



**COUNCIL *on* FOUNDATIONS**

**Diversity and Inclusion in Philanthropy**  
*Position and Action Steps*

**Response to California Assembly Bill 624**

**February 2008**

*“To think of diversity as a matter of social justice is proper. But if we do not also see it as a matter of utmost urgency, we are not paying attention. Diversity is not a burden to be carried or a problem to be solved; it is the best hope we have for our future as a strong, resilient, and worthy nation. Our inability to accept this reality, and to shape policies reflecting it, is fueling perhaps the most pressing national crisis of our day. We must be the architects for strategic investments that promote the common good through diversity. We in organized philanthropy have an obligation to be institutional role models. Unless we achieve greater inclusivity, we can have no right to claim societal leadership in this arena.”*

—Steve Gunderson, President, Council on Foundations  
“Organized Philanthropy’s Role in Modeling and  
Promoting Independent Sector Diversity in the 21st Century”  
Presented at the San Francisco Foundation  
January 13, 2006

## **Mission and Statement on Inclusiveness**

The mission of the Council on Foundations is to provide the opportunity, leadership, and tools needed by philanthropic organizations to expand, enhance, and sustain their ability to advance the common good. Over 2,100 grantmaking foundations and giving programs worldwide are members of the Council on Foundations.

The Council was formed to promote responsible and effective philanthropy. The mission requires a commitment to inclusiveness as a fundamental operating principle and calls for an active and ongoing process that affirms human diversity in its many forms, encompassing but not limited to ethnicity, race, gender, sexual orientation, age, economic circumstance, disability, geography, and philosophy.

We seek diversity to ensure that a range of perspectives, opinions, and experiences are recognized and acted upon in achieving the Council’s mission. To enhance their abilities to contribute to the common good, the Council also asks its members to make a similar commitment to inclusiveness. In that vein, as the national voice and vision of the philanthropic sector, the Council emphasizes its commitment—on behalf of the sector—to real leadership, serving all citizens and providing our members with tools, educational programs, and opportunities to help them become more effective in their work.

## Position and Action Steps

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### I. Setting the Stage

Philanthropy is defined as voluntary, strategic, and private giving to advance the public good. In 2005, America's more than 71,000 foundations, which collectively held approximately \$550 billion in assets, contributed over \$36 billion in grants, scholarships, and employee matching gifts. This figure accounts for about 12.4 percent of total giving (approximately 76 percent of giving was from individuals) to support the aspirations of communities in the United States and around the world. These important contributions support the advancement of education, health care, the arts, community, economic and rural development, disaster response, poverty reduction, and various other issues across our great country. As a result, philanthropy positively affects the lives of many U.S. residents on a daily basis.

But philanthropy isn't confined within our national borders. In an increasingly globalized world, philanthropy helps to improve the human condition abroad as well. Philanthropic giving has helped to fight the spread of global disease, combat poverty, curb environmental decline, and advocate for civil society around the world. Philanthropy serves as the leading force on the ground in foreign countries, often working in partnership with other entities, to improve the human condition of our global citizenry.

The philanthropic sector carries out this important work with the assistance of a dedicated group of staff and volunteers. However, the face and composition of the staff and volunteers in the philanthropic sector is changing. These changes are seen most significantly among the increasing number of women now serving on foundation boards. A snapshot of the sector 25 years ago looks very different from its present day status.

- In 1982, less than 23 percent of board members were women. By 2006, that number had increased to 37 percent and it continues to rise.
- In 1982, 26 percent of foundation CEOs were women; by 2006, that number had increased to 55 percent.
- The number of minority program officers increased from 15.4 percent in 1985 to 35 percent in 2006.
- We've also seen a slight increase in the percentage of racial and ethnic minority foundation executives. For example, racial and ethnic minorities now make up 5.8 percent of CEOs compared to 1.6 percent in 1982.

The sector has seen the greatest progress in diversity among women and is expanding its programmatic focus on race, ethnicity, sexual orientation, physical ability, and other forms of human diversity. Philanthropy is working in an organized manner to develop relevant programming aimed at broadening the pipeline of talent coming into the sector. Even though

only 17 percent of foundations are staffed, (among staffed foundations the median staff size is two), governance and staffing are not the only areas where grantmaking organizations are working to improve effectiveness.

Although we do not have significant data on grantmaking to diverse communities, Hispanics in Philanthropy, a Council-recognized affinity group, reports, “Latinos are the second largest population in the U.S., representing 14% of the total population. Yet less than 1.5% of foundation grant dollars are targeted to Latinos. And in Latin America, where organized philanthropy is just emerging, the gap is even wider.”

Can philanthropy become more effective in serving diverse communities? The answer is yes—and we will make it happen. Diversity and inclusion in the philanthropic sector deserves our immediate attention and the Council on Foundations, its members, and colleagues are continually working to support diversity, inclusion, and greater effectiveness. Section IV of this document elaborates on specific sector-wide efforts already underway.

## **II. Leadership**

In its role as the national voice and vision for organized philanthropy, the Council on Foundations exists to provide the leadership, the necessary tools, educational programs, and resources to our members and to the philanthropic sector, to support their efforts to advance the public good. The voluntary, entrepreneurial, and creative nature of philanthropy is an ideal the Council on Foundations supports and seeks to advance. We also urge our nation’s lawmakers, policy advocates, and citizens to work together to nurture and to encourage legal, regulatory, and legislative environments that promote not only transparency, stewardship, and accountability, but also the advancement and growth of this unique voluntary form of human generosity. Recognizing that public and private resources can no longer fully address the needs of our society, we seek a public-philanthropic partnership that enables philanthropy to grow in size and service.

## **III. Commitment to Transparency**

Although philanthropic giving is a private act, we recognize that once a philanthropist enters the public domain and receives a public tax benefit there is both a responsibility and an obligation to continue to invest in public charitable organizations. The Council supports and encourages its members and the sector to make a commitment to continued transparency.

In fact, Council members have already embraced this commitment. Each Council constituency group—family and international philanthropy, community, independent, and operating foundations, and corporate grantmakers—has developed a set of stewardship principles that state this aspiration in clear terms. In addition, the community foundation sector voluntarily created national standards for community foundations that are certifiable.

We applaud the efforts of Council members in their work to voluntarily develop stewardship principles and practices, and ethical behaviors that extend far beyond the current legal and regulatory requirements. This includes the commitment to the recent redesign of the IRS Form

990. The form was redesigned, in part, to promote greater financial transparency and accountability in the public foundation sector.

The Council's Statement of Ethical Principles, to which all members subscribe, includes a commitment to transparency and accountability. Consistent with this principle, the Council has long encouraged its members to publish in print, where appropriate, and on their websites, relevant information about their grantmaking practices, applications, grantmaking mission, grant awards, leadership, and board governance. However, while collecting and reporting foundation data is important, requiring foundations to query their grantees and owners of businesses with which they contract about such personal matters as the sexual orientation of the business owner and of the boards and staff of the grantees would be intrusive and a violation of basic privacy rights. Requiring grantees to report this information about the persons they assist is even more intrusive and some grantees may lack the tools to accurately collect and report detailed demographic data on every client they serve.

As good stewards of public funds, we face a challenge. While sector-wide capacity building is important, every dollar spent on capacity building is a dollar that does not go to support grantmaking directly. Accordingly, investments in capacity building must be directed in ways that are most likely to produce improvements in effective and efficient grantmaking that advances the public good. The Council invites, and will work to foster, open and frank discussion of how grantmakers can improve their own diversity and serve more diverse communities. However, we believe that it would be premature to mandate the collection and publication of race and gender data on the boards and staffs of grantmaking organizations as well as data on the sexual orientation, race, and gender of the staffs and boards of grantseeking organizations and, of the owners of businesses with which the grantmaking organization contracts without stronger evidence that this will lead to improvements in diversity. The Council strongly encourages collaborative action and supports legislative and regulatory environments that do not mandate additional data collection. As it stands, the sector is already operating in transparent and ethical ways.

#### **IV. Diversity and Inclusion in the Philanthropic Sector**

The Council on Foundations values and recognizes the important role diversity and inclusion play in the leadership, grantmaking, staffing, governance, and business practices of the philanthropic sector and in the communities the sector serves. The Council's Statement of Ethical Principles provides:

**Diversity and Inclusiveness:** Our members seek diversity and inclusiveness in order to reflect the communities they serve and to ensure that a range of perspectives contribute to the common good and the development of their mission in a changing society.

Recognizing this value, the Council has embarked upon a major initiative to promote leadership and best practices in diversity and inclusiveness within the field of philanthropy.

This work is positioned within the Council’s executive office and is led internally by a director, who was hired in the fall of 2007. A 17-member committee of the Council’s board of directors also supports these efforts. This major initiative focuses on three priority areas:

1. developing a diverse pipeline of trustee and executive-level talent coming into the sector
2. creating and promoting educational programming and tools
3. providing outreach and communications on the importance of diversity and inclusiveness

Beyond Council programming, philanthropic leaders, affinity groups, regional associations, partners, researchers, think tanks, and others are engaged in collaborative, catalytic, meaningful, and purposeful work. This work is aimed not only at improving data collection efforts, but at identifying, implementing, and institutionalizing programming that, over time, will improve sector performance in grantmaking, business practices, staffing, leadership, governance, diversity, and inclusion. Collectively, these voluntary efforts seek to promote sector-wide responses on diversity and inclusivity in the philanthropic sector.

One notable example of the sector’s voluntary action is the Diversity in Philanthropy Project. This initiative of more than 30 leading foundation trustees, senior staff, and philanthropy network executives is committed to increasing diversity through open dialogue and strategic action. To that end, the Diversity in Philanthropy Project is working to expand diversity and inclusion in foundation decision making as an essential strategy to improve effectiveness and impact. Building on our sector’s best traditions and experiences, the Diversity in Philanthropy Project is a collaborative effort to increase sector-wide effectiveness.

Philanthropic and academic leaders, such as the C.S. Mott Foundation, the William Randolph Hearst Foundation, the San Francisco Foundation, the Z. Smith Reynolds Foundation, the Center on Philanthropy and Civil Society at the Graduate Center, the City University of New York, the Center on Philanthropy at Indiana University, the Association of Black Foundation Executives, and Associated Grantmakers, among others, have created successful fellowship programs targeting racial and ethnic minorities, women, and the next generation of philanthropists. Many of these fellowships offer annual stipends, employment assistance, and professional development, and create greater pathways to careers in the philanthropic sector.

Through the generosity of philanthropic giving, Funders for Lesbian and Gay Issues and other key partners are leading an effort known as Common Vision. Similar in many ways to efforts underway by the Funders’ Network for Smart Growth and Livable Communities, Common Vision has placed a special emphasis on race, ethnicity, gender, sexual orientation and identification, and socio-economic status in its ongoing work. These national initiatives will convene grantmakers, in various states and regions around the country, who share an interest in creating healthy communities and widespread equity. Common Vision and the Funders’ Network facilitate space for individual and institutional donors to meet one another, share insights, learn, collaborate, and ultimately, craft philanthropic approaches that tackle structural inequities and enhance the health of individuals and communities.

There are many other examples of ongoing work in our sector. While this work is both comprehensive and thoughtful, and provides depth, it frankly does not lend itself to

instantaneous results and outcomes. These are long-term efforts aimed at improving the way philanthropy thinks about, acts upon, and, ultimately, serves diverse communities. Diversity and inclusion in the philanthropic sector is ongoing work and critical to the sector's ability to be effective. A long-term vision and continued commitment to advancing this work would be greatly aided by legislative and regulatory environments that work in support of—not in opposition to—these voluntary efforts.

## **V. Summary—Continued Call for Voluntary Action**

The Council on Foundations, a national and international philanthropic membership organization and the national voice and vision of philanthropy, recognizes the appropriate balance between the voluntary decisions of individual grantmaking with the sector's responsibility to serve the common good. As the national voice of philanthropy, the Council's role is to help educate policymakers, foundations and corporate giving programs, and the public about the impact that future legislation and regulatory requirements may have on the philanthropic sector—especially pending legislation A.B.624. The Council seeks to promote the commitment to serving and celebrating the diversity of our nation, while growing the philanthropic sector in both size and service.

We join with Northern California Grantmakers, Southern California Grantmakers and San Diego Grantmakers and many of our members and colleagues in opposing California A.B.624, because the mandated collection of the data listed in this legislation may be impossible to accurately collect and ignores our mutual commitment to focus on the actual impact of our staffing and grantmaking to better reflect, represent, and serve all populations. We encourage the transparency of data and support outcomes that enhance the common good, including our commitment to promote and increase diversity and inclusiveness practices within the philanthropic field.

A.B.624 has the potential both to negatively affect the diverse populations and communities it seeks to serve and to slow—rather than grow—philanthropy and philanthropy's commitment to serve such populations. Therefore, we call upon all of philanthropy to join us and respond to concerns about our progress-to-date and to continue to grow our commitment to lead and promote diversity and inclusiveness in our work and within the philanthropic sector.