California Wellness Foundation, and The James Irvine Foundation, report significantly higher percentages of grants to minority-led organizations. Two of these three top foundations are led by people of color, and all three of these foundations have diverse boards.

Table 5. California independent foundation rank by grants to minority-led organizations, 2004

Rank	Foundation	% of grants
1.	The California Endowment	22.5%
2.	The California Wellness Foundation	17.3%
3.	James Irvine Foundation	11.9%
4.	Ahmanson Foundation	6.2%
5.	Weingart Foundation	5.7%
6.	David and Lucile Packard Foundation	5.0%
7.	William and Flora Hewlett Foundation	4.5%
8.	Wayne and Gladys Valley Foundation	3.1%
9.	W.M. Keck Foundation	1.6%
10.	Gordon and Betty Moore Foundation	0.0%

0.0 – 4.9%
5.0 – 9.9%
Over 10%

Overall, California foundations appear to invest more in minority-led organizations when compared to the national sample. Of the 4,659 grants analyzed, 11.7 percent were invested in minority-led organizations. If the top three foundations are removed from the sample, the overall percentage of grants to minority-led organizations decreases from 11.7 percent to 4.6 percent. One foundation (W.M. Keck Foundation) awarded less than three percent of grants to minority-led organizations and The Gordon and Betty Moore Foundation awarded no grants to minority-led nonprofits.

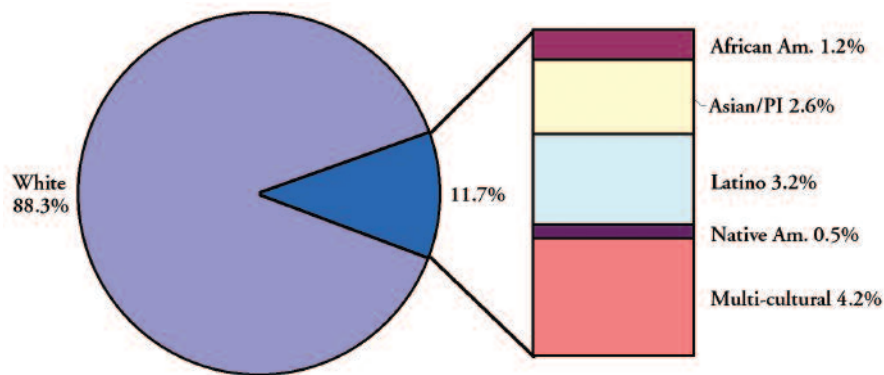
California's diverse population alone does not appear to be a leading factor in giving to minority-led organizations since there is a wide disparity between the three leading foundations and the bottom seven.

GRANTS INVESTED BY RACE AND ETHNICITY

Each grant in this sample was also evaluated and categorized into one of five ethnic categories: African American, Asian/Pacific Islander, Latino, Native American, and multi-cultural. Figure 3 illustrates the distribution of grants by race in 2004.

Similar to the national sample, grants to white-led nonprofits comprise the overwhelming majority of grants awarded in 2004. Multi-cultural organizations received the largest percentage of grants to minority-led organizations with 4.2 percent of grants. Latino-led organizations received 3.2 percent, Asian/Pacific Islander-led organizations received 2.6 percent, African American-led organizations received 1.2 percent, and Native American-led organizations received .5 percent of grants.

Figure 3. California Independent Foundation Grants Awarded by Race, 2004



DOLLARS INVESTED IN MINORITY-LED ORGANIZATIONS

The data analyzed for this portion of the study included grants totaling \$1,144,197,733. Table 6 reports findings for the percentage of dollars awarded to minority-led organizations by foundation.

As illustrated in Table 6, there is a wide disparity among foundations in their dollar investments to minority-led organizations. The average grant size was \$84,600. Again, The California Endowment, The California Wellness Foundation, and The James Irvine Foundation top the list. The three largest foundations by asset size in California – The William and Flora Hewlett Foundation, David and Lucile Packard Foundation, and Gordon and Betty Moore

Foundation – are ranked toward the bottom of this list. This analysis also reveals that six foundations invested less than three percent of grant dollars in minority-led organizations, and four foundations invested less than one percent of grant dollars in minority-led organizations.

Four percent of total dollars in this sample, or \$45,939,157, were invested in minority-led nonprofit organizations. The percentage of dollars invested does not keep pace with the percentage of grants invested by California's largest independent foundations (4 percent of grant dollars compared to 11.7 percent of grants).

Table 6. California independent foundation rank by dollars to minority-led organizations, 2004

Rank	Foundation	% of dollars
1.	The California Endowment	19.6%
2.	The California Wellness Foundation	13.9%
3.	James Irvine Foundation	8.4%
4.	Weingart Foundation	3.6%
5.	Ahmanson Foundation	2.5%
6.	David and Lucile Packard Foundation	1.3%
7.	W.M. Keck Foundation	0.95%
8.	William and Flora Hewlett Foundation	0.94%
9.	Wayne and Gladys Valley Foundation	0.36%
10.	Gordon and Betty Moore Foundation	0.00%

 0.0 – 4.9%	 5.0 – 9.9%	 Over 10%
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DOLLARS INVESTED BY RACE AND ETHNICITY

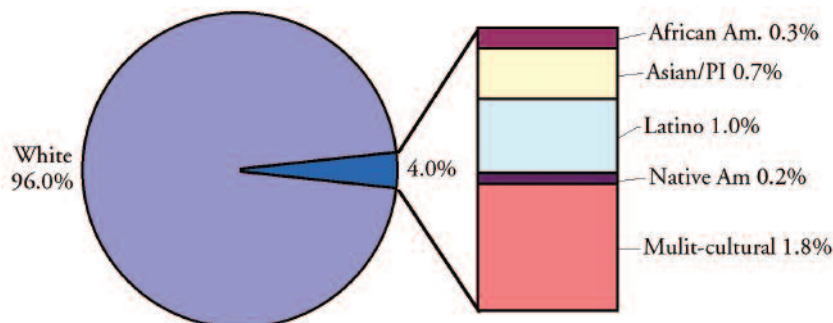
Analysis of the distribution of dollars by race reveals similar results to the analysis conducted for grants. White-led organizations received the greatest percentage of dollars, followed by multi-cultural organizations, Latino-led organizations and Asian/Pacific Islander-led organizations, as illustrated in Figure 4.

Foundations in this sample invested approximately two percent of their dollars in multi-cultural organizations and one percent in Latino-led organizations. African American-led, Asian-led, and Native American-led nonprofits received less than one percent of dollars from the ten largest independent foundations in California in 2004.

As illustrated in Table 6, there is a wide disparity among foundations in their dollar investments to minority-led organizations.

Overall, findings reveal that California-based independent foundations provide a greater percentage of grants (11.7 percent) to minority-led nonprofits as compared to the national sample (7.7 percent).

Figure 4. California Independent Foundation Dollars Awarded by Race, 2004



ANALYSIS OF CALIFORNIA'S COMMUNITY FOUNDATIONS

Although independent foundations far outnumber community foundations in California, the impact of community foundations on the sector is significant. In 2004, California had forty-nine community foundations holding assets of \$5.3 billion and awarding \$562 million in grants, ranking first by share of overall U.S. community foundation giving.*

Four of the five largest community foundations in California are located in the San Francisco Bay Area. The fifth, the California Community Foundation, is located in

Los Angeles. These foundations are not only clustered regionally, but also account for the majority of community foundation assets in the state. Table 7 lists the five largest community foundations in California by asset size as reported in 2004.

With assets of just over \$4 billion, these five foundations account for 77 percent of all community foundation assets in California. Following is an analysis of each foundation's grantmaking by the percentage of grants and the percentage of dollars invested in minority-led nonprofit organizations.

Table 7. Community foundation sample by asset size, 2004

	Foundation	Assets
1.	Marin Community Foundation	\$1,153,586
2.	San Francisco Foundation	\$809,539
3.	California Community Foundation	\$762,726
4.	Community Foundation Silicon Valley	\$760,821
5.	Peninsula Community Foundation	\$565,416
	Total Assets	\$4,052,088

Source: The Foundation Center, 2006. Dollars in thousands.

GRANTS INVESTED IN MINORITY-LED ORGANIZATIONS

For this portion of the study, 1,926 grants were analyzed. Table 8 lists the percentages for each foundation.

These findings reveal an enormous range (from 6 percent to 71 percent) of discretionary (as opposed to donor-advised) grants invested in minority-led institutions by California's largest community foundations. Community Foundation Silicon Valley tops the list with 71 percent of discretionary grants invested in minority-led nonprofits. It is important to

note that for the top two foundations, the proportion of discretionary grants compared to the total number of grants is quite small. For Community Foundation Silicon Valley, discretionary grants account for less than 2 percent of the total grants awarded in 2004; California Community Foundation's discretionary grants account for less than one percent of total grants. In comparison, discretionary grants awarded by the San Francisco Foundation comprised 13.7 percent of total grants awarded in 2004. Findings reveal that 363 or 18.8 percent of discretionary grants were invested in minority-led organizations by the five largest community foundations in California in 2004.

Table 8. Community foundation rank by grants to minority-led organizations, 2004

Rank	Foundation	% of grants*
1.	Community Foundation Silicon Valley	71.0%
2.	California Community Foundation	25.9%
3.	San Francisco Foundation	25.8%
4.	Peninsula Community Foundation	8.9%
5.	Marin Community Foundation	6.7%

*Percentage of discretionary grants, as opposed to the much-larger pool of donor-advised grants.

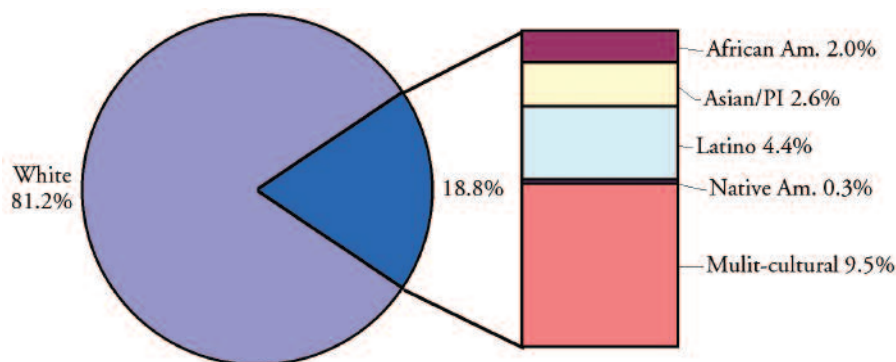
Source: The Foundation Center, 2006. Dollars in thousands.

GRANTS INVESTED BY RACE AND ETHNICITY

Overall, white organizations received the largest percentage of community foundation grants in 2004. Figure 5 illustrates a distribution of grants by race similar to that of the distribution by race from independent foundations in California; however, grants to multi-cultural organizations predominate.

Latino-led nonprofits received 4.4 percent of grants, Asian-led nonprofits received 2.6 percent of grants, and African American-led nonprofits received 2.0 percent of grants in 2004. These percentages are far below the actual proportion of these ethnic groups in the state's current population.

Figure 5. Community Foundation Grants by Race, 2004



DOLLARS INVESTED IN MINORITY-LED ORGANIZATIONS

The five community foundations analyzed for this study awarded over \$360 million dollars in 2004. As discussed above, this analysis studies discretionary grants, as opposed to donor-advised grants. Therefore, the total dollar amount of grants reviewed was \$42,554,956. Of this

amount, \$10,943,519 or 25.7 percent was invested in minority-led organizations. Table 9 lists the percentage of dollars invested in minority-led organizations for each foundation.

Table 9. Community foundation rank by dollars to minority-led organizations, 2004

Rank	Foundation	% of dollars*
1.	Community Foundation Silicon Valley	85.8%
2.	California Community Foundation	37.3%
3.	San Francisco Foundation	29.7%
4.	Marin Community Foundation	23.2%
5.	Peninsula Community Foundation	10.9%

*Percentage of discretionary dollars, as opposed to the much-larger pool of donor-advised dollars

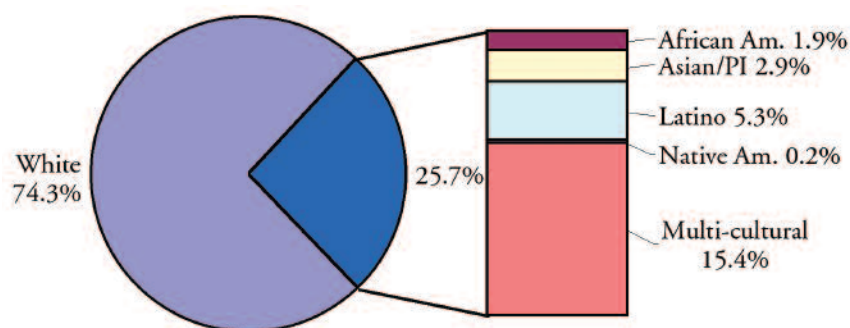
Again, Community Foundation Silicon Valley tops the list with 85.8 percent of discretionary dollars awarded to minority-led nonprofits. *However, it is important to note that discretionary giving comprised merely 1.7 percent of the \$76 million total awarded by Community Foundation Silicon Valley in 2004.* In comparison, the proportion of discretionary giving by the San Francisco Foundation and the California Community Foundation is much greater at 21.2 percent and 23.3 percent of total giving respectively.

The average grant size in this sample was \$28,171. The largest grant to a minority-led organization in this sample was awarded by the Marin Community Foundation to the

Canal Alliance in the amount of \$694,000. Analysis of the dollars awarded by race reveals that 74.3 percent of dollars were invested in white-led organizations, as illustrated in Figure 6.

Multi-cultural organizations received the second largest percentage of dollars (15.4 percent), followed by Latino-led organizations (5.3 percent). Asian/Pacific Islander-led institutions received fewer than 3 percent, African American-led institutions received fewer than 2.0 percent of dollars, and Native American-led organizations received less than one percent of dollars awarded by the five largest community foundations in California.

Figure 6. Community Foundation Dollars by Race, 2004



COMPARISONS WITH THE PRIOR FAIRNESS IN PHILANTHROPY STUDY

In our prior report, *Fairness in Philanthropy*, Greenlining found that only three percent of grants and dollars were awarded to minority-led institutions (using 2002 data). This current study reveals modest improvements. It is difficult, however, to assess the real impact of these changes, as some are due to changes in our methodology.

Some of these gains can be attributed to changes in the study's methodology and sample size. The prior report analyzed the grantmaking of forty-nine independent foundations, five of which awarded no grants to minority-led organizations and twenty-one of which awarded less than two percent of their grants to minority-led organizations. Using a smaller sample size in the current study significantly reduced the number of foundations with very low levels of giving to minority-led organizations, resulting in a higher overall percentage. In addition, grants of all sizes were included in the current analysis, whereas grants less than \$1,000 were not analyzed in the prior study.

The increase in the percentage of grants invested in minority-led nonprofits can also be attributed to the presence of a small number of foundations with significantly higher percentages of giving to minority-led nonprofits. In this sample, The California Endowment and the W. K. Kellogg Foundation lead the way with 22.5 percent and 12.9 percent of grants invested in minority-led nonprofits respectively. When these two foundations are removed from the sample, the overall percentage of grants decreases from 7.7 to 5.5 percent.

Taken together, the community foundations analyzed in this study report higher percentages of grants and dollars invested in minority-led nonprofits as compared to the national and California independent foundation samples. However, these figures only represent a partial picture of the grantmaking programs and impact of community foundations.

OBSERVATIONS ON THE WIDE RANGE OF INVESTMENTS

This study demonstrates a very wide range of grants and dollars invested in minority-led institutions by the nation's largest foundations. It is still too early to conclude what factors lead some foundations to invest more in minority-led organizations. Several factors that might contribute to these differences include, but are not limited to, the following:

1. Demographic make-up of the region served by the foundation's grantmaking program.
2. Racial and ethnic make-up of foundation staff and board of directors.
3. Initiative from foundation senior level staff to address the issue of diversity and set it as a priority.
4. The number of minority-led organizations in a foundation's grantmaking region.
5. The capacity of minority-led organizations in different regions of the state and country.

OBSERVATIONS ON THE RELATIONSHIP WITH BOARD AND STAFF DIVERSITY

In addition to grantmaking diversity data, Greenlining requested board and staff diversity data from each foundation in this study. Greenlining received the majority of responses to this board and staff diversity data request from California-based independent and community foundations.

A wide range in board and staff diversity exists among California's independent foundations. The California Endowment, for example, reports that 63 percent of board members and 62 percent of staff are persons of color. The James Irvine Foundation reports that 50 percent of board members and 49 percent of staff are persons of color. In contrast, the David and Lucile Packard Foundation reports no minority board members and a staff that is one-third persons of color.

Greenlining hopes that foundations will approach the findings in this study as an opportunity to begin a dialogue between foundation leaders, minority leaders, and other key stakeholders.

California's largest community foundations demonstrate a similarly wide range in board and staff diversity. The San Francisco Foundation and the California Community Foundation are both led by women of color and have highly diverse boards and staff. The San Francisco Foundation reports that 45 percent of board members are persons of color and 57 percent of staff members are persons of color. The California Community Foundation is similarly diverse; 42 percent of board members and 63 percent of staff are persons of color. The boards and staffs of other California community foundations are not nearly as diverse.

These initial observations warrant further research into the relationship between board and staff diversity and diversity in grantmaking.

CONCLUSION

Greenlining hopes that foundations will approach the findings in this study as an opportunity to begin a dialogue between foundation leaders, minority leaders, and other key stakeholders. Together, we believe these leaders can come to agreement on the importance of investment in minority-led and not only minority-serving organizations.

While it is our hope that foundations will also take it upon themselves to conduct future studies on diversity, Greenlining will continue to track and report this data on an annual basis. In the following years Greenlining hopes to expand this research to include other key indicators of investment, including diversity in multi-year and capacity building grants. We hope that our annual series of these studies will serve as a catalyst for change to make the philanthropic sector more capable of responding to the realities of our diverse nation.



Recommendations

Based on the findings and observations presented in this study, Greenlining offers the following recommendations to foundations:

Recommendation 1:

- ❑ **Conduct an internal review of the diversity of foundation grantmaking.**

Although Greenlining will continue to track and report this data on an annual basis, we highly recommend that foundations conduct their own study on diversity. Since some foundations disagree with our methodology, Greenlining urges foundations to develop their own methodology with the assistance of experts and academics.

Recommendation 2:

- ❑ **Practice transparency and cooperation.**

Greenlining believes cooperation, accountability, and transparency on the part of our nation's largest foundations is vital. The majority of foundations analyzed refused to share data with Greenlining's researchers, even data that is publicly available through the Foundation Center. We encourage these organizations to become more accountable to the public who seek information about their grantmaking practices.

Recommendation 3:

- ❑ **Gather and track data on grants to minority-led organizations, and minority-serving organizations.**

Led by the Council of Foundations (the nation's largest foundation membership organization), the foundation sector should develop a commonly-accepted mechanism for tracking grants to minority communities. Too few foundations currently request diversity data on board, staff, and population served from grantees, and even fewer make this data public.

Recommendation 4:

- ❑ **Create opportunities for foundation executives and community leaders to discuss win-win initiatives that remove barriers between foundations and minority-led organizations.**

Foundations can learn from corporations in this arena. Many corporations have created advisory councils and/or partnerships with diverse community leaders to ensure they are meeting the needs of minority communities. Some corporations sign pledges of long-term commitments to diversity. Foundations should follow this lead and engage in similar dialogues that lead to win-win partnerships with the communities they serve.

Recommendation 5:

- ❑ **Conduct an analysis of the scope and capacity of minority-led organizations to identify needs.**

Minority-led organizations are highly diverse and have unique needs based on geography, population served, and other factors. Foundations should coordinate and share resources to conduct an analysis of the universe of minority-led organizations to determine the extent to which they exist, and what they may need in terms of capacity building or assistance.



Appendix A. Methodology

The purpose of this study is to quantify the number of grants and dollar amount awarded by a specific group of foundations to minority-led nonprofit organizations. A minority-led nonprofit is defined as one whose staff is 50 percent or more minority; whose board is 50 percent or more is minority; and whose mission statement and charitable programs aim to predominately serve and empower minority communities. The organization must meet all three criteria to be considered minority-led.

The study does not attempt to assess the impact of foundation grants on minority communities broadly. Instead the focus is on empowerment and access to philan-

thropic resources for nonprofits that serve and represent communities of color. Our focus is on governance and decision-making power. Boards of directors and staff are responsible for setting policies and programs and conducting daily operations, and are therefore responsible for major decision making within the organization. This study aims to assess the resources afforded to nonprofits that are led and governed by persons of color.

The sample population consists of thirty-five foundations. Following is a list of the foundations whose grants were analyzed in this study:

Foundation	State	Type of Foundation	Assets (in thousands)
Bill & Melinda Gates Foundation	WA	Independent	\$28,798,609
Ford Foundation	NY	Independent	\$10,685,961
Robert Wood Johnson Foundation	NJ	Independent	\$8,991,086
Lilly Endowment	IN	Independent	\$8,585,049
W. K. Kellogg Foundation	MI	Independent	\$7,298,384
William and Flora Hewlett Foundation	CA	Independent	\$6,525,004
David and Lucile Packard Foundation	CA	Independent	\$5,328,293
Andrew W. Mellon Foundation	NY	Independent	\$5,301,067
Gordon and Betty Moore Foundation	CA	Independent	\$5,042,534
John D. and Catherine T. MacArthur Foundation	IL	Independent	\$5,023,223
The California Endowment	CA	Independent	\$3,729,572
Starr Foundation	NY	Independent	\$3,546,600
Annie E. Casey Foundation	MD	Independent	\$3,295,300
Rockefeller Foundation	NY	Independent	\$3,237,184
Kresge Foundation	MI	Independent	\$2,752,258
Annenberg Foundation	PA	Independent	\$2,603,501
Duke Endowment	NC	Independent	\$2,542,620
Charles Stewart Mott Foundation	MI	Independent	\$2,527,897
McKnight Foundation	MN	Independent	\$2,073,755
Robert W. Woodruff Foundation	GA	Independent	\$2,050,758
Harry and Jeanette Weinberg Foundation	MD	Independent	\$2,027,562
Carnegie Corporation of New York	NY	Independent	\$1,956,024
John S. and James L. Knight Foundation	FL	Independent	\$1,939,341
Ewing Marion Kauffman Foundation	MO	Independent	\$1,774,756
James Irvine Foundation	CA	Independent	\$1,541,925
Marine Community Foundation	CA	Community	\$1,153,586
W.M. Keck Foundation	CA	Independent	\$1,095,661
The California Wellness Foundation	CA	Independent	\$1,044,398
Ahmanson Foundation	CA	Independent	\$890,413
San Francisco Foundation	CA	Community	\$809,539
Weingart Foundation	CA	Independent	\$795,208
California Community Foundation	CA	Community	\$762,726
Community Foundation Silicon Valley	CA	Community	\$760,821
Wayne and Gladys Valley Foundation	CA	Independent	\$648,164
Peninsula Community Foundation	CA	Community	\$565,416

These foundations represent the twenty-four largest independent foundations by asset size nationally; the ten largest independent foundations by asset size in California; and the five largest community foundations by asset size in California. These lists were obtained from data collected and publicly reported by the Foundation Center (foundationcenter.org). We chose to analyze the grantmaking of these thirty-five foundations because they control a significant portion of foundation assets nationally and in California and serve as leaders in the field.

All foundations in the sample were asked to participate directly by providing the following information:

1. Total giving (dollar amount) in fiscal year 2004 (domestic grants only);
2. Total number of grants made in fiscal year 2004 (domestic grants only);
3. A list of grants awarded to minority-led organizations (using the definition above) in fiscal year 2004, detailing names of grantee organizations and the grant amounts; and
4. A list of grants awarded to minority-led organizations and specifically earmarked for public policy or advocacy work, in fiscal year 2004, detailing names of grantee organizations and the grant amounts.

Requests for data were made in writing and the research team conducted extensive follow-up with foundation staff to determine whether or not they would participate in the study. We received varying responses from foundations.

Five foundations provided the information requested in the letter: The Annenberg Foundation, Community Foundation Silicon Valley, California Community Foundation, Peninsula Community Foundation, and San Francisco Foundation. Three foundations provided their 2004 grant lists and asked our research team to conduct the analysis to determine grants to minority-led nonprofits: The California Wellness Foundation, Robert W. Woodruff Foundation, and Robert Wood Johnson Foundation.

The MacArthur Foundation responded with its total grants and dollars approved in 2004, as well as some examples of grants to minority communities, but without a breakdown of grants to minority-led organizations; MacArthur contested our preliminary results but did not cooperate for a second review of the data. Nine foundations bluntly refused to participate in the study. The remaining seventeen foundations provided no response.

For the foundations which provided no information or no response, grant data was obtained through the Foundation Directory Online (fconline.fdncenter.org), a searchable grant database hosted by the Foundation Center. Grant listings were retrieved by searching for grants authorized in 2004 by each foundation. The Foundation Center defines year authorized as either the year the grant was paid or the year it was authorized. The Foundation Center compiles its grant information from source documents such as tax returns, annual reports, or electronic files sent directly from a foundation. This research was conducted between March and June 2006.

The research team then conducted a thorough analysis of each foundation's grant list to determine which organizations met our definition of minority-led. International organizations were removed. Researchers reviewed the staff and board make-up and the mission statement of each grantee organization through that organization's website and through telephone and written correspondence with organization staff. If no information could be obtained about the grantee organization, it was removed from the data set and not counted in the total.

The percentage of grants and dollars published in this report are therefore based on an adjusted total. For purposes of illustration, take the following example. Foundation X gave a total of \$500,000 and 100 grants to US-based organizations. We identified 20 grants awarded to minority-led organizations totaling \$30,000. We could not find information on five organizations whose grant awards total \$5,000. Therefore, the percentage of grants to minority-led nonprofits would be reported as 21 percent and percentage of dollars would be reported as 6 percent.

Organizations that were identified as minority-led were further classified into one of the following categories: African American, Asian/Pacific Islander, Latino, Native American, multi-cultural, or other. An organization was categorized as multi-cultural if there was no clear predominance (over 50 percent) of one particular race/ethnicity within the staff, board of directors or mission statement, yet was clearly aimed at helping minority communities.

Once preliminary results were gathered, letters were sent to each foundation informing them of the information we had compiled and requesting information on the ethnic make-up of their board and staff. Each foundation was given two weeks to challenge the results. Two foundations responded by providing additional information on grantees they felt should be counted as minority-led.



LIMITATIONS

Greenlining recognizes the limitations of this methodology, given our reliance on data retrieved from the Foundation Center database. We discovered discrepancies between the total number of grants and total giving reported directly by foundations and the information retrieved from the Foundation Directory Online. These differences may be due to the fact that the database reports grants that were either awarded or authorized, but not necessarily paid, in 2004. Foundations may track and report their grants differently. Also, the database used does not delineate whether grants are one-year or multi-year grants.

This secondary data source was utilized because we found it to be the most comprehensive and easily accessible. However, the exact methods defining the population of this database with grant information are unknown. Greater participation and willingness to share grant data directly on the part of foundations would address many of the limitations of our methodology.

As with our prior report, information on the number of minority-led nonprofits within the sector as a whole is unknown. Therefore, the percentages reported may actually reflect the proportion of minority-led organizations as compared to white-led organizations. Additional research on the universe of minority-led nonprofits is warranted. However, the wide range of percentages awarded by the sample suggests that minority-led organizations are abundant. Some foundations are more successful than others in identifying and investing in these organizations.

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ⁱ Lawrence, Steven. (2006). *Foundation Yearbook: Facts and Figures on Private and Community Foundations*, 2006 Edition. The Foundation Center, p. 1.

ⁱⁱ Ibid, p. 9.

ⁱⁱⁱ Ibid, p. 46.

^{iv} Ibid, p. 48.

^v Ibid, p. 48.

^{vi} Ibid, p. 18.

^{vii} Ibid, p. 35.

^{viii} Ibid, p. 26.

^{ix} The Foundation Center. (2005). *Aggregate Financial Data for Foundations in the State of California, 2003*. Accessed on August 4, 2006 from:

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^x Lawrence, op. cit., p. 40.

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Allen Temple Baptist Church

American GI Forum

Antioch Baptist Church

Asian Business Association

Black Business Association

California Hispanic Chambers of Commerce

California Journal for Filipino Americans

California Rural Legal Assistance

CHARO Community Development Corporation

Chicana/Latina Foundation

Chicano Federation, San Diego

Community Resource Project

Council of Asian American Business Association

Economic Business Development

El Concilio of San Mateo County

Filipino-American Chamber, LA

Filipino-American Political Association

First AME Church, Los Angeles

Greater Phoenix Urban League

Hermanidad Mexicana Nacional

Hispanic Chamber of Commerce of Orange County

Hmong American Political Association

KHEIR

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Latino Issues Forum

Mabuhay Alliance of San Diego

Mexican-American Grocers Association

Mexican-American Political Association

Minority Business Council

Mission Language & Vocational School

National Federation of Filipino American Associations

Nehemiah Ministries

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1918 UNIVERSITY AVENUE
2ND FLOOR
BERKELEY, CA 94704
PHONE: 510.926.4000
FAX: 510.926.4010
WWW.GREENLINING.ORG