

Z. Smith Reynolds FOUNDA TION

PHILANTHROPY
IN NORTH CAROLINA
IS A
WORK IN PROGRESS
IN A
STATE OF CHANGE



2004 ANNUAL REPORT



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Zachary Smith Reynolds
(1911-1932)

**“THE OBJECT FOR
WHICH THIS CORPORATION
IS FORMED IS THE
ACCOMPLISHMENT OF
CHARITABLE WORKS
IN THE STATE OF
NORTH CAROLINA.”**

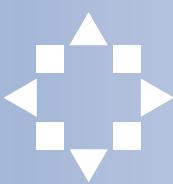
The Z. Smith Reynolds Foundation was established almost 70 years ago for the benefit of the people of North Carolina. In its charter, the founders – Dick, Mary, and Nancy Reynolds – set forth the Foundation’s purpose in clear and simple language: “The object for which this corporation is formed is the accomplishment of charitable works in the state of North Carolina.”

Few other general purpose foundations in the country as large as the Z. Smith Reynolds Foundation – its two trusts have approximately \$400 million in assets – have a legal mandate to make grants within a single state.

While the geographic boundary is firm, the Foundation’s grantmaking strives to be far-reaching. It often seeks to initiate rather than to react, to question rather than to accept, to challenge rather than to affirm.

In working to enhance the quality of life in North Carolina, the Foundation places a high value both on developing new programs and on sustaining those organizations advocating for systemic change. To accomplish its purpose, the Foundation currently gives special attention to certain focus areas – community building and economic development; environment; governance, public policy and civic engagement; pre-collegiate education; and social justice and equity.

Headquartered in Winston-Salem, where it was founded in 1936, the Z. Smith Reynolds Foundation usually accepts proposals for grants twice a year, but in 2004 it had only one open grant cycle.



MESSAGE FROM THE PRESIDENT

I have a favorite t-shirt that reads "Democracy is not a spectator sport." The fact is that the game is over if too many people take seats in the stands.

At the heart of democracy is an informed citizenry engaging with one another in discussion, examining differing opinions, and bringing life experiences and perspectives to debates about the most important issues of the day. This respectful exchange of ideas and the give-and-take of thoughtful men and women of diverse backgrounds and viewpoints undergirds much of the work of the Z. Smith Reynolds Foundation.

We heard a lot about values in 2004. Unfortunately, in the heated debates of that important election year, some people in their zealousness implied that if others didn't share their values they lacked character, moral fiber, or worse, perhaps, were unpatriotic. This kind of rigid and narrow view of others of different backgrounds, religions, and opinions runs counter to the basic values upon which America was founded – values such as tolerance, respect for the community good, equality of opportunity, and the right and responsibility we each have to make our voices heard in the political process, regardless of our relative wealth or position.

Free, vigorous debate, absent attempts to marginalize participants when we do not agree with their viewpoints, is a basic democratic value – a core American value, I believe. And the ability to respectfully debate and respectfully disagree is proof of intellectual honesty, sincere intent to find truth, and a fervent desire to serve the broad common good, rather than narrow self interests.

We have a strong set of values at the Z. Smith Reynolds Foundation that reflect what I believe are core American values. Much of our support goes to organizations helping people to engage in their communities, to have their voices heard, and to build better systems to support economic and social justice. We often prompt debate and create forums where differing opinions can be vetted. With this Foundation, it is a matter of course. In this diverse society, it is a tradition that must be protected because it does not threaten our democracy, it nourishes it.

During the latter half of 2004, we suspended grantmaking so our board and staff could reflect on how our state and nation have changed and whether our grantmaking priorities and strategies needed to change in order to be as effective and relevant as possible. It was also an opportunity to reaffirm our commitment to the values mentioned above. I emerged from this process with a renewed desire to see the Foundation play a stronger role in helping North Carolina reach its potential as a place of opportunity for all its citizens, where we find the shared values we can work on together, and where we engage in respectful debate about our differences.

We also are embarking on an effort to be clearer about the results we want to



see from our grantmaking and to help grantees become better able to assess and communicate the progress they are making toward their goals. It is our belief that a clearer focus on our values and goals, combined with pragmatic assessment of where we are making progress and learning from our successes and failures, will make us all more effective stewards of the resources with which we have been entrusted.

During 2004, we saw the retirement from the board of two outstanding trustees. Katie Mountcastle, my mother, served as a trustee for more than 40 years. She brought sharp insights to our decision-making process and a constant commitment to ensuring that the voice of grassroots organizations and regular people was always included ("democracy with a little 'd,'" as she often would say). Darrell Hancock served as a trustee for seven years. He brought particular commitment and knowledge of environmental and community development issues and a quiet humor that always made him a pleasure to work with. We thank them for their service and know that they will be missed.

In 2004, we also elected two new trustees, Virgil Smith of Asheville and David Neal of Durham. We welcome them to the board and look forward to incorporating their ideas and experience into our work in 2005.

There continues to be tremendous diversity in the projects in which this Foundation invests its resources. That is as it should be in a state that has a huge land area, an increasingly diverse population, regions with different economic traditions, and challenges that in one place are "rural" and in another, typically "inner city."

At the same time, there are systemic problems that affect us all – the undue influence of money in politics, spousal abuse, issues of equal treatment and justice, race relations, gender discrimination, and environmental and quality of life issues. Solving broad policy issues can mean that eventually we will not have to commit as many resources to dealing with what we might call "downstream" problems.

Each member of the board and staff has his or her own idea of what particular blend of grants best serves "to improve the quality of life of the people of North Carolina" – the people that this Foundation, by rules of its creation, serves. Our new trustees will find that there is free and open debate around the board table, during coffee breaks, and over the meals we will share together. It's always been that way at the Z. Smith Reynolds Foundation. It always will be, in my opinion, because it is a tradition that has been handed down carefully, one to the other, since the founding of the Foundation in 1936.

Mary Mountcastle
President



MESSAGE FROM THE EXECUTIVE DIRECTOR

As the great American philosopher, Yogi Berra, said, "If you don't know where you are going, you will be lost when you get there." When I first came to the Z. Smith Reynolds Foundation and the field of philanthropy, I often felt I did not know where I was going or where philanthropy and our Foundation were headed. Philanthropy in North Carolina seemed to be a field with little coherence or direction. The old saying, "When you have seen one foundation you have seen one foundation," rang quite true to me. Everyone appeared to be working in different ways, in isolation, and with little communication.

In the four years since my entry into the field of philanthropy, I have learned a great deal, and things have changed dramatically. I am sure the field was never as disorganized and disjointed as it first appeared to the outsider I was then, but I also know the world of philanthropy is very different now. The number of private foundations in our state has grown significantly in recent years. Community foundations are gaining more assets and creating new donor-advised funds virtually every day. Corporate giving programs and foundations continue to play a large role in North Carolina giving.

Today, there is an organization of North Carolina grantmakers that meets regularly and provides opportunities for foundations to learn together and collaborate. Several funder collaboratives have been created in which foundations are working together cooperatively – perhaps as never before – to address specific issues. Organized philanthropy is different from what it once was, and we can expect this ever-changing field to continue to move in new directions in the years ahead. More and more, we all are recognizing that philanthropy, which encompasses far more than traditional foundation giving, includes the giving of one's individual time, talent, and treasure.

At the Z. Smith Reynolds Foundation, 2004 was a year of self-examination and reflection. Our trustees and staff recognized that the world of philanthropy surrounding us was changing and that the time was right for the Foundation to step back and assess the new landscape created by those changes. We felt it was important for us to be certain of our direction and our place in North Carolina's nonprofit and philanthropic sectors so we would not "be lost when we get there." The Foundation chose to have only one open grant cycle instead of our traditional two cycles so that the staff and trustees could come together and learn how to increase the efficiency, effectiveness, and relevance of the Foundation's work.

In many ways, our work in 2004 was a continuation of and the logical next step in our 2001 strategic planning process. In 2002, the Foundation

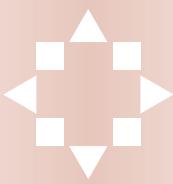
announced new areas of focus developed as a result of our 2001 process. We do not anticipate major changes in 2005 in the substantive areas in which Z. Smith Reynolds concentrates. We do plan to release a new application that will help the Foundation and its grant applicants look more carefully at results that can be obtained through investments by the Foundation. The staff and trustees of the Foundation believe it is of utmost importance that we be as thoughtful, strategic, and focused in our work as possible and that thinking more about outcomes resulting from our investments can help us reach this goal. In 2006, we also will begin requiring all applicants to submit proposals through the Foundation's online application submission system. Other changes that will occur relate to how our staff and trustees work internally to process and evaluate grant proposals. There may well be more changes as we move into the future. We recognize that we must always be open to new ideas and directions as our state changes and philanthropy changes.

One cannot discuss the nonprofit sector and philanthropy in the year 2004 without mention of the major focus nationally on ethics. Many of us have read about scandals and inappropriate conduct by people in positions of leadership with nonprofits and foundations. These relatively few incidents have created significant discussion within the field and among government officials and regulators. In my view, the field has begun promptly to address the concerns head on and to demand high standards of behavior by those who are charged with focusing on the common good. The Z. Smith Reynolds Foundation strongly supports these national efforts and is proud of its long history of abiding by high ethical principles in its efforts to serve North Carolina.

Historically, the Z. Smith Reynolds Foundation has utilized its Annual Report not only to share the work it has done in a particular year, but as a place where it can share information and engage with the public about current issues facing North Carolina. We hope this Annual Report will be useful in sharing with readers some of what we have learned and continue to learn about the changing world of organized philanthropy in our state.

As Yogi said, "It is tough to make predictions, particularly about the future." We make no predictions, but we reaffirm our commitment and desire to continue to look for new ways for the Z. Smith Reynolds Foundation to better serve North Carolina and its residents and to work with others in philanthropy to create a better future for us all.

Tom Ross
Executive Director



Life Trustee Katie Mountcastle

SOME YEARS AGO, Katie Mountcastle, then the President of the Z. Smith Reynolds Foundation, was asked her judgment about the selection of a new staff member. "Just promise me he will be allowed to speak his own mind," she said.



For years Katie has been speaking her own mind, but, more important, insisting on the right of and respect for other people to speak theirs. Her commitment to "little d" democracy has played out in her philanthropy and her politics. She has worked hard at being a good citizen, and much of what the Foundation has done in public policy in the last three decades is because of her conviction that there ought to be not only a well-informed debate, but a fair one in which everyone – especially the least powerful – is heard.

In fact, Katie has helped to create that well-informed, fair and broadly based public forum. In the 1970s when she served as a board member of UNC-TV during the reorganization of that statewide public television network, she was relentless in pressing for complete, comprehensive, and fair coverage of news and ideas.

Staff always found in her an example of the best kind of trustee: one who would spend time at her work, would be clear about her position, but also would be extraordinarily supportive of them in their work, even when she was not in total agreement with what they were doing or saying.

Katie is generous with her own money and with her own time, and she not only has served a family tradition of philanthropy, she has helped develop one. The granddaughter of R.J. and Katharine Smith Reynolds and daughter of Mary Reynolds and Charles Babcock, she has encouraged her own children to become involved in philanthropy. She also, by example, has encouraged them to give more than just money. As a member of several nonprofit boards at the local and the national level, she gained experience that she brought to grantmaking. She often reminded her fellow trustees how challenged foundation grantees are by the need to raise money, year in and year out, so they can do their work.

It was characteristic of her service at Z. Smith Reynolds that she was not afraid to let new voices be heard as the Foundation refined and redefined and expanded its mission. This was especially true of her support for the introduction of the state advisory panel, for the creation of internships and fellowships, and the recognition of nonprofit leadership. Successive generations of Foundation staff and advisors found her supportive and respectful of their roles and felt encouraged by her to be creative and to demonstrate initiative.

Those who have been fortunate enough to see her at work have delightful and heart-warming memories: Katie doing her needlepoint at board meetings without missing a beat of the discussion or a stitch in her handiwork or (anonymously, she thought) writing a personal check to support some group the Foundation had decided it could not fund.

Katie has done this without the displays of ego that characterize some who have special relationships to the donor or donor family, and she has done it with a conscientiousness that reflects the best in the values of good and effective trusteeship. An avid viewer of CSPAN from its beginnings, a voracious reader of newspapers, a student – perhaps a student unaware – of private philanthropy, she brought to her grantmaker role ideas and values that make her contributions essential and inspiring parts of the best in the Z. Smith Reynolds story.

Tom Lambeth



OFFICERS, TRUSTEES AND STAFF

OFFICERS

Mary Mountcastle	President
Lloyd P. Tate, Jr.	Vice President
Jane Smith Patterson.....	Treasurer
Thomas W. Ross	Secretary & Assistant Treasurer
Patricia B. Williamson	Assistant Secretary

BOARD OF TRUSTEES

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Smith Bagley.....	Washington, DC
Anita Brown-Graham	Durham, NC
Daniel G. Clodfelter	Charlotte, NC
R. Darrell Hancock*.....	Salisbury, NC
John O. McNairy	Kinston, NC
Katharine B. Mountcastle**.....	New Canaan, CT
Mary Mountcastle	Durham, NC
David L. Neal	Durham, NC
Stephen L. Neal	McLean, VA
Jane Smith Patterson.....	Chapel Hill, NC
Virgil L. Smith	Arden, NC
Zachary Smith**	Winston-Salem, NC
Lloyd P. Tate, Jr.....	Southern Pines, NC

*Term expired in 2004

**Life Trustees

STAFF

Thomas W. Ross	Executive Director
Mary Fant Donnan	Program Officer
Barbara Roole	Program Officer
Monteic Sizer	Program Officer
Joy Vermillion	Program Officer
Patricia B. Williamson	Executive Assistant
LaRita M. Bell	Travel/Meetings Coordinator
Jill Ray.....	Administrative Assistant

STAFF (CONTINUED)

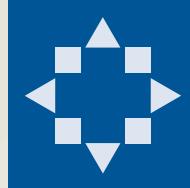
Barbara Mabe	Administrative Assistant/Bookkeeper
Gloria Puckett	Administrative Assistant
Linda Denton.....	Receptionist
Eric Johnson* ...	2002-2004 Z. Smith Reynolds Fellow
Megan Wilson ...	2003-2005 Z. Smith Reynolds Fellow
Katherine Didow .	2004-2006 Z. Smith Reynolds Fellow
Thomas W. Lambeth	Senior Fellow

*Fellowship ended 2004

STATE ADVISORY PANEL

Terry Bellamy*	Asheville, NC
Janet Ward Black	Greensboro, NC
Justin Catanoso	Greensboro, NC
Mary Brimmage Chatman*	Greenville, NC
John Cooper	Chapel Hill, NC
Karen H. Dameron	Williamston, NC
Donald Davis	Snow Hill, NC
Ilana Dubester	Pittsboro, NC
Phillip Ray Gibson*.....	Asheville, NC
Katy Harriger	Winston-Salem, NC
Fletcher L. Hartsell, Jr.....	Concord, NC
Carol Hughes	Charlotte, NC
Linsey Mills	Winston-Salem, NC
Tami Forte-Moss	Brevard, NC
David Neal*.....	Durham, NC
Noah Reynolds	Winston-Salem, NC
Francisco Risso	Morganton, NC
Maria Velazquez-Constas*.....	Fayetteville, NC
John J. Wilkins, Jr.*	Raleigh, NC
Emily Williamson	Hildebran, NC

*Term expired in 2004



STATE OF PHILANTHROPY

IN NORTH CAROLINA



Philanthropy is an art, not a science. There is no magic formula, no one right or wrong way to distribute resources, although some practices, without doubt, work better in given circumstances than others. Consequently, the world of organized philanthropy will always prompt spirited debate and have passionate advocates and determined critics, as should any institution. It is a field whose stock-in-trade – money – begets power but, as best practiced, also begets humility. A foundation's resources aren't worth a whit without capable, visionary leaders and organizations willing to spin wealth into positive change or improved quality of life. Fortunately, North Carolina abounds with such talent and capacity in its nonprofits, and the Z. Smith Reynolds Foundation is privileged to partner with many of them in its work.





Because foundations often have great flexibility in how they choose to partner and distribute resources and, therefore, how they affect the lives of others, it is incumbent upon foundations to ask certain fundamental questions of themselves and, oftentimes, their partners: Are we *relevant* to the needs of the people? Are we addressing the *root causes* of those needs? And how does *race* factor into those needs?

Known as "the three Rs," these questions are of utmost importance in determining not only what role a foundation might play in finding solutions, but in identifying what kind of impact a foundation wants to have. A foundation must be *relevant* if it wants to have a positive impact. It must address the *root causes* if it wants to find solutions. And it must understand that *racism* and gender inequality are pervasive throughout our culture, and directly or indirectly impact our worldview and, therefore, our decision-making processes.

At the Z. Smith Reynolds Foundation, answering these and other questions is not sufficient to accomplish our mission. The Foundation also must continually assess what role it can and should play to help solve problems, and it must identify appropriate partners because the work of social change cannot be done alone. The Foundation carries out that work by playing three roles. First, it is a *reactor*, responding to the needs identified by communities and providing grant funds to support people and activities that can help meet those needs. Second, it is an *initiator*, identifying gaps in services, research, and advocacy and creating avenues and strategies to fill them. Finally, it is a *convenor*, bringing together traditional allies and sometimes strange bedfellows to help craft solutions to some of the state's most pressing needs.

In North Carolina, organized philanthropy cannot meet every need or solve every problem, nor can it fill the funding gap created by government's diminishing financial support. The combined assets – not expendable

income, which is far less – of all foundations in the state do not come close to matching the state's annual budget for just one year. Therefore, foundations must use their funds strategically and find ways to work together to leverage their impact.

In 2004, the Z. Smith Reynolds Foundation trustees and staff spent time trying to better understand the changing face of philanthropy in the state, particularly identifying where gaps in giving patterns exist as correlated to the population and known needs. That reflection will remain, as the title of this Annual Report suggests, a work in progress in a state of change. The fact remains that foundation funding for rural North Carolina is well below that for urban North Carolina; that higher education, health, and human services funding combined accounts for approximately two-thirds of all foundation giving in NC, whereas arts and environmental funding account for only slightly more than 10 percent of giving; that the North Carolina nonprofit sector has grown by 25 percent over the past 10 years; and that the number of foundations in North Carolina has more than doubled in the past five years. As these changes take place, we must continually ask "the three Rs" and discern what role we might play in trying to fill identified gaps.

In the pages that follow, you will read about the roles of various North Carolina giving institutions and the ways in which they are trying – individually and collectively – to meet the needs of the people of our state. Each philanthropic entity has its own unique quality and way of doing business. For the Z. Smith Reynolds Foundation, our uniqueness rests in the longevity of our general purpose nature with a restriction to serving a single state. While these institutions do differ substantially, they have one thing in common: the desire to distribute their resources so that the lives of all of our residents continue to become better so that North Carolina remains "the goodliest soil under the cope of Heaven."



NORTH CAROLINA STATE OF PHILANTHROPY

by Todd Cohen

working for change ▶

PHILANTHROPY IN NORTH CAROLINA is a work in progress in a state of change.

Rooted in a legacy of righting social wrongs and enriching civic life, philanthropy in our state over the last 25 years has grown quickly, become more targeted and strategic, and helped build one of the strongest nonprofit sectors in the United States.

Now, as the economy has stumbled, social problems escalated, and government has retreated from seeking and delivering solutions, the job of healing and repairing our communities increasingly has fallen to charitable foundations, donors, corporate givers, nonprofits and volunteers.

And as innovation and technology transform how we live and work, philanthropy must move beyond business as usual, embrace the urgent job of strengthening nonprofit operations and shaping public policy, and unleash new sources of charitable wealth, knowledge and volunteerism.

Compared to a generation ago, North Carolina now is home to more philanthropic assets and organizations. More of those organizations are staffed and professionally run. They look more like our state, led by women, minorities, entrepreneurs and young adults. And they have worked hard to be more effective and innovative in the way they support nonprofits and spur social change.

But huge challenges remain. Philanthropy can do much more to equip nonprofits to be more productive, collaborative and entrepreneurial, and get more involved in attacking social problems at their roots.

These social ills are enormous. Many North Carolinians struggle without food, shelter, health care, education or jobs. And true progress on the entrenched and complex issues of race, intolerance, violence, and social justice will remain a dream unless we overhaul how we think about and take part in policy-making.

Because the supply of charitable resources cannot begin to meet demand for basic services, funders must prod nonprofits, government, and business to work together to broaden access to resources and services most of us take for granted, a big challenge as government gridlock and near-sightedness clog efforts to change flawed and outdated policies.

Foundations, corporate-giving programs and individual donors also can foster innovative research and thinking to expand the very idea of philanthropy and spur new ways to give, volunteer, work together, and share knowledge.

Despite its strengths, philanthropy is hurting and needs to heal itself. Cases of wrongdoing and excess resulting from poor business judgment at foundations and nonprofits have eroded trust and drawn closer scrutiny from regulators and lawmakers likely to toughen their policing of charitable organizations. Charities must restore trust and clear up confusion about what went wrong, from bad audits to poor board oversight of managers.

Whatever government does, philanthropy must get its own house in order. Funders must take stock of themselves with brutal honesty, a rare commodity in a business in which wealth and the power it creates sometimes foster an unearned sense of wisdom and righteousness. To help restore trust as they retool, funders should enlist outside board members who reflect their communities and can question business as usual.

Funders exercise enormous power over how nonprofits operate and deliver services. By cleaning up their own act, funders can be more informed and trusted partners to guide new donors and help nonprofits become more accountable and plug into and work with new sources of wealth.

Despite its mistakes, philanthropy in North Carolina has continued to build on its legacy of social justice and progress. The challenge now for philanthropy is to keep improving its practices, better prepare nonprofits to take on social ills, and become a more effective voice and force for change.





roots of change ►

EMBODYING A LEGACY of public service and social progress and flowing from wealth rooted in traditional industries like tobacco, textiles, furniture, and banking, philanthropy in North Carolina for much of the 20th Century followed a steady and progressive path, supporting causes ranging from health and human services to education and the arts.

Visionaries like James B. Duke, William R. Kenan, Jr. and the Reynolds family created philanthropies to address urgent social and cultural needs throughout the state. They built hospitals, universities, and museums, funded social services, and provided assistance for people in need. Their philanthropies have seeded the state with ideas, programs, and organizations that have taken root, bloomed, and produced offshoots.

The evolution of the Z. Smith Reynolds Foundation underscores the expanding role philanthropy can play. Flowing from wealth created in the tobacco industry, the Foundation became the largest in the state dedicated to funding a broad range of needs.

In the 1960s, inspired by the vision of then-Gov. Terry Sanford, the Foundation joined the Ford Foundation in funding the startup of the North Carolina Fund, a pioneering statewide effort to tackle poverty and divisions rooted in race. That initiative helped sharpen and inform the focus and direction of the Foundation and spawned a new generation of organizations devoted to building communities and bridging gaps between North Carolinians who enjoy the American dream and those who suffer the American nightmare.

North Carolina Fund descendants, which continue to grow and generate offspring, include community development corporations throughout the state; Self-Help, the Durham-based non-profit lender that makes loans to low-income individuals and businesses; and MDC, the Chapel Hill think tank that focuses on economic and workforce development.

In addition to funding diverse programs in all 100 North Carolina counties, the Foundation has helped kickstart new social programs and invested in initiatives to tackle big policy changes in fields ranging from criminal justice, campaign finance, and the judicial system to education, domestic violence, and the delivery of social services.

plowing new ground ►

IN THE 1980S AND '90S, philanthropy changed more than at any time in the century. Older foundations brought in new leaders, practices, and priorities, and moved beyond support for programs, aiming to strengthen nonprofits' operations and impact public policy.

Philanthropic thinking evolved, expectations grew, and funders focused on their mission as never before. Instead of simply charting a course for nonprofits, funders scrutinized their own direction. The message of philanthropy no longer was its money but its mission.

To help spur innovative strategies to fix some of our most vexing problems, more foundations began to visit local communities or worked with experts in a variety of fields to identify emerging and critical needs, and then solicited proposals from nonprofits for creative ideas to address those needs, often through community-based collaborative efforts.

Corporations expanded their philanthropy from supporting the pet causes of their CEOs to aligning their giving with their line of business, and added philanthropic staff. At the same time, individuals and families, either inheriting wealth or creating it through the sale of existing companies or the growth of new ventures, established or expanded their own foundations or funds at community foundations.

Entrepreneurs formed family foundations and became hands-on supporters of the nonprofits they funded, and a handful of homegrown companies such as Bank of America and Wachovia adjusted to enormous growth that pushed their business and their giving far beyond the state's borders.

All that change coincided with a surge in charitable assets and in the size, sophistication, and diversity of philanthropy. The ranks of foundations have grown, as have their assets and staffs, and staffs and boards look more like North Carolinians overall and are better trained in the business of philanthropy as it adapts to shifting market conditions.

Rapid growth, greater professionalism, tougher competition, and highly publicized scandals among nonprofits led organized philanthropy and individual donors to expect and demand more of nonprofits. More donors and funders asked nonprofits to strengthen their operations, improve their effectiveness, and measure their impact. And more foundation staffs and boards paid closer attention to investing their assets wisely and tracking their investment returns.

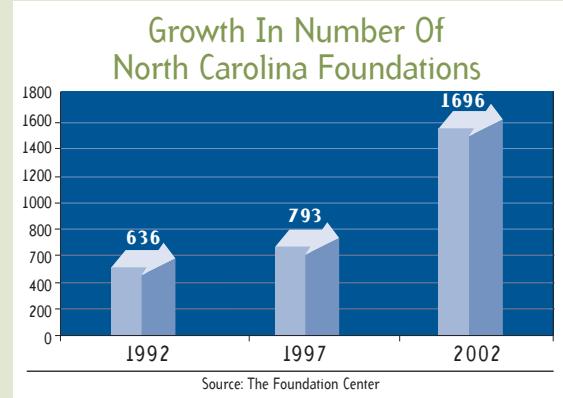
An industry of for-profit companies and consultants emerged to provide nonprofits with services ranging from fundraising advice and the management of charitable assets to software for fundraising, grantmaking, and back-office operations. Nonprofit trade and advocacy groups were formed to deliver services ranging from management assistance to group rates on liability insurance and phone

service. And new academic programs began to focus teaching, research, and training on philanthropy and nonprofit management.

Now, with more donors and nonprofits and smarter giving and fundraising, philanthropy in North Carolina continues to change. In a state in which urban centers enjoy jobs, wealth, and growth, rural areas still suffer steep unemployment and deep poverty. And despite its affluence, our state faces crushing problems ranging from hunger and homelessness to poor health and bad schools.

To help address those ills, donors and nonprofits are looking for new ways to do business and breaking down walls that traditionally have divided organizations and kept nonprofit, for-profit, and government

funders and agencies from working effectively with one another.



building new markets ▶

PHILANTHROPY IS A MARKETPLACE, brokering the exchange of charitable supply and demand. An intermediary that taps, connects, and helps shape the use of public and private resources to address and fix social and cultural problems, philanthropy at its best adapts to changing times and challenges, builds on what works, and takes risks to foster innovation.

As philanthropy in the 1980s and '90s expanded, it also matured and stretched, looking for new and more effective ways to put private wealth and know-how to work to gear nonprofits for change, attract government and corporate partners and investment, and play a bigger part in policy change.

Strengthening the operations of individual nonprofits and of the nonprofit sector itself became a more important focus for philanthropy. As funders began, however modestly, to shift some of their grants to individual nonprofits from program support to operating support some also invested in statewide initiatives to address the needs of nonprofits overall.

The Z. Smith Reynolds Foundation was among a handful of funders in the early 1990s that supported the startup of the North Carolina Center for Nonprofits and the *Philanthropy Journal of North Carolina*, while the W.K. Kellogg Foundation invested in statewide expansion of a new certificate program in nonprofit management at Duke University.

Faced with a rapidly growing nonprofit sector that swelled demand for grant support and a scandal at United Way of America in the early 1990s that triggered skepticism about charity overall, funders began to ask nonprofits to be more accountable for their operations and impact.

A growing source of support for nonprofits in the '80s and '90s flowed from community foundations, which provided a popular vehicle for individual and family philanthropy. In addition to making grants, community foundations convened civic leaders to talk about common issues, and brokered nonprofit partnerships.

While local United Ways for generations had run workplace campaigns to raise money for health and human service agencies, they now began to help member agencies better measure their performance. Also gaining entry to the workplace to raise money were federations in fields ranging from the arts and public schools to health and the environment.

The start of an unprecedented shift in wealth between generations has helped drive rapid growth in community foundations. The charitable services they and financial services companies offer has



caused them to evolve into one-stop philanthropy centers that manage charitable funds and help individual donors, families, private foundations, and corporations develop and operate more effective giving programs.

retooling for change ►

HELPING NONPROFITS operate more effectively is a crucial challenge for funders, particularly those that still embrace the idea that they should support nonprofit programs but not their operations.

Yet, to survive and thrive in an increasingly competitive marketplace in which donors, volunteers, and regulators demand greater accountability from nonprofits, securing support depends on showing good business sense and practices.

Helping nonprofits improve the way they do business first will require that funders retool their own operations, restoring their credibility and giving them greater insight into the changes for which nonprofits need support.

Strengthening their internal operations arguably is the biggest challenge charitable organizations face. If philanthropy and the nonprofits it supports hope to find solutions to complex and intertwined social problems, and to help change the public policies feeding those problems, they first must make their organizations sound.

The gears of the nonprofit world are grinding: pay and benefits for smaller organizations are low, hours are long, and training for staff and volunteers is rare. Often, their boards do not actively contribute their time, know-how and connections, and they starve their organizations of the investment in basic tools the business world counts on. Yet pay and benefits can be rich at larger nonprofits like big foundations, universities and United Ways, creating two philanthropic worlds separated by organizational size and mission.

Technology has become integral to the way people live and businesses operate, yet funders and nonprofit boards fail to recognize that investing in technology and the training to use it can improve nonprofit productivity and spur greater innovation in nonprofit services.

Foundations themselves also lag in embracing technology, which can improve the way they field and screen funding requests, manage grants, measure their impact, share knowledge, and communicate. A small but growing number of funders do support nonprofit operations and technology, and the emerging North Carolina Network of Grantmakers can help speed and expand that progress.

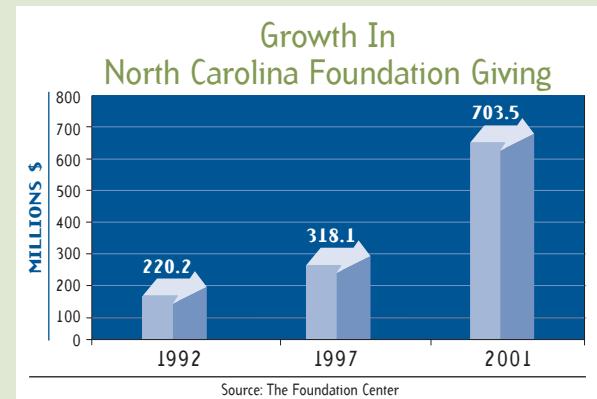
The need for more professional and visionary leaders in the charitable world also is the focus of academic initiatives. Those include the statewide nonprofit-management program at Duke University and the new Institute for Nonprofits at N.C. State University funded by the A.J. Fletcher Foundation.

The time is ripe for funders to take bold steps, such as supporting sabbaticals for experienced fundraisers and managers at big nonprofits so they can work for a year with smaller nonprofits, or subsidizing benefits and pay so smaller nonprofits can hire experienced professionals from larger organizations.

Philanthropy traditionally has invested money in programs designed to fix and better society, but has taken for granted the nonprofits that serve as instruments of change. Until funders and donors recognize the urgent operating needs of nonprofits, true change will elude philanthropy's well-meaning, but often misguided, helping hand.

guiding the invisible hand ►

ADAM SMITH, the 18th Century economist, said an "invisible hand" converted selfish actions into public good, a theory useful in explaining the role of philanthropy and nonprofits in a society



in which we cannot expect government or business to fix what is wrong but instead must look to charity to push for change.

Yet private philanthropy is mired in business as usual, guided by an unwritten and rigid "canon" about how it should operate. While they can be quick to urge nonprofits to be more open, effective, innovative, and collaborative, many funders operate like private clubs, and are tight-lipped, poorly run, resistant to change, and reluctant to work together.

But with the growth of the nonprofit sector and the increasingly fierce competition for dollars fueled by that growth and the influx of new donors and wealth, philanthropy is changing, taking on a more strategic role to put the unseen hand of the civic marketplace to more productive and creative use.

After the failure of numerous efforts in the 1990s and even earlier to coax funders and donors to share information and ideas, or even to think about teaming up, the North Carolina Network of Grantmakers is taking shape. By talking about ways to work together and take on social problems, a handful of funders already have launched initiatives to pool funds and secure resources from national foundations.

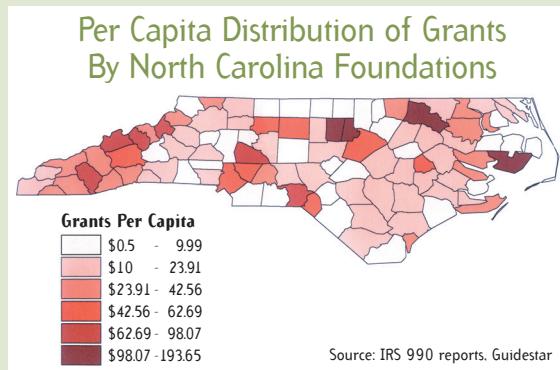
One effort, supported by Hispanics in Philanthropy, aims to strengthen organizations led by and serving Latinos and Hispanics in the state, while another, backed by the Rockefeller Foundation, wants to help community groups and lawyers better use law and politics to fight racial discrimination.

North Carolina also has enjoyed rapid growth of new philanthropy. To identify, boost, and learn from these emerging philanthropies and philanthropists like women, African Americans, Latinos, young people, and "giving circles," or groups of individuals who pool funds and make grants, the Kellogg Foundation has helped launch a "Discovery Alliance" in the state.

Market changes and forces have produced other social needs and philanthropic sources. To help North Carolina's struggling rural economy cope with the decline of the tobacco industry that was its core, state lawmakers created the Golden LEAF Foundation to invest proceeds from a settlement between 46 states and tobacco companies, while the Duke Endowment launched an ambitious initiative, its biggest ever, to boost rural enterprise.

An equally promising new philanthropy that was expected to begin with at least \$1 billion, and would have focused on the enormous health problems in our state, was aborted in 2003 when, after a long and nasty regulatory fight, Blue Cross and Blue Shield of North Carolina withdrew its plan to convert from a nonprofit to a for-profit business.

The new foundation the conversion would have created fell prey to a massive failure on the part of philanthropic, nonprofit, business and government leaders to find common ground and try to resolve concerns critics had raised about Blue Cross and the way the new foundation would operate.



That failure exposed a side of philanthropy few people are willing to see or talk about: despite its wealth, knowledge, innovation, and promise, organized philanthropy can be passive, conformist, slow to change, reluctant to speak out on controversial issues, and fearful of challenging the philanthropic correctness that has infected the charitable world. As a result, a few outspoken and determined activists can sabotage promising new philanthropic initiatives.

Progress depends on taking risks, speaking up, thinking and acting independently, working together when needed, and fighting to overcome obstacles and change policy – tasks that

philanthropy can carry out only if it has the will to change itself and break free of the arbitrary limits set by its self-appointed keepers.

philanthropy without borders ►

PHILANTHROPY IS THE MEDIUM through which people extend themselves and work together to fix problems and follow dreams. Philanthropy can transform the way we live and work, but first it must change itself to be a more effective force in coping with and



attacking what can seem like overwhelming social problems.

To change, philanthropy must become more strategic, a shift it has accelerated in the past 10 years by starting to overhaul the model that John D. Rockefeller and other philanthropic pioneers created in the early 1900s and that has evolved but still operates within narrow borders.

Times keep changing, and a new generation of donors and philanthropic professionals is beginning to break down the barriers that have separated the charitable marketplace from the work of social enterprise, entrepreneurial innovation, and policy change.

Fixing what is wrong in society is the job for which philanthropy exists; yet, rather than focusing on its job, philanthropy gets bogged down in process, turf, and rigid ideas about how it is supposed to work. But philanthropy is not monolithic, and innovative social entrepreneurs are pushing the boundaries of civic enterprise and engineering new tools and strategies that pull resources and knowledge from the charitable, business, and government sectors to take on social ills.

Applying their business skills to social problems, entrepreneurs are investing their money and expertise through new venture philanthropies that support enterprises, whether charitable or commercial, that are guided by a social mission. Some foundations are making loans to entrepreneurial nonprofits and, in their role as corporate shareholders, using their proxy power not only to increase their investment returns but also to further their philanthropic mission.

Some foundations also are recognizing knowledge as a powerful asset and are starting to use technology to collect, make sense of, and share the knowledge they and the nonprofits they support have acquired. A continuing and significant need is funding for research to track and evaluate the scope and impact of philanthropy and nonprofits and to support the development of new public policy and charitable strategies.

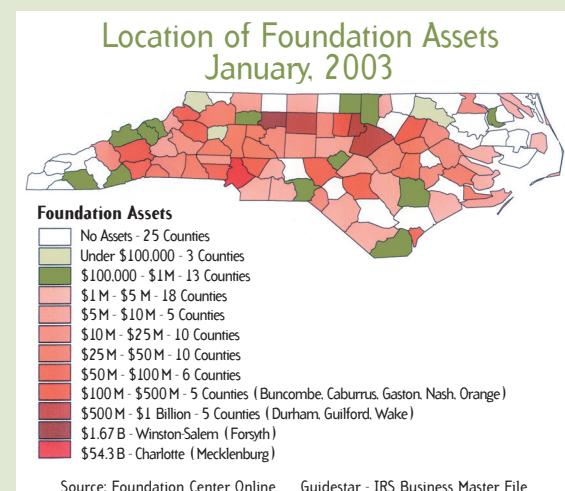
Offering virtually untapped potential in the fiercely competitive charitable marketplace is collaboration, which gets a lot of lip service from funders but too little support. Funders need to push one another, nonprofits, government, and business to work together to find better ways to solve problems and shape policy.

Last year, for example, building on its strong tradition of supporting policy change, the Z. Smith Reynolds Foundation launched an effort to assess the funding mechanisms and role that policy and advocacy can play in addressing the epidemic of domestic violence and sexual assault. The Foundation also aims to shape its own role in fighting the problem, including helping policymakers and others understand both the issue and effective strategies to deal with it, and possibly funding advocacy work and the collection of needed data.

Progress in a democracy is difficult and messy and depends on a core of leaders who can see ahead and are relentless in pushing for change. Uprooting the overwhelming social problems in North Carolina will depend on the emergence of funders and donors willing to lead by investing their money, knowledge, and influence to help transform the charitable marketplace into a more open, effective, and innovative force for making our state a better place in which live and work.

The crucial unanswered questions for a new generation of North Carolinians and for the nonprofits and philanthropies that address the most pressing problems in our state, are when these leaders will step forward, and who they will be.

Todd Cohen is editor and publisher of the Philanthropy Journal, an online newspaper (www.philanthropy-journal.org) that is a publication of the A.J. Fletcher Foundation in Raleigh.



COMMUNITY

FOUNDATIONS

NORTH CAROLINA'S COMMUNITY FOUNDATIONS are expanding their scope with collaborations that go beyond the traditional grantmaker-grantseeker relationship. By including governments, schools and colleges, and more of the general public in their programs of work, the state's community foundations are playing a pivotal role in changing public policy and building public awareness – and often they are doing it with the most current technology.

Community foundations serve limited geographical areas and are governed by local citizens knowledgeable about community needs and committed to providing good stewardship of funds. Their forte is managing funds from donors and pooling them for investment and administrative purposes. A donor can establish a fund with as little as \$5,000 in many cases and exercise control of it. Community foundations are much like private foundations; their funds, however, are derived from many donors rather than a single source, as is typically the case with private foundations. Community foundations are usually classified under the tax code as public charities and, therefore, are subject to different rules and regulations than those which govern private foundations.

There are 18 community foundations based in North Carolina, the largest of which in geographic area is the North Carolina Community Foundation with 51 affiliates. The past decade has seen growth in smaller foundations serving a smaller geographic area, making community foundations the state's fastest-growing philanthropic vehicle. Only two of the state's 100 counties do not have – or are not part of – a community foundation.

Many community foundations spend relatively little on trustees, expecting board members to make a gift of their time and serve on boards with little or no compensation. The leadership provided by boards is typically composed of a varied and diverse group representing the community, with backgrounds and expertise reflecting both the governance roles (financial, legal aspects) and grantmaking roles (knowledgeable about social and educational needs). Community foundations tend toward donor-driven grants and a competitive grant seeking process. Total giving by community foundations in North Carolina was \$111.5 million in 2002, as recorded by the IRS, with total assets of \$827 million listed for the same year.

Nationally, community foundations increased their giving by an estimated 1.5 percent in 2003, with a continuing high level of new gifts into community foundations helping to sustain overall giving, according to the Foundation Center.

"Community foundations serve as community catalysts," says Margaret Foster, director of communications for the Winston-Salem Foundation, one of the oldest continually operating community foundations in the nation. "We believe our role in society is to build bridges across similarities and differences."

The Winston-Salem Foundation, founded in 1919, accomplishes its catalyst mission by building "social capital" – those connections between people, based on trust, that enhance cooperation and lead to mutual benefit.

"We found that here in Winston-Salem, we were very good at doing things for people. We weren't as good at doing things with people," Foster said. That led to the ECHO Initiative, establishing a minimum of \$2.5 million to be used for grants to organizations that increase the community's stock of social capital. ECHO, for "Everyone Can Help Out," has funded projects that focus, for example, on promotion of indigenous music, racial dialogue, and youth-led dispute resolution.

If anyone wants an example of what community foundations are doing, they could throw a dart at a map of North Carolina, find the community foundation serving that area, and get a lesson on philanthropy at work. If the dart hits the left side of the map, it is, no matter what other distinctions are made, firmly planted in "the mountains," the southern extent of the Appalachians. The sense of community, in the most traditional ways, is strong here. The mountains have never been a very prosperous region, despite success of individual industries and towns. Eighteen western counties are served by the Community Foundation of Western North Carolina.



Established in 1978 to benefit the region, the Community Foundation of Western North Carolina is the state's third-largest community foundation in charitable assets, exceeding \$100 million in assets in 2004. This milestone is a good indicator of the financial growth and grants provided by the state's community foundations.

The Community Foundation of Western North Carolina has created a short, streamlined application process for smaller grants. Applications for "Strategy Grants" (\$10,000 - \$25,000) from established organizations proposing in-depth projects that will bring about systemic and measurable change in the region will be more competitive and detailed, with letters of intent being submitted first. Then selected nonprofits will be invited to submit full applications for consideration. This is an example of the ongoing attempts by North Carolina's community foundations to serve nonprofits better by working with them in the most efficient way possible and staying abreast of their needs.

The Community Foundation of Western North Carolina also has increased the services it provides online. Like other community foundations, it has a Web site featuring information about its programs and affiliates, application guidelines and procedures, recent grants lists by category, information for donors, an online version of the foundation's quarterly newsletter, a calendar of upcoming events, staff and board listings, and contact information. But the foundation became more interactive with its Web technology. Now, creators of funds have online access to their charitable giving accounts. With password entry, donors can check fund balances and advise the foundation on grantmaking.

"So many people are conducting business and banking online that it only seems logical to apply the same process to philanthropic giving," says Pat Smith, president of the foundation. "With a few clicks of the mouse, donors can recommend grants with their funds, research nonprofits, and learn about new developments in their areas of interest."

SPOTLIGHT

Greene County: North Carolina's Newest Community Foundation



Greene County, one of North Carolina's most rural eastern counties, has the state's newest community foundation. Its creation last spring left only two of North Carolina's 100 counties without one.

After North Carolina Community Foundation representatives approached Greene County leaders, some 80 people gathered for a reception and heard Lewis P. Holding, former chair of the North Carolina Community Foundation board, talk about the benefits of community foundations. Holding, the retired First Citizens Bank executive, went one step further and made a challenge gift of \$5,000 to an unrestricted Greene County fund. The reception and Holding's challenge gift resulted in the formation of a Greene County affiliate and prompted local gifts tripling his challenge.

Jennifer Alcock, North Carolina Community Foundation regional representative, said that in some ways the Greene County Foundation is a model. She said it has strong countywide support and representation on the board. Several advised funds have been established in the months since its creation.

Board members wanted to get the foundation working quickly and have made two grants — one to the Boy Scouts to replace equipment destroyed by a storm and another to a 4-H Club. Greene County has been selected as a venue for a Southern Philanthropy Consortium project this year as part of the Consortium's *Philanthropy Index for Small Towns and Rural Communities in the South*. The Index is a process that demonstrates philanthropic potential in rural communities and brings together diverse leadership groups to build philanthropy. The project will help the Greene County board determine what resources are in the county and the potential to give especially, to create endowed funds to operate under the Greene County Community Foundation umbrella.

PRIVATE/INDEPENDENT FOUNDATIONS

ONE OF THE EARLIEST EXAMPLES of a private foundation was in the Greek city-state of Athens: Plato established the foundation for support of the Academy.

History doesn't record it, but it's easy enough to imagine the foundation's program officer making the commute in 387 B.C. and finding herself first in the office – again. She lights the oil lamps, looks over the ever-growing stack of scrolls, and wishes someone would go ahead and discover the Americas and import coffee so she could have a second cup.

It is the start of another busy week. There is a board of directors meeting to prepare for, grant requests have doubled, and somebody wants travel money to go to Sparta.

Such is life at a private foundation.

That is ancient history, albeit with an imaginative touch, but private foundations through the centuries since Plato have provided continual support of education, social welfare, and health and medicine, with countless program officers and staff facing deadlines.

"To give away money is an easy matter and in any man's power. But, to decide to whom to give it, and how large and when, and for what purpose and how, is neither in every man's power nor an easy matter," wrote Aristotle, the Academy's star pupil. He is a sterling example of how private foundations aid society.

Private foundations are the most common type of foundations existing today. By broad definition, private foundations fall into two categories. Private operating foundations are foundations that use the bulk of their resources to provide charitable services or run charitable programs of their own. They make few, if any, grants to outside organizations and generally do not raise funds from the public. Private independent foundations make grants based on charitable endowments. Because of their endowments, they are focused primarily on grantmaking and generally do not actively raise funds or seek public financial support. By federal law, private independent foundations must pay out in charitable distribution at least 5 percent of the value of their assets each year.

Two other examples of private foundations are sometimes considered as separate categories: The family foundation derives funds from members of a single family, and family members often serve as officers, board members and administrators and have a significant role in grant making decisions. Corporate foundations derive assets primarily from the contributions of a for-profit business.

There are 61 private operating foundations based in North Carolina, with assets of more than \$43 million, according to the National Center for Charitable Statistics. The N.C. Center for Nonprofits reports total giving by 1,685 independent foundations based in the state at \$467.3 million in 2002. Total assets for those foundations were given as \$7.7 billion for the same year.

Both private operating foundations and private independent foundations are distinguished by the societal role they play. For the benefactors of private foundations, such philanthropy is considered a special investment in the future. Unlike a direct gift, which usually provides a one-time benefit, a private foundation perpetuates generosity. A private foundation has flexibility and responsiveness, with an ability to identify new ideas and respond quickly to support key innovations. That immediacy makes a difference.

Private foundations provide the fuel for positive social change, playing a vital role in supporting social, scientific, and cultural innovation.

The Cannon Foundation is a private independent foundation. Virtually all its giving is in North Carolina, but the emphasis remains Cabarrus County and other communities once associated with Cannon Mills, the textile manufacturer. The principal grant areas are similar to other private foundations – healthcare and education, along with human and social services in more recent years.

The effectiveness of private foundations is their hallmark. Unlike branches of government or public agencies, which are vulnerable to political pressures, or civic organizations



and the business sector, private foundations have both the autonomy and the money to get the job done.

Stewards of private foundation resources generally aspire to high standards of ethics, accountability, and good corporate governance. There is no single approach to governance for North Carolina-based private foundations, but there are some shared fundamentals that account for the high degree of accountability of private foundations in the state. Those shared fundamentals include boards composed of knowledgeable, competent, and diverse members who are actively involved in oversight of all aspects of the foundation's work; accurate and clear disclosure of financial matters; an experienced leadership and staff; and efficiency in fulfilling the foundation's mission.

The approximately 60,000 private foundations in the United States make about \$30 billion worth of grants annually, from assets of \$500 billion. The foundation community is in a period of rapid growth. The nonprofit Foundation Center, which tracks the industry, reports that the number of all foundations grew from 56,500 in 2000 to 71,000 in 2004. With baby boomers set to inherit \$40 to \$130 trillion in the next 50 years, according to the Stanford Graduate School of Business, the number of new foundations likely will increase further.

A few, highly visible transgressions in the philanthropic community in this era of suspicion and declining trust have prompted calls for increased accountability for philanthropic institutions. Although a random sampling of private foundations in North Carolina would show most of them to be philanthropic vehicles working effectively within public view to best achieve their charitable objectives, the call for greater accountability has led to a stronger philanthropic community.

SPOTLIGHT

Cherokee Preservation Foundation



The Cherokee Preservation Foundation, created in 2000 as a result of provisions in the Tribal-State Compact between the Eastern Band of Cherokee Indians and the State of North Carolina, has become a major source of funding for nonprofits in the seven western North Carolina counties where there are tribal lands (Clay, Cherokee, Graham, Haywood, Jackson, Macon and Swain). Income from gaming is allowing the Tribal Council to fund the Foundation at about \$5 million annually, of which 10 percent is placed in an endowment.

The Foundation describes itself as "a grantmaker, a convener, and a partnership broker" in the region and is positioning itself to generate systemic changes that will have positive, long-term impact. It is focusing on project planning and capacity building initiatives that will enhance cultural preservation, economic and workplace development, and environmental protection.

Cultural preservation efforts are receiving more than one-half of the Foundation's grants. It is providing funds for reviewing and enhancing artistic traditions, encouraging widespread learning of the Cherokee language, supporting the efforts of community organizations, creating tribal pride in young Cherokees, and teaching Cherokees and non-Cherokees about tribal heritage and culture. The Foundation understands that it is crucial for the tribe's future to draw in its young people, enlarge its leadership pool, and make them stakeholders in its efforts to transform the region.

To leverage its grant money, the Foundation encourages collaboration and looks for grantees that have identified several sources of funding and have a plan for sustainability.



The Cherokee Preservation Foundation provides funds to enhance artistic traditions and pass them on to young Cherokees.

FAMILY

FOUNDATIONS

ALEXINE CLEMENT JACKSON takes the meaning of philanthropy from examples set by family, back home in North Carolina.

It starts with the tired soil of a Piedmont farm and the sacrifice of her great-grandfather. After years of hard work and thrift, Rufus Alexander Clement, a former slave, was able to buy a farm of his own in the years following the Civil War. He then took a portion of his newly acquired property and donated it for a church and a school for the local Black community, believing that when you get, you also should give.

"It's the family legend," Jackson says. "I guess every family has one, told and passed on to every generation. Ours is how this illiterate former slave – the deed granting the land for the church and school is signed with an 'x' – understood education was the way up and out. He wanted a better life for himself and family, and his community."

A nationally recognized philanthropist and foundation leader, Jackson also looks to the example of her mother, Josephine Dobbs Clement, who served on the Z. Smith Reynolds Foundation board in the later years of her life after years of civic, education, and civil rights involvement in and around Durham.

She sets her own example now. Jackson says philanthropy is empowering for African Americans and other minorities because it is a way they can effect real change. "Involvement in a foundation puts them at the table as active participants in decision-making," Jackson says. "It is a way to be active, instead of reactive."

This increased involvement by minorities, perhaps as much as any other aspect of philanthropy, is the developing trend for family foundations in the early 21st century.

It is a misperception that minorities are more likely to be recipients of charity than participants in philanthropy, explains Diana Newman, author of *Opening Doors*, a book for nonprofits on how to attract more diverse donors.

"Minority communities have always given back, but not in the way white folks have measured it," said Newman. "It has been more directly helping, pulling up by the bootstraps type of philanthropy, and you have great examples of that in North Carolina. Now is the time to get them engaged by getting minorities on boards, on staff, as vendors and take steps to reach out, think in terms of their culture, their community."

The future, both women say, will see minorities emerge in family foundations, becoming more active and visible in existing foundations and creating new foundations on their own.

Family foundations are private independent foundations whose funds are derived from members of a single family. Family members often serve as officers, board members or administrators of family foundations and have a significant role in their grantmaking decisions.

It is hard to determine the exact number of North Carolina-based family foundations. However, there are 17 family foundations based in North Carolina listed as members of the Southeastern Council of Foundations as of September 2004. The Association of Small Foundations had 45 family foundations in North Carolina as members.

Families have many giving options, including family foundations, community foundations, foundations tied to family businesses, gift funds, banks, religious or ethnic federations, and collaboratives of donors. Like all donors, family philanthropists are motivated to give something back – to make a difference. The family philanthropist, however, commits to doing so together with family members. Family philanthropy enables donors and families to build their experiences, traditions and values into their charitable giving. The family foundations now passing leadership on to the third, fourth, and even fifth generations are a testament to the lasting impact that family philanthropy can have on both families and the communities they serve.

More hands-on giving by younger donors is one of the significant trends emerging in family philanthropy, according to the National Center for Family Philanthropy in Washington, DC. These funders are more likely to be personally involved in their giving, providing more than just

SPOTLIGHT*Michael and Laura Brader-Araje Foundation*

Family foundations have a long history in North Carolina, and the Z. Smith Reynolds Foundation, founded in 1936, is one example. New family foundations continue to be created and bring energy and innovative approaches to make this a better state.

Michael and Laura Brader-Araje represent a new kind of philanthropists — young professionals who have been financially successful and have decided to devote a significant portion of the fruit of that success to what they describe as “worthy and promising causes” in North Carolina. In 2004 the Michael and Laura Brader-Araje Foundation made more than \$250,000 in grants for projects in education, entrepreneurship, health, and community quality of life. The Foundation provided significant support to establish a DonorsChoose affiliate in North Carolina, enabling educators with special needs and donors to link up via Internet.

As has been the case for many family foundations founded in the last decade, funding for the Michael and Laura Brader-Araje Foundation was made possible by a successful e-commerce venture. Michael Brader-Araje founded OpenSite Technologies, an Internet software company that is the leading producer of real-time, interactive auction software for the Web. He now is managing partner of truePilot, an early-stage investment firm which he also founded. Laura Brader-Araje is a mathematics educator and a strong advocate for education, children, and women.

The Foundation often provides seed money to get causes under way. “In the spirit of our entrepreneurial background, we believe in providing early investment where we see the potential for success. By rewarding innovation with philanthropic resources, it is our hope to light a spark for change in North Carolina,” the Foundation Web site says.

financial backing, according to the center.

Family foundations in North Carolina are among the most recognizable in the nation. They often provide grants to individuals, encouraging craftsmen, artists, musicians and writers to continue their work. Family foundations are more likely than corporate and private foundations to fund advocacy projects and social endeavors that may prove controversial. The Foundation Center reports small foundations that give locally, including family foundations, tend to support a broad range of activities that are important for community service agencies, cultural organizations, schools, and local nonprofits.

The Z. Smith Reynolds Foundation was ranked fourth in assets of philanthropic foundations in the state in 2002, the latest year available for statistical data from the Foundation Center and the N.C. Center for Nonprofits. The actions, governance and precedence of this state’s leading family foundations are seen as a template for other family foundations across the country.

The legacy of any family foundation is seen as carrying on family traditions, such as strengthening education or funding health projects and medical research. North Carolina family foundations are not regarded so much as parochial but as helpful neighbors, the very essence of a “family” functioning in a community.

To paint the picture through allegory, the family foundation is the house on the corner. Several generations have grown up in the house. The neighborhood has changed, but it is still a good place to call home. The house itself has been updated with modern conveniences, and repairs have been made; however, the basic structure that was built so many years ago is sound. The parlor is now called a den, but its purpose is the same, with a more diverse group of family and friends gathering for conversation and fellowship. The kitchen provides meals, with support served up along with nutrition. The backyard is still a playground, but there is more concern for the well-being of the trees and the birds in them. The house is more than shelter, just as family foundations are more than grantmakers.

CORPORATE

FOUNDATIONS

BUSINESSES USE PHILANTHROPY to be "good corporate citizens." But as grantmaking by corporate foundations and companies' charitable donations becomes more strategic, philanthropy also works as a "smart investment" that improves community standing.

The two main avenues for this company-endorsed philanthropy are corporate foundations and corporate giving programs.

Corporate foundations are private foundations whose assets are derived primarily from the contributions of a for-profit business. While a company-sponsored foundation may maintain close ties with its parent company, it is an independent organization with its own assets and, as such, is subject to the same rules and regulations as other private foundations. It may be endowed or operate on annual appropriations from the corporation. By federal law, corporate foundations must pay out in charitable distribution at least 5 percent of the value of their assets each year.

Corporate foundations should not be confused with corporate giving programs, which are grantmaking programs established and administered within a for-profit corporation. Because corporate giving programs do not have endowments, their annual grant totals generally are directly related to company profits. In many cases, employees have some direct input on corporate giving through matching programs. When employees contribute to a qualified charity, the corporation matches their gifts in whole or in part. Corporate giving programs are not subject to the same reporting requirements as corporate foundations.

In North Carolina, there were 87 corporate foundations with total assets of \$271 million, according to the N.C. Center for Nonprofits, using IRS data for 2002, the most recent year available. In that same time frame, corporate foundations in the state had total giving of \$154.3 million.

Nationally, the Foundation Center reported that corporate foundation giving increased 5.3 percent in 2002. Corporate foundation giving decreased by an estimated 2 percent in 2003, the first decline recorded since the Foundation Center began tracking data on all corporate foundations in 1987. Exceptional giving in response to the September 11 attacks was mostly completed in 2002, accounting for part of this reduction in support, according to the Foundation Center. Helping to moderate the decrease was a continued high level of new gifts into corporate foundations.

The New York Times reported in October 2004 that enhancing corporate brands through philanthropy is growing in popularity. Some say that the trend should be written off as a measured reaction to counteract corporate scandals, job losses, and outsourcing.

Although grantmaking by a foundation carrying a corporate name can fuel skepticism, in the for-profit world, there is logic to gaining marketing and public relations value from giving.

North Carolina's corporate foundations engage in grantmaking endeavors that could best be described as investments to advance economic development and create positive societal changes. Corporate philanthropy increasingly is becoming another working asset, and an increasing number of companies are "branding" their giving by connecting it with specific causes – often referred to as "cause-related" giving.

For example, Bank of America Corporation, based in Charlotte, established its Neighborhood Excellence Initiative in 2004. The program, which will reach 30 geographic areas in which the bank does business, will provide \$15 million over two years to nonprofit groups, individuals, and high-school students who are helping their neighborhoods by building low-cost housing, improving public education, and fighting local crime. Justification for community building efforts is often stated, "We are no stronger than the communities in which we operate."

An official with Bank of America's charitable-investments program described the new effort as "enlightened self-interest," saying it will benefit charities and the public, but also indirectly provide marketing value by creating a program customers across the country can associate with the bank. The company did not reduce support for other charitable giving to pay for the program.

Corporate foundations are undertaking grantmaking that "invests" portions of their



endowments to advance regional economic development goals as well as to produce returns to fund their charitable programs. A recent example is the national Burroughs Wellcome Fund, which joined institutional investors such as Bank of America by placing \$3 million in the North Carolina Bioscience Fund, a private investment partnership in which the state also has made a significant investment as an economic development thrust.

The Chronicle of Philanthropy reported the trends in corporate giving programs include expanding the financial assistance to, and intrinsic support of, volunteer programs. More companies are encouraging their employees to become volunteers, and not just to nonprofits supported by the company. The encouragement of volunteerism is paying off beyond the initial benefit for nonprofits. Companies report that employees who volunteer have a higher quality of life, score higher on performance evaluations, and have fewer absences, among other "outstanding employee" traits.

SPOTLIGHT

Progress Energy and EnergyUnited



North Carolinians receive their electricity primarily from two sources – investor-owned utilities and electric cooperatives. The way these corporations handle giving is an interesting contrast.

Progress Energy, headquartered in Raleigh and formerly called Carolina Power and Light (CP&L), has had a corporate foundation since 1992 funded on an annual basis by the corporation. The Progress Energy Foundation (previously CP&L Foundation) makes grants in its service area in the three states Progress Energy serves – North Carolina, South Carolina and Florida.

Grants are made in four clearly defined areas: education, environment, economic development, and employee involvement. Like many corporation foundations, the Progress Energy Foundation provides support for activities and causes that are closely related to the corporation's business focus. The foundation also makes a 50-percent match of employee contributions made through its in-house giving campaigns that include United Way.

At EnergyUnited, headquartered in Statesville and serving 19 Piedmont counties from South Carolina to the Virginia border, the foundation is funded directly by customers, who, because it is a cooperative, are also its owners. Almost one-half of its 110,000 members have chosen to round up their monthly bills to the next dollar and contribute that amount – one to 99 cents – each month to the EnergyUnited Foundation, established in 1996. By doing so, they participate in what might well be North Carolina's largest "giving circle," proving that in philanthropy every penny counts and that regardless of personal means, anyone can be a part of something good and gratifying.

By January 2004, EnergyUnited customers had put almost \$1.5 million in the foundation treasury – one-cent-at-a-time – through the voluntary practice of "rounding up." The foundation's board of directors meets monthly and makes grants totaling between \$15,000 and \$20,000 each month. Often the grants are to help with family financial emergencies. In 2004, 309 individuals, families, and nonprofit organizations received assistance.

Both Progress Energy and EnergyUnited make corporate grants for special projects. EnergyUnited's often are for economic development. One of Progress Energy's most visible grants was to the recent blockbuster exhibition at the North Carolina Museum of Art – "Matisse, Picasso and the School of Paris."



William D. Johnson, President and Chief Operating Officer, Progress Energy, announces the corporation's sponsorship of the "Matisse, Picasso and the School of Paris" exhibition.

WOMEN

IN PHILANTHROPY

WOmen give generously, there is no doubt about that. And their contributions run the gamut – time, energy, expertise, and financial resources.

The way women give and what they give is of increasing interest because, just as women have assumed more active roles in almost every aspect of American society, they now have a greater presence and impact in the philanthropic world. It starts early, as girls volunteer almost twice as much as boys, and the trend continues. However, as girls become adults, the percentage in leadership positions fails to mirror the extent of their involvement.

To some degree, this fact is generational. Men often have had a greater say in financial matters, including those causes and organizations that families support, due to traditional gender roles. There is some irony here because women have longer life spans – seven years – and, therefore, eventually have complete control over financial resources. On any given day, women over age 70 control most of the wealth in our country.

Traditional roles are changing. Women who earn their own money tend to make their own decisions about how they spend it and what causes they support. Young professional couples tend to discuss their philanthropic activities and reach consensus.

Eleanor Roosevelt said, "Only women with power will protect women without power." Studies show that women have greater interest in social issues and gender-related causes such as health and wellness for women, spousal abuse, education and leadership training for young women.

Lily Wagner of the Center on Philanthropy at Indiana University said the following facts also are known about women and philanthropy:

- Women are less motivated by tax benefits.
- Women give because they identify with or are passionate about a cause.
- Women give because they feel the need to repay.
- Women executives give and volunteer more than men.
- Women's gifts are more likely to be cash.

"Women's Funds" understandably offer special appeal by ensuring that primary concerns of women, such as those above, are addressed. Foundations across North Carolina see them as ways of sparking additional interest among potential women givers, and they are creating these funds not only to address the concerns of women but also to create new leadership opportunities for women in the philanthropic community. At the same time, they realize that women make more studied decisions concerning their involvement and they are reaching out through special programming directed toward them.

Philanthropy in North Carolina has strong women leaders. Today the Z. Smith Reynolds Foundation has a woman president. The Duke Endowment for decades has benefited from the vision and leadership of Mary D.B.T. Semans and Betsey Cooke, and the Cannon Foundation from Miriam Hayes. Valeria Lee is president of the Golden LEAF Foundation. The list is far longer, of course, including Liz Fentress, Community Foundation of North Carolina; Pat Smith, Community Foundation of Western North Carolina; Gail Williams, Mary Reynolds Babcock Foundation; and Barbara Goodman, A.J. Fletcher Foundation.

In recent years, cause-directed women have prepared themselves for and assumed professional positions on foundation staffs across the state. They now direct a majority of North Carolina's community foundations and fill a high percentage of foundation staff positions. Foundations are bringing in diverse groups of young adult volunteers, many of whom are women, and preparing them in a systematic way for leadership. Women are stepping up to chair foundations and key committees and initiatives.

Throughout the history of this state, women have demonstrated unflagging charitable and philanthropic spirit. Shortly before his death, child poet and sage, Mattie Stepanek, who accomplished much in spite of physical disabilities, was asked for his philosophy of life. He replied, "Do what you can with what you have where you are in the time that you have." This



has been the spirit of North Carolina women of all races and ethnic backgrounds over the years.

Most of the churches of this state – through which 38 percent of all charitable giving flows – would have locked their doors long ago but for women. Though barred from top leadership positions in many congregations, they carried on – giving time, talent, and treasure. They organized bake sales and harvest festivals to raise money; gathered food and clothing for families in distress; helped young people develop leadership skills and prepared them for meaningful roles in their churches and communities; prepared meals and sat with the sick; and taught children and instilled in them life values.

In many churches, they carved out niches for themselves – “circles” – that were their private domains where men feared to tread. In their circles, they established the priorities for giving and ministering and doing other good works. One of the significant developments among women in philanthropy today is “giving circles” – groups of women who come together because they share similar values and want to pool their resources for greater impact in the philanthropic community. Women involved in these largely grassroots “circles” have reached back for a word with deep historical and social significance in a much different era from the 21st century – a century that sees them at the forefront of philanthropic efforts and providing crucial leadership.

SPOTLIGHT

Women Leading Foundations



The foundations they head are entirely different. One has been around for nearly 60 years; the other only five.

One foundation is focused on health care and the poor and needy. The other is concerned with long-term economic development. But these two executives have something in common: they are women of color heading North Carolina foundations with combined assets of nearly a billion dollars.



Valeria Lynch Lee, president of the Golden LEAF Foundation for more than four years, and Karen McNeil-Miller, recently selected as president of the Kate B. Reynolds Charitable Trust, are breaking new ground in the philanthropic community and illustrate the important and highly visible roles that women of color are now playing in North Carolina giving.

They came to their positions by different routes. Valeria Lynch Lee was born into a farming family in Warren County – the heart of eastern North Carolina. She received her undergraduate degree from North Carolina Central University, an historically Black university where she now serves on the board of trustees, and later earned graduate degrees from North Carolina State University and Ohio University.

Lee began her professional career as a school counselor. Then she founded and managed WVSP, a public radio station in Warrenton – a labor of love and an instrument for community involvement and development. Twelve years later, she went to the Z. Smith Reynolds Foundation as a program officer and soon was one of the state's most respected philanthropic professionals. In November 2000, she was chosen as president of the Golden LEAF Foundation, which is headquartered in Rocky Mount and receives one-half of the money from the state's settlement with cigarette manufacturers.



Karen McNeil-Miller grew up in western North Carolina, where her parents were mill workers. She received both the B.A. and M.A. degrees from UNC-Greensboro, where she serves on the board of trustees. Her first job was as a waitress, which she says paid better than teaching. She paid off educational loans, bought a car, and then began teaching at the Piedmont School in High Point. In two years, she headed it. In 1988, she joined the Center for Creative Leadership in Greensboro and traveled the world providing training for nonprofit, corporate, and public officials. From 1999 until being selected president of Kate B. Reynolds, which is headquartered in Winston-Salem, she was the center's vice president for corporate resources. She also found time to earn a doctorate in administration from Vanderbilt University.

Although Lee and McNeil-Miller came to their positions from different directions, both undoubtedly are pace-setters in North Carolina philanthropy.

YOUTH

I N P H I L A N T H R O P Y

YOUTH LIVE IN A HARUM-SCARUM WORLD, and much of everything is about them. Their school. Their friends. Their sports. Being in place at the appointed time to do something important to them.

In this environment, it may be surprising that young people stop to address the needs of others, but most do. In a national survey last year, three out of four students said they had volunteered through schools, scout troops, church groups, 4-H, or other community organizations. And they are more apt to do so, we are told, if emphasis is placed on giving at home, at school, and in social and religious organizations.

To a large extent, "philanthropy," or giving time, talent, money or goods, is an acquired value. Patricia O. Bjorhovde, chair of the Youth in Philanthropy Task Force of the Association of Fundraising Professionals, summed it up by saying, "Philanthropists aren't born; they are made."

It is important that the process start at the earliest age, according to experts. One study showed that people involved in philanthropy as children had a 50 percent greater likelihood of being involved as adults. Routinely setting aside a small amount from a weekly allowance, having a discussion with parents about how to use it, and then making a human connection in doing so are important first steps for children. Participating with parents in decisions concerning the parents' giving and accompanying parents — and pitching in as they volunteer for projects like Habitat for Humanity and soup kitchens — are valuable learning experiences.

Example is a powerful thing. A mother took her daughters with her on regular, weekly visits to an assisted living facility. When the daughters' birthdays came, she asked them whom they wanted to invite to their party. To her surprise, most of the names were those of ladies from the home. A man who has tithed his entire life — giving one tenth of his income to his church — remembers that his parents set the example for him, and he tells of going to the bank with his father so his father could borrow money to put in the offering plate until his crops were sold.

But foundations and nonprofits increasingly are seeing the wisdom of a formal learning experience. "Service learning" in schools as part of the curriculum provides this experience in its purist form, but outside school, various organizations — religious and secular — provide youths with opportunities to experience how it feels to make a difference. They learn processes of determining needs and opportunities for involvement and then good habits of giving and serving.

Youth across the state and nation are sitting on advisory councils of established foundations and other organizations, bringing with them a unique viewpoint and, at the same time, preparing them for more direct roles in future volunteer activities. In some areas, young people have come together to form their own organizations to raise money and support activities. Regardless of the size of their monetary contributions, youthful participants receive valuable training in the process, in stewardship, and in addressing community problems effectively.

Perhaps no work is more important to any organization than preparing the next generation for leadership. In the philanthropic world, the assumption that the right people will emerge as leaders at the appointed time can never be counted on.

Members of families with strong histories of giving and service are finding that often the next generation lacks their same interests. There are reasons that sometimes have little to do with basic philanthropic instincts. Families are less cohesive. There not only are many years but many miles between generations. The concerns and issues that stirred the souls of parents and grandparents may be irrelevant to the lives of young people who are making their way hundreds or thousands of miles away.

With family foundations, there is a movement afoot to ensure continuity in a thoughtful and systematic way. Having young adults involved, even in an advisory capacity, can help keep foundations forward looking, relevant, and innovative and ensure a smooth succession. Family members are being invited to the table at much earlier ages and extended opportunities for significant



input. Although they may not be given the power of the checkbook immediately, they are given an opportunity to be heard and to be of meaningful counsel. Consequently, in a real sense, they are being educated, prepared, and included – not expected to wait until disability or death makes available a seat at the table that they may not even want.

Community foundations, particularly, are recognizing the importance of involving young people in their 20s and 30s before they would have begun to assume leadership, in the old order of things. Young professionals are so transient that unless foundations in their adopted communities reach out to them, they may conclude that such foundations are a closed shop, dominated by locals with roots deep in the soil – as they often have been.

Efforts to identify and prepare the next generation of philanthropic leadership in communities have been highly successful. Groups have been formed within foundations that allow young people to contribute at a level they can afford and then to make decisions about how their money is used for the benefit of the greater community. Formal leadership training is a part of the agenda. They become valuable assets to the foundation at an early age, and when opportunities for leadership appear, a talent pool of diverse, vested, committed, and capable people is available.

There are more informal, yet highly effective, ways for young adults to enter the philanthropic world. These include giving circles of like-minded individuals who pool their resources and operate very much like investment clubs. In fact, their members are investing – investing in the future of their communities. Members educate themselves, choose priorities, seek out specific opportunities to invest time, talent, or money and then have the satisfaction of knowing that in some way – perhaps some small way – they have made their community better.

SPOTLIGHT

Community Foundation of Greater Greensboro Youth Programs



Though giving may come from the heart, doing it effectively and efficiently is learned, and the learning process should start at an early age. Perhaps no North Carolina organization believes this more passionately than the Community Foundation of Greater Greensboro.

Philanthropy through Awareness, Community and Trust (PACT), sponsored jointly by United Way and the Community Foundation of Greater Greensboro, involves teenagers directly in the Foundation's work and teaches them about philanthropy, the grantmaking process, and their community.

PACT board members, who represent area high schools, educate themselves about community problems and needs – especially as they affect youth – and choose focus areas. When applications are received, they review them, make site visits and ultimately decisions about which projects will be funded.

The students wrestle with the fact that there are more needs than money, helping them to understand the importance of community support for organizations such as the United Way and the Community Foundation. They learn lessons about stewardship, community service, and good grant writing that will help them when they become civic leaders.

Another project, the Future Fund of the Greater Greensboro Community Foundation, brings together young people from the area with a strong sense of community responsibility. It is an incubator of sorts for future philanthropic leaders, educating them about the community and creating opportunities for volunteerism.

During each of their five annual grant cycles, Future Fund members have picked a priority for awarding the money they have contributed but left the door open for creative proposals in other areas. Just as with PACT, members review proposals, conduct site visits, and award grants. The Future Fund is creating a pool of engaged and informed young philanthropists who represent the future of the Community Foundation of Greater Greensboro.

PEOPLE OF COLOR IN PHILANTHROPY

PEOPLE OF COLOR IN NORTH CAROLINA give and give generously, but often the way they do it does not fit the pattern of institutionalized philanthropy. As practiced among people of color, philanthropy is not just something rich people do for poor people they don't know, and something haves do for have nots. It often also is help to family members and friends, mutual efforts to improve communities and quality of life, scholarships for children of neighbors, church work and offerings, and countless other sharings with deep and strong interpersonal connections.

Organized philanthropy is working to involve a broader cross section of people of color in community-wide, organized philanthropic efforts. A host of new funds and foundations have been created in the last decade to do just that, and established national foundations, such as the W. K. Kellogg Foundation, have committed millions of dollars to the effort. Still they face the challenge of convincing many people of color that philanthropy is more than rich white people angling for tax advantages and that there is a place at the table for them in the greater giving world.

African Americans rank well above the national average in the percentage of discretionary income they give to charity. More than half of all African-American households give, and about 60 percent of that amount goes to churches and other religious purposes. With more pressing needs in their communities than among the general population, people of color understandably are prone to give where they see need first hand.

Regardless, as the black middle class expands, young black professionals particularly, who have been taught through example to give, increasingly are becoming involved in community-wide philanthropic activities. Other people of color are making economic advances that increase their ability to give, also. Median income for Latinos increased by 40 percent from 1995 to 2000, and income for Asians increased by 20 percent. Entrepreneurial activities by Native American tribes and increased educational opportunities for their members are also enhancing their economic well-being.

Involvement of people of color in most communities began with conscious efforts to increase diversity on foundation boards, especially with the advent of the community foundation movement, and to involve them in the grantmaking process. Now these same foundations see the need to reach out again, and in a much more challenging way, to ask people of color to broaden their giving traditions and support interests that are less interpersonal but, nevertheless, of great importance to their communities. These issues include social services, education, health and wellness, housing, equal justice, and broader quality of life issues.

Special funds are being created in North Carolina and throughout the nation to educate people of color about the benefits of organized charity, to involve them as donors, to give them opportunities for development of leadership in the philanthropic community, and to give more direct control over choosing issues to address and causes to support with their dollars. At the same time, a growing number of people of color are making large gifts and creating foundations and endowments to channel their philanthropy.

Some of the most interesting examples of giving circles today are in the African-American community. They have been created by young African-American professionals who understand the power of pooling resources and collective giving in the broader community. Whether consciously or not, they are following the example of earlier generations of African-American women who formed sororities and used them as charitable vehicles to do good in the African-American community – providing college scholarships, leadership training for young women, and mentoring. African-American men had their lodges, mutual associations, and other devices for community service. But both were inward-looking and most giving was based on interpersonal relationships and needs they saw first hand.

Native Americans, being tribal, traditionally have seen philanthropy as highly personal and as a way to strengthen and preserve their unique community through meeting the needs of individuals. It is understandable that persons living in legally circumscribed territory would have little inclination to look beyond it when thinking of giving precious dollars and contributing time and talent.



The surge in the Latino population, especially in North Carolina, is presenting new challenges and opportunities. While poverty in this community is driving people to social service providers, entrepreneurship within the community is creating new business people with financial resources and giving power. Still inward-looking for the most part, philanthropy in this community also tends to be highly personal – receiving new immigrants, housing them, directing them to services, and helping them to become self-sufficient. At the same time, larger Latino communities are beginning to establish foundations to perpetuate arts and culture and address social services and justice issues. Community foundations, particularly, are searching for ways to be inclusive, to have Latinos identify needs and priorities, to create givers and train leaders, and to ensure that Latinos are brought into the broader philanthropic world.

SPOTLIGHT

NGAAP Giving Circle



Giving circles are affinity groups – people who, for whatever reason, share a common vision or concern and feel comfortable banding together, pooling their resources, and then giving strategically. Education and research are key components of every circle. Resources are precious, and there is little to gain from giving unadvisedly.

One giving circle in North Carolina is the Next Generation of African-American Philanthropists (NGAAP) Fund, a group of young, professional African Americans in the Research Triangle. Most are in their 30s and were the subjects of a Ford Foundation funded study done by Darryl Lester of Hindsight Consulting. Many were his friends and professional associates, and most work in organized philanthropy. Last year, after the study was completed, they decided to form a giving circle.

They have created a donor-advised fund at the Twenty-First Century Foundation. The Foundation is one of the few endowed Black grantmaking public charities in the United States. It has made approximately \$2 million in grants to community-based programs serving Black America, primarily in the areas of youth development and education, and community revitalization. Lester continues to work with NGAAP through a Ford Foundation consulting contract.

NGAAP did not rush into grantmaking. Instead, members of the giving circle are studying the processes of community change, analyzing other African-American giving circles and looking at possible avenues of effecting tangible change through their pooled giving. Lester says that even though giving circles have come into vogue, they, in fact, are a variation on time-proven techniques to help those in the community who need assistance. He notes that his parents gathered friends together for “rent parties” to help friends and neighbors who were in financial binds.



Members of Next Generation of African-American Philanthropists, a giving circle in the Research Triangle, gather for a monthly meeting.

SPOTLIGHT

Hispanics in Philanthropy Are Bridging The Gap



The U.S.'s Hispanic population is growing dramatically, but the impact on the philanthropic and nonprofit community often is difficult to see. While approximately 38 million Latinos account for 13 percent of the U.S. population, nonprofit agencies serving them attract less than 1.5 percent of private philanthropic dollars.

In North Carolina, the Latino population rose nearly 400 percent from 1990 to 2000 to about 380,000. For new immigrants, dealing with a foreign culture can be overwhelming.

In Guilford County, Centro de Acción Latino is working to alleviate this problem. Launched in 1999 as a tutoring program for Latino children, Centro now offers programs in English and Spanish to help connect Latinos with community leaders. Demand required the organization to expand services, but financing that expansion was difficult.

In 2003, Executive Director Deborah Kelly learned that Hispanics in Philanthropy (HIP) was working with local funders to generate resources for small, startup nonprofits like hers. Last year, through HIP's Funders' Collaborative for Strong Latino Communities, Centro received a three-year, capacity-building grant of \$126,000 to expand services for its booming Latino population.

"Because of the HIP grant," Kelly says, "I was able to go on salary. Now we are seeing how to develop sustainability through non-grant income, such as strengthening programs that generate revenue."

HIP was founded in 1979 to increase grants to Latino nonprofits and to expand and cultivate the next generation of Latino leaders. HIP president Diana Campoamor joined the organization in 1990 when its membership was 20 organizations. From the start, raising the amounts of money that could make real change happen proved difficult.

In 1999, HIP began to amass funds under a new program called the Funders' Collaborative for Strong Latino Communities when the stock market was high and many national foundations had cash. "The initial cash from national foundations gave us the momentum to go to regional groups, small giving programs, and local community foundations and match their dollars," Campoamor said. HIP raised \$17 million in only four years. It then picked North Carolina for a pilot project.

In the summer of 2002, Dan Moore, a vice president for the W.K. Kellogg Foundation (one of HIP's national partners), invited Tony Pipa, executive director of the North Carolina-based Warner Foundation, to attend HIP's national funders meeting. Pipa learned about HIP's challenge grant of one-for-one matching dollars in sites that could raise at least \$250,000 for Latino-led nonprofits and returned home with the news about the challenge grant. Local philanthropic networks buzzed; however, HIP learned that funders in North Carolina had widely varying levels of knowledge and interaction with Latino residents and the nonprofits that served them. Learning that their state had 134 nonprofits serving a 380,000 Latinos was a paradigm-shifting moment. But there was still more work to be done.

To attract some funders, the Z. Smith Reynolds Foundation, in partnership with the Warner Foundation, added 50 cents to every dollar of matching funds HIP was putting on the table in North Carolina. By 2003, HIP had attracted \$1 million from funders in North Carolina, creating a pool of \$2 million for the state's Latino nonprofits and making North Carolina the largest grantmaking site in HIP's funding program.

In 2004, HIP's North Carolina Collaborative made its first round of grants to 22 nonprofits, including grassroots community cultural centers like the Centro de Acción Latino, farm workers groups, advocacy and public policy organizations, health centers, a Latino credit union, and a Spanish language newspaper.

While North Carolina leads the pack in fundraising, the state still lags far behind in cultivating leaders in the philanthropic community. But funders are beginning to bring more Latinos onto their staffs and boards.

"Our theory of change is around supporting the next generation of Latino leaders," Campoamor said. "Like the MacArthur 'genius grants,' we want to create a transnational network of the best and the brightest Latino leaders and organizations and realize the promise that they bring to reenergize communities. With this collaborative we are creating new models that enrich the craft of philanthropy."

Excerpted from an article by Andy Goodman and Lindsey Pollak for Global Business Network.



INDIVIDUAL GIVING

SPOTLIGHT

Fred and Alice Stanback



Alice and Fred Stanback of Salisbury are examples of dedicated philanthropists. A successful businessman of the Stanback headache powder family, Fred Stanback found himself in a position to make substantial investments in organizations that share his and his wife Alice's passion for protecting North Carolina's environment.

The Stanbacks have ties to environmental groups throughout the Southeast and the nation. Much of their philanthropy is done quietly and without fanfare. But they are not faint-hearted and often provide funding for groups to go full tilt against those they think are degrading precious natural resources. The Stanbacks were charter members of Save Our State, the organization that received funding from the Z. Smith Reynolds Foundation and helped put the brakes on factory hog farming that was creating environmental havoc in eastern North Carolina. More recently on the other side of North Carolina in Bryson City, a contribution from the Stanbacks helped save the 880-acre Lands Creek watershed.

They have been a part of saving thousands of acres of forests and wetlands and contributed generously to train young environmentalists. Catawba College in the Stanbacks' hometown has one of the nation's most impressive conservation programs due in large part to the contributions of Fred and Alice Stanback and other Stanback family members. The College owns and manages hundreds of acres of ecologically important land that it uses for environmental studies. Since 1996, the Stanback intern program at Duke University's Nicholas School of the Environment and Earth Sciences has made it possible for more than 250 students to gain practical experience with conservation and environmental policy organizations.

SPOTLIGHT

The Power of Giving Circles by Jenni Owen



Consider starting a giving circle – a collection of people who regularly pool their funds and contribute them to an organization or cause they choose.

Each circle can develop its own size, structure, priorities, personality, and amount each member should give.

Each member of our giving circle contributes \$25 a month, or \$300 a year, while some circles set giving per member at \$1,000 a year or more. Regardless of the amount, the recipient will be thrilled.

Some giving circles have themes, such as the environment. Others, like ours, give to a wide range of organizations and causes. Some give within a very limited geographic area, while others give more broadly.

Our circle, which we call *TriGiving*, meets every other month, at members' homes. We have three meeting cycles a year, meaning we give \$1,000 three times a year, and we meet twice during each cycle.

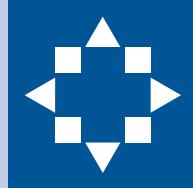
At the first meeting of each cycle, we talk about possible groups to which we might contribute. We decide to pursue one or more of those groups, or sometimes all of them, and at the second meeting of the cycle, members share more detailed information about each group under consideration, and we arrive at a decision.

A chair is not required. Consider having members volunteer for a range of tasks on a standing or rotating basis. One member can handle the scheduling of meetings, another the collection of funds, and a third can host the meetings.

There is no end to the potential positive impacts of giving circles, both on the organizations and causes they fund, and on the circles' members. Recipients benefit from funding, an expanded donor base, and the potential for new board members or other expertise. Givers benefit from more thoughtful giving, community building, being better-educated citizens, and increased civic involvement.

Consider starting a circle with your friends, neighbors or coworkers, with members of your congregation, athletic team or car pool. The possibilities are endless.

Jenni Owen is director of policy initiatives for the Center for Child and Family Policy in the Terry Sanford Institute of Public Policy at Duke University in Durham, N.C.



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THE Z. SMITH REYNOLDS FOUNDATION is a general purpose foundation created to serve the people of North Carolina. The Foundation is particularly interested in projects that accomplish systemic reform and have statewide impact. In addition, the Foundation gives special attention to low-resource regions in the state and innovative, community-based projects within the Foundation's focus areas.

The Foundation's grantmaking policies reflect the belief that organizational performance is greatly enhanced when people with different backgrounds and perspectives are engaged in an organization's activities and decision-making process. Thus, the Foundation actively seeks to promote access, equity, and inclusiveness, and to discourage discrimination based on race, creed, ethnicity, gender, age, sexual orientation, socioeconomic status, and other factors that deny the essential humanity of all people.

To accomplish its purpose, the Foundation gives special attention to certain focus areas:

- Community Building and Economic Development
- Environment
- Governance, Public Policy, and Civic Engagement
- Pre-Collegiate Education
- Social Justice and Equity

While the listed areas are of highest priority, it is also the desire of the Foundation to serve as a catalyst for new practices and ideas and to respond to other challenges or opportunities

that are unique to North Carolina. For these reasons, the Foundation reserves the right to remain flexible in its grantmaking policies. Further, the Foundation continues to be interested in organizational development and capacity building and open to providing general operating support grants. The Foundation does not give priority to:

- The arts
- Capital campaigns
- Computer hardware or software purchases
- Conferences, seminars, or symposiums
- Crisis intervention programs
- Fundraising events
- Historic preservation
- Local food banks
- Substance abuse treatment programs

The Foundation does not fund the following:

- Brick-and-mortar building projects or renovations, including construction materials and labor costs
- Endowment funds
- Equipment or furniture purchases
- Fraternal groups or civic clubs
- Health care initiatives (physical and mental) or medical research
- Individuals
- National or regional organizations, unless their programs specifically benefit North Carolina and all funds are spent within the state
- Organizations that are not tax-exempt
- Payment of debts
- Volunteer fire departments or emergency medical services



COMMUNITY BUILDING AND ECONOMIC DEVELOPMENT

The Foundation seeks to be a supportive partner in efforts to help communities strengthen themselves and create bold new opportunities for the people who live in them. With the appropriate resources, community-led efforts can enhance the participation of the poor and the excluded in creating new economic opportunities, address community development in a changing economic context, enhance fair economic opportunities, improve race relations, and strengthen the web of relationships that increase social capital. The Foundation recognizes that central to building communities is the ability of people to work together. The Foundation is committed to race relations work — including a broad range of efforts to work across differences, to include a full range of voices in communities, to build a shared power base and to increase the understanding of white privilege. The Foundation recognizes that communities need strong organizations and community leaders as the blueprint for the future of the state.



Lavastian Glenn (right), representing Neighbors for Better Neighborhoods, conducts a training session for neighborhood residents in Winston-Salem.

Within this category, the Foundation seeks to fund organizations and projects that:

ENCOURAGE COMMUNITY ECONOMIC DEVELOPMENT

- Empower disadvantaged groups and support grassroots organizing
- Reduce financial disparities that limit opportunities
- Increase affordable housing
- Support entrepreneurship, job/business training, or strategies for self-sufficiency in low-wealth communities
- Reduce rural/urban economic disparities
- Support sustainable, diversified, and economically viable agriculture
- Encourage alternative energy systems
- Promote affordable access to technology and communications networks

STRENGTHEN COMMUNITIES

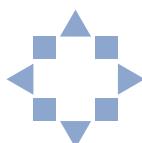
- Engage stakeholders in issues of growth, community development, and planning
- Support leadership development of disenfranchised individuals
- Encourage full participation of diverse voices in community problem-solving

IMPROVE RACE RELATIONS

- Strive to eliminate individual and institutional racism, using strategies that include anti-racism training, diversity training, or creative methods to stimulate and continue dialogue about race and ethnicity
- Address the barriers created by discrimination
- Increase an understanding of white privilege and power inequities

The Foundation does not give priority to:

- General operating support for CDCs receiving funding through the NC Community Development Initiative, which the Foundation currently supports
- Homeless shelters or other programs that primarily serve the homeless
- Programs serving the physically or developmentally disabled
- Senior citizens' programs
- Single-site business ventures
- Transitional housing



AFFORDABLE RENTALS , Chapel Hill, NC	\$10,000	
To provide affordable rental housing to citizens in Orange County.		
AMERICAN INSTITUTE FOR SOCIAL JUSTICE , Washington, DC	\$35,000	
For the Charlotte Community Organizing Project in Villa Heights neighborhoods.		
APPALACHIAN SUSTAINABLE AGRICULTURE PROJECT , Asheville, NC	\$35,000	
To expand and implement the Local Food Campaign pilot project.		
BAYBORO DEVELOPMENT CENTER , Bayboro, NC	\$25,000	
For general operating support of the Homeownership Program in rural Pamlico County.		
BLUE RIDGE RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL , Sugar Grove, NC	\$20,000	
To develop a business plan for a shared-use commercial kitchen.		
BULL CITY NEIGHBORHOOD BUILDERS , Durham, NC	\$25,000	
To develop and implement a program to train unemployed and underemployed residents of Durham in construction skills.		
CABARRUS COUNTY COMMUNITY DEVELOPMENT CORP. , Concord, NC	\$25,000	
To fully establish an East Spencer Community Development Project.		
CHATHAM COUNTY PUBLIC HEALTH DEPARTMENT , Pittsboro, NC	\$18,500	
For second-year funds to continue a plan for dismantling racism.		
COLUMBUS COUNTY DREAM CENTER , Whiteville, NC	\$15,000	
To develop single-family housing for low-to-moderate-income families.		
COMMUNITY CULINARY SCHOOL OF CHARLOTTE , Charlotte, NC	\$25,000	
For general operating support to provide training and job placement in the food service industry.		
COMMUNITY EMPOWERMENT PROJECT, CDC , Forest City, NC	\$30,000	
To strengthen the organization and its participation in local economic development and planning efforts.		
COMPUTER TRAINING PARTNERSHIP , Clayton, NC	\$30,000	
For general operating support to expand and implement its financial sustainability plan.		
CONSERVATION FUND , Chapel Hill, NC	\$35,000	
General operating support for the Creating New Economies Fund in the amount of \$35,000 and \$75,000 to provide mini-grants to projects that simultaneously address economic, social and environmental issues of which the following organizations have been selected:		
Appalachian Sustainable Agriculture Project	\$5,000	
New River Community Partners	\$6,000	
Episcopal Farmworkers Ministry	\$5,000	
Georgetown Renaissance Comm Association	\$4,250	
Hollister REACH	\$4,500	
NC Coalition of Farm and Rural Families	\$2,500	
NC Rural Community Assistance Program	\$6,000	
Student Action with Farmworkers	\$5,000	
Todd Community Preservation Organization	\$2,500	
Duplin County Alumnae Chapter	\$3,400	
Pantego Area Community Development	\$5,000	
CONTENTNEA DEVELOPMENT PARTNERSHIP , Snow Hill, NC	\$25,000	
For general operating support to create programs designed to develop neighborhood-based leadership, promote job creation, and increase financial literacy.		
EMPOWERMENT , Chapel Hill, NC	\$20,000	
For general operating support to the Chatham County Affordable Housing Coalition to improve the quality of life for low-income residents in Chatham County through providing affordable housing and providing financial literacy and related training.		
ENERGYXCHANGE , Burnsville, NC	\$25,000	
For development and implementation of a micro-propagation program and local work force development.		
EXECUTIVE CENTER FOR ECONOMIC & EDUCATIONAL DEVELOPMENT , Greenville, NC	\$30,000	
To provide a center for vocational training and small business development in Greenville and surrounding counties in eastern NC.		
FOUNDATION FOR THE CAROLINAS , Charlotte, NC	\$20,000	
For the Community Building Initiative 26th Judicial District Partnership Project, Phase III to build an inclusive and equitable institutional culture.		
GOLER-DEPOT STREET RENAISSANCE CORPORATION , Winston-Salem, NC	\$25,000	
For general operating support to continue downtown revitalization efforts.		
GOOD WORK , Durham, NC	\$35,000	
For the Eastern North Carolina Initiative.		
GREENSBORO PUBLIC LIBRARY FOUNDATION , Greensboro, NC	\$15,000	
To evaluate and document Greensboro's 2004 'One City, One Book' and inform through statewide dissemination.		
IDA AND ASSET BUILDING COLLABORATIVE OF NC , Raleigh, NC	\$90,000	
To grow the capacity of the North Carolina Individual Development Account system and support the development and implementation of North Carolina Saves.		
INTERFAITH PARTNERSHIP FOR ADVOCACY AND RECONCILIATION , Winston-Salem, NC	\$35,000	
For start-up funds for the Institute for Racial Reconciliation, a nonprofit organization for ongoing anti-racism training, consultation and community organizing.		
KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS , Henderson, NC	\$20,000	
To support development of the Kerr-Tar Mini-Hub, an innovative program to rejuvenate the economy of the region.		
MEET ME THERE , Wilmington, NC	\$7,500	
For the Cultural Healing Project.		



MITCHELL COMMUNITY COLLEGE , Statesville, NC	\$15,000
For the South Statesville Skills Center.	
MITCHELL COUNTY DEVELOPMENT FOUNDATION , Spruce Pine, NC	\$40,000
For the development and marketing of locally produced products and the county's cultural tourism industry.	
MOUNTAIN MICROENTERPRISE FUND , Asheville, NC	\$40,000
To provide business planning, assistance, and support to disadvantaged, aspiring entrepreneurs throughout western NC.	
NC ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS , Raleigh, NC	\$100,000
For general operating support.	
NC BUSINESS INCUBATION ASSOCIATION , Greensboro, NC	\$30,000
To provide general operating support for technical assistance and support to business incubators.	
NC DEPARTMENT OF COMMERCE , Raleigh, NC	\$35,000
To continue providing service to small, disadvantaged communities in eastern North Carolina to support downtown development and reinvestment.	
NC FAIR HOUSING CENTER , Durham, NC	\$35,000
To provide fair housing counseling, mediation, and conciliation.	
NC HOUSING COALITION , Raleigh, NC	\$160,000
For general operating support for advocacy and education work to ensure access to safe, decent, and affordable housing.	
NC INDIAN ECONOMIC DEVELOPMENT INITIATIVE , Fayetteville, NC	\$50,000
To launch an economic development capacity building program for Indian tribes and organizations in North Carolina.	
NC MINORITY SUPPORT CENTER , Durham, NC	\$70,000
For general operating support to build assets through a network of community development credit unions.	
NEIGHBORS FOR BETTER NEIGHBORHOODS , Winston-Salem, NC	\$25,000
To provide support to grassroots/neighborhood-based associations that are working to improve conditions in their communities.	
NEW RIVER COMMUNITY PARTNERS , Sparta, NC	\$35,000
To support organizational aspects of the Sparta Teapot Museum which will serve as a catalyst for the economic development of downtown Sparta.	
NORTHWEST ALLIANCE COMMUNITY DEVELOPMENT CORP. , Wilkesboro, NC	\$15,000
For general operating support.	
ONE ECONOMY CORPORATION , Washington, DC	\$50,000
For general operating support to maximize the potential of technology to help low-income people improve their lives.	
OPERATION SPRING PLANT , Oxford, NC	\$35,000
For organizational/rural business development.	
ROANOKE ECONOMIC DEVELOPMENT , Rich Square, NC	\$40,000
For the Roanoke Center.	
ROANOKE RIVER PARTNERS , Windsor, NC	\$15,000
For organizational capacity building.	
RURAL ADVANCEMENT FOUNDATION INTERNATIONAL-USA , Pittsboro, NC	\$40,000
For the 2004-2006 initiatives in North Carolina, On-Farm Research and Contract Agriculture Reform.	
RURAL ECONOMIC DEVELOPMENT CENTER , Raleigh, NC	\$150,000
For general operating support.	
RURAL ECONOMIC DEVELOPMENT CENTER , Raleigh, NC	\$30,000
To assist five border counties in the planning and design of business and technology development centers and initiate a cross borders planning program to use technology for regional growth.	
RURAL INITIATIVE PROJECT , Winston-Salem, NC	\$25,000
For general operating support to work in the Waughtown area.	
SANDHILLS FAMILY HERITAGE ASSOCIATION , Spring Lake, NC	\$25,000
To preserve the natural and cultural heritage of African Americans whose family roots are in the Sandhills of NC.	
THANKFUL HERITAGE , Kernersville, NC	\$15,000
For general operating support.	
TROY NEIGHBORHOOD REDEVELOPMENT CORPORATION , Troy, NC	\$25,000
To continue affordable housing and neighborhood redevelopment efforts around the former Smitherman Mill.	
WARREN FAMILY INSTITUTE , Warrenton, NC	\$50,000
For general operating support to assist with the transition to increased affordable housing development through the Ephraim Place subdivision and to support emerging community organizing efforts in the Franklin Street corridor of Warrenton.	
WEAVER COMMUNITY HOUSING ASSOCIATION , Carrboro, NC	\$20,000
For general operating support to continue promoting and creating affordable, cooperative housing.	
WESLEY SHELTER , Wilson, NC	\$15,000
For dismantling racism program.	
YADKIN-PEE DEE LAKES PROJECT , Badin, NC	\$30,000
To support a feasibility study for the development of a permanent Uwharrie Chautauqua to be located in Badin, NC.	
YWCA-GREENSBORO , Greensboro, NC	\$20,000
To implement a study circle model to address issues of race relations and racism.	
TOTAL COMMUNITY BUILDING AND ECONOMIC DEVELOPMENT	\$1,986,000

ENVIRONMENT

The Z. Smith Reynolds Foundation believes that people and place are intricately connected and that the quality of life and health of North Carolinians depends on strong stewardship of the environment.

The goals of Foundation funding in this area are to preserve, protect, and improve North Carolina's diverse and precious natural areas; prevent irreversible damage to the environment; and to advocate for environmental justice. Additionally, the Foundation believes that environmental education is a key component to ensuring that such goals can be accomplished.



Morning glories on the North Carolina coast.

Within this category, the Foundation seeks to fund organizations and projects that:

PROVIDE EDUCATION AND OUTREACH

- Promote public awareness of environmental stewardship and growth management through education of the general public
- Create and implement environmental education curricula and programs for young people
- Encourage a diverse array of people and interests to participate in addressing environmental concerns

PRESERVE, PROTECT, AND IMPROVE

- Preserve, protect, and advocate for North Carolina's natural assets including, but not limited to, clean air, clean water, green space, forests, coastal and wetland habitats, and farmland

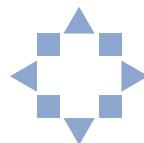
- Support sustainable agriculture and business methods that are not destructive to the land, air, or water and, therefore, to our food and the health of our people
- Promote renewables, recycling, and the reduction of waste (including toxins)
- Develop and/or advocate for alternative energy sources and transportation methods that cause less destruction of natural resources

EMPLOY ADVOCACY METHODS AND ENCOURAGE PUBLIC POLICY CHANGES

- Support the development and enforcement of sound public policies to preserve and protect North Carolina's environment through established networks and grassroots efforts
- Bring diverse constituencies together to advocate for environmental justice, particularly as it affects populations whose voices are often unheard
- Assist local, regional, and statewide efforts to create, develop, and advocate for growth management plans and tools

The Foundation does not give priority to:

- Academic research
- Land purchases
- Animal species preservation or rehabilitation



APPALACHIAN STATE UNIVERSITY , Boone, NC	\$7,900	
To establish an online, searchable database of water quality monitoring data in the New River watershed.		
APPALACHIAN VOICES , Boone, NC	\$25,000	
For support in advancing and strengthening the state's commitment to clean air.		
CATAWBA-WATeree RELICENSING COALITION , Charlotte, NC	\$25,000	
For general operating support for continuing its work to preserve, protect, and enhance the Catawba River.		
CONSERVATION TRUST FOR NC , Raleigh, NC	\$30,000	
For 10 local and regional land trusts to partner with two national conservation groups to create the Blue Ridge Partnership to protect 100,000 acres of land in western NC.		
CONSERVATION TRUST FOR NC , Raleigh, NC	\$125,000	
For the Land Trust Council and the Land Trust Alliance to implement recommendations from a statewide strategic planning process and advance efficiency of land trust operations.		
CONSERVATION TRUST FOR NC , Raleigh, NC	\$30,000	
For general operating support.		
EARTH SHARE OF NC , Durham, NC	\$40,000	
For general operating support to expand its workplace solicitation efforts.		
EDMUND S. MUSKIE FOUNDATION , Bethesda, MD	\$10,000	
For the National Caucus of Environmental Legislators Program to support NC state legislators' efforts to defend and promote policies to protect the environment.		
ENVIRONMENTAL EDUCATION FUND , Raleigh, NC	\$25,000	
For general operating support.		
FOOTHILLS CONSERVANCY OF NC , Morganton, NC	\$20,000	
For general operating support for a development director.		
HAW RIVER ASSEMBLY , Bynum, NC	\$10,000	
For general operating support.		
HIGH COUNTRY CONSERVANCY , Boone, NC	\$25,000	
For general operating support.		
LITTLE TENNESSEE WATERSHED ASSOCIATION , Franklin, NC	\$20,000	
To facilitate the development of a community-led, long-term vision for the future of the watershed.		
NATURE CONSERVANCY , Durham, NC	\$800,000	
For the Land for Tomorrow coalition to increase support for statewide land conservation.		
NATURE CONSERVANCY , Durham, NC	\$50,000	
For statewide public education on the imperative of land and water conservation.		
NC ASSOCIATION OF BLACK LAWYERS' LAND LOSS PREVENTION PROJECT , Durham, NC	\$40,000	
To continue its legal and educational program for environmental justice.		
NC COASTAL LAND TRUST , Wilmington, NC	\$35,000	
To develop reliable, long-term sources of revenue for all offices and operations.		
NC CONSERVATION NETWORK , Raleigh, NC	\$100,000	
To train and coordinate diverse groups and to advocate to achieve equitable and sustainable solutions for the state's environment.		
NC PUBLIC INTEREST RESEARCH GROUP EDUCATION FUND , Raleigh, NC	\$25,000	
To support a new clean water advocate to focus on protecting the state's last, great waterways.		
NC WASTE AWARENESS & REDUCTION NETWORK , Durham, NC	\$15,000	
To build grassroots support for sustainable forms of energy.		
NEUSE RIVER FOUNDATION , New Bern, NC	\$35,000	
For general operating support to expand its education and outreach programs.		
SOUTHERN APPALACHIAN FOREST COALITION , Asheville, NC	\$30,000	
For general operating support for the Great Forest Campaign.		
SUSTAINABLE NC , Raleigh, NC	\$200,000	
For general operating support.		
TAR RIVER LAND CONSERVANCY , Louisburg, NC	\$20,000	
For general operating support.		
UNIVERSITY OF NC-CHAPEL HILL , Chapel Hill, NC	\$40,000	
To support the statewide One North Carolina Naturally Program – Phase II – to conserve targeted bodies of land and water.		
TOTAL ENVIRONMENT	\$1,782,900	

GOVERNANCE, PUBLIC POLICY AND CIVIC ENGAGEMENT

The Foundation believes that a high quality of life in North Carolina requires an engaged citizenry and a government that is responsive to the needs of the people. Additionally, the Foundation believes that the development of sound public policy is crucial to effective government. Therefore, it is the aim of the Foundation to strengthen representative democracy in North Carolina through efforts that educate the public about government institutions and policies, promote civic engagement and responsibility, and monitor government performance.



Teams from Greenville and Gastonia high schools compete in the State finals of the Wade Edwards High School Mock Trial competition. Pictures here and on opposite page show participants in the Mecklenburg County courtroom.

Within this category, the Foundation seeks to fund organizations and projects that:

PROMOTE CIVIC ENGAGEMENT

- Increase the level of public discourse regarding significant public policies
- Promote civic engagement and increase the level and quality of participation by North Carolinians in their communities and government
- Develop leadership training opportunities for individuals, particularly those whose voices are under-represented in the public sphere

- Enhance civic education through school and community activities

ADVOCATE FOR SYSTEMIC CHANGE

- Generate credible, policy-relevant research that can be utilized to move a social justice agenda
- Create innovative and systemic solutions to respond to the rapidly changing demographics of North Carolina
- Promote equity in the state's justice system by advocating for appropriate systemic changes

ENCOURAGE RESPONSIVE, ACCOUNTABLE GOVERNANCE

- Promote alignment of the state's resources with the needs of residents to ensure responsible, just, and effective use of resources
- Improve understanding and knowledge of policy development and government operations among elected and appointed officials
- Support media accountability and encourage responsible, credible coverage of government and politics

The Foundation does not give priority to:

- Academic research



CAROLINA JUSTICE POLICY CENTER , Durham, NC	\$20,000	
For the Death Penalty Moratorium Coalition Project.		
CENTER FOR DEATH PENALTY LITIGATION , Durham, NC	\$60,000	
To provide public information and education about the death penalty.		
COMMON CAUSE EDUCATION FUND , Washington, DC	\$90,000	
To help fund the NC Democracy Project.		
COMMON CAUSE EDUCATION FUND , Washington, DC	\$50,000	
For project support to address reforms in NC's lobbying system.		
CORPORATION FOR ENTERPRISE DEVELOPMENT , Durham, NC	\$48,000	
For the New Directions in Economic Development and Adjustment Project.		
COURT WATCH OF NORTH CAROLINA , Greensboro, NC	\$25,000	
To survey judges in eastern North Carolina.		
DEMOCRACY NORTH CAROLINA , Carrboro, NC	\$400,000	
For general operating support to educate the public about comprehensive campaign finance and voting rights reforms.		
FAIR TRIAL INITIATIVE , Durham, NC	\$70,000	
For general operating support.		
FAIR TRIAL INITIATIVE , Durham, NC	\$20,000	
For the Moratorium Accountability Project.		
FAMILIES AGAINST MANDATORY MINIMUMS , Washington, DC	\$50,000	
For the Smart on Crime Campaign.		
INSTITUTE FOR SOUTHERN STUDIES , Durham, NC	\$25,000	
For the NC Voting Rights Project.		
INSTITUTE OF GOVERNMENT FOUNDATION , Chapel Hill, NC	\$225,000	
For general operating support for the NC Civic Education Consortium.		
INSTITUTE OF GOVERNMENT FOUNDATION , Chapel Hill, NC	\$20,000	
For the Institute of Government's 2005 Legislative Orientation Program.		
INSTITUTE OF GOVERNMENT FOUNDATION , Chapel Hill, NC	\$10,000	
To administer the NC Civic Education Consortium's Small Grants Program which, in conjunction with the Foundation, provided grants totaling \$60,000 for school- and community-based student civic education projects to the following organizations:		
American Association of University Women	\$4,100	
Center for Diversity Education	\$10,000	
Charlotte Museum of History	\$5,000	
Greene County	\$3,000	
John Avery Boys and Girls Clubs	\$5,000	
Junior Leadership Durham	\$7,000	
Kids Voting NC Mecklenburg County	\$2,000	
McDowell County Schools	\$6,500	
New Beginning Community Development Center	\$10,000	
YWCA-Asheville	\$7,400	
NC ACADEMY OF TRIAL LAWYERS FOUNDATION , Raleigh, NC	\$20,000	
For the Wade Edwards High School Mock Trial program.		
NC ASSOCIATION OF COUNTY DIRECTORS OF SOCIAL SERVICES , Raleigh, NC	\$75,000	
For the Family Net Project.		
NC CENTER FOR VOTER EDUCATION , Raleigh, NC	\$400,000	
For general support to improve the quality and responsiveness of NC's election system through public education and research.		
NC CENTRAL UNIVERSITY FOUNDATION , Durham, NC	\$30,000	
For the Institute for Civic Education to increase political participation and awareness among young people in Durham and the Research Triangle.		
NC CHILD ADVOCACY INSTITUTE , Raleigh, NC	\$75,000	
To improve child/youth well-being across NC.		
NC COUNCIL OF CHURCHES , Raleigh, NC	\$50,000	
For People of Faith Against the Death Penalty's NC Moratorium Now Project.		
NC FAIR SHARE EDUCATION FUND , Raleigh, NC	\$25,000	
For the Fannie Lou Hamer Voting Rights Project.		
SOUTHERNERS FOR ECONOMIC JUSTICE , Durham, NC	\$35,000	
For the Leadership Development and Organizing for Social Change Program.		
SURGE, STUDENTS UNITED FOR A RESPONSIBLE GLOBAL ENVIRONMENT , Chapel Hill, NC	\$10,000	
To develop the NC Lilliput Network to facilitate youth civic engagement.		
UNIVERSITY OF NC-CHAPEL HILL , Chapel Hill, NC	\$50,000	
For UNC-CH School of Law to support the Just Democracy Voter Protection Project.		
VERA INSTITUTE OF JUSTICE , New York, NY	\$300,000	
For the Racial Justice in Prosecution program in NC.		
TOTAL GOVERNANCE, PUBLIC POLICY & CIVIC ENGAGEMENT	\$2,243,000	

PRE-COLLEGIATE EDUCATION

Supporting pre-collegiate public education is a longstanding priority of the Z. Smith Reynolds Foundation. The Foundation recognizes that North Carolina's future depends on what happens in classrooms today and seeks to improve the quality of teaching and learning in the public schools. In addition, high quality education is a major component of an economic development strategy that will enable North Carolina to compete in a global economy.

Differences in educational achievement and opportunity in the state remain as a result of geography, local capacity, and gender, racial/ethnic, and socioeconomic inequities. The Foundation strives to improve equity in education, especially in low-resource communities. As North Carolina continues along the path of demographic change, the Foundation encourages efforts by public schools to address the challenges of diversity for students, teachers, and administrators.

The Z. Smith Reynolds Foundation believes that private philanthropy serves as a catalyst for educational progress, recognizing that the primary responsibility for funding public, pre-collegiate education rests with government. The Foundation welcomes opportunities to collaborate as a partner in innovative models of educational reform and seeks to promote the alignment of the state's educational resources with the most significant needs of students.

Within this category, the Foundation seeks to fund organizations and projects that:

ADDRESS EQUITY IN EDUCATION

- Promote access to a high-quality education for all students throughout North Carolina
- Support progressive policy reforms within the public school system
- Advocate for effective accountability models and testing methods
- Create policies and programs to address the achievement gap
- Foster an exceptional statewide system of early childhood education, both in program content and teacher training
- Work continuously to promote the inclusion of immigrant groups

PROMOTE PROFESSIONAL DEVELOPMENT

- Build the prestige of teaching as a profession
- Strengthen the capacity of university education programs to provide excellent teacher preparation experiences
- Recruit talented teachers and administrators, with particular attention to critical shortages in minority representation, math/science subject areas, and low-performing schools
- Retain talented teachers and administrators
- Empower teachers and administrators to serve as leaders and advocates

ADVOCATE FOR A BALANCED AND INNOVATIVE CURRICULUM

- Develop curricula that accurately represent the history and culture of all students
- Promote curricula that teach students their responsibilities as citizens and encourages civic participation
- Support teachers in the integration of technology into core curriculum instruction
- Advocate for a broad and holistic curriculum, that includes arts, foreign language, entrepreneurial skills, and financial management

The Foundation does not give priority to:

- Single-site charter schools
- Single-site school projects

The Foundation does not fund the following:

- Athletic teams or events, Parent-Teacher Associations, or other similar groups
- Initiatives promoting religious education or doctrine
- Personnel salaries and other general operating expenses in public schools
- Private K-12 schools, other than exceptional programs or initiatives with the potential for replication in public schools across the state
- Scholarship programs or general budgets for educational institutions (outside of pre-existing commitments)
- Single-site day care centers

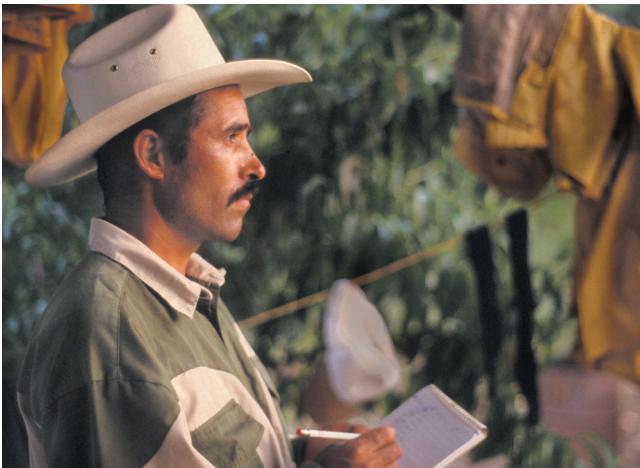


Warren County "Teach for America" teacher, Andrea Montgomery, helps Warrenton students understand the principle of gravitational acceleration.

CHILD CARE SERVICES ASSOCIATION, Chapel Hill, NC	\$40,000	To study school readiness in NC.
HELPING EMPOWER LOCAL PEOPLE , Charlotte, NC	\$25,000	To increase parental advocacy for education.
NC CHILD ADVOCACY INSTITUTE , Raleigh, NC	\$60,000	For a new project entitled "Education and Child Well-Being in the Post-Leandro Era."
NC DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION , Raleigh, NC	\$15,000	To develop an "Alternatives to Suspension Toolkit."
RURAL SCHOOL AND COMMUNITY TRUST, Arlington, VA	\$50,000	To organize rural education leaders around school reform efforts.
STEAM-ASHEVILLE , Asheville, NC	\$20,000	For general operating support to improve organizational capacity.
TEACH FOR AMERICA , Raleigh, NC	\$45,000	For general operating support to recruit, select, train and support corps members working in northeastern North Carolina.
UNIVERSITY OF NC-CHAPEL HILL , Chapel Hill, NC	\$50,000	To pilot the Center for Urban and Regional Studies' collaborative planning and school site selection model.
UNIVERSITY OF NC-CHAPEL HILL , Chapel Hill, NC	\$40,000	For the School of Education's "Expanding the Reach: Teaching Children with Limited English Proficiency" curriculum.
TOTAL PRE-COLLEGIATE EDUCATION		\$345,000

SOCIAL JUSTICE AND EQUITY

The increasing diversity of North Carolina presents the state with numerous opportunities and new challenges. At the same time, there is a continuing need to work on breaking down long-held beliefs and stereotypes that are based on race, gender, and poverty, and are barriers to mutual trust and respect. The Z. Smith Reynolds Foundation is committed to supporting advocacy and other efforts that provide meaningful opportunities for women, ethnic and racial minorities, and the economically disadvantaged to obtain political inclusion, social equity, and economic empowerment.



Poet Rolando Rivera is well known among Mexican immigrants who benefit from Student Action with Farmworkers.

Within this category, the Foundation seeks to fund organizations and projects that:

EMPOWER WOMEN AND GIRLS

- Ensure that all reproductive options remain available to women
- Address, treat, and seek to end emotional, physical, and sexual abuse
- Work to end the disparity in economic opportunities, and to empower women to advocate for economic equity
- Promote a statewide system of accessible, affordable, high-quality child care
- Promote and support efforts to develop leadership and political empowerment
- Provide opportunities to build networks and develop and nurture positive self-images
- Prevent teenage pregnancy and overcome obstacles that can have a negative impact on a young woman's future success

PROMOTE RACIAL AND ETHNIC EQUALITY

- Support efforts to develop minority leadership and promote political inclusion
- Promote cultural understanding and diversity
- Strive to improve housing conditions and end housing discrimination
- Meet the needs of disadvantaged immigrants
- Protect the civil rights of racial and ethnic minorities

REDUCE POVERTY THROUGH ECONOMIC EMPOWERMENT

- Advocate in opposition to predatory lending and other practices that have a disparate impact on the economically disadvantaged
- Promote and provide personal financial education skill development and support home ownership efforts
- Advocate and work toward establishing a living income
- Support the transition from welfare to work
- Advocate for workers' rights and improved working conditions

SEEK EQUITY IN THE CRIMINAL JUSTICE SYSTEM

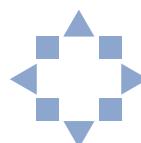
- Address systemic issues of racial and economic disparity
- Promote equal access to justice

The Foundation does not give priority to:

- Community correction centers or other alternatives to incarceration
- Criminal justice programs designed to rehabilitate and/or punish individuals
- Juvenile justice programs
- Programs serving the physically or developmentally disabled
- Senior citizens' programs

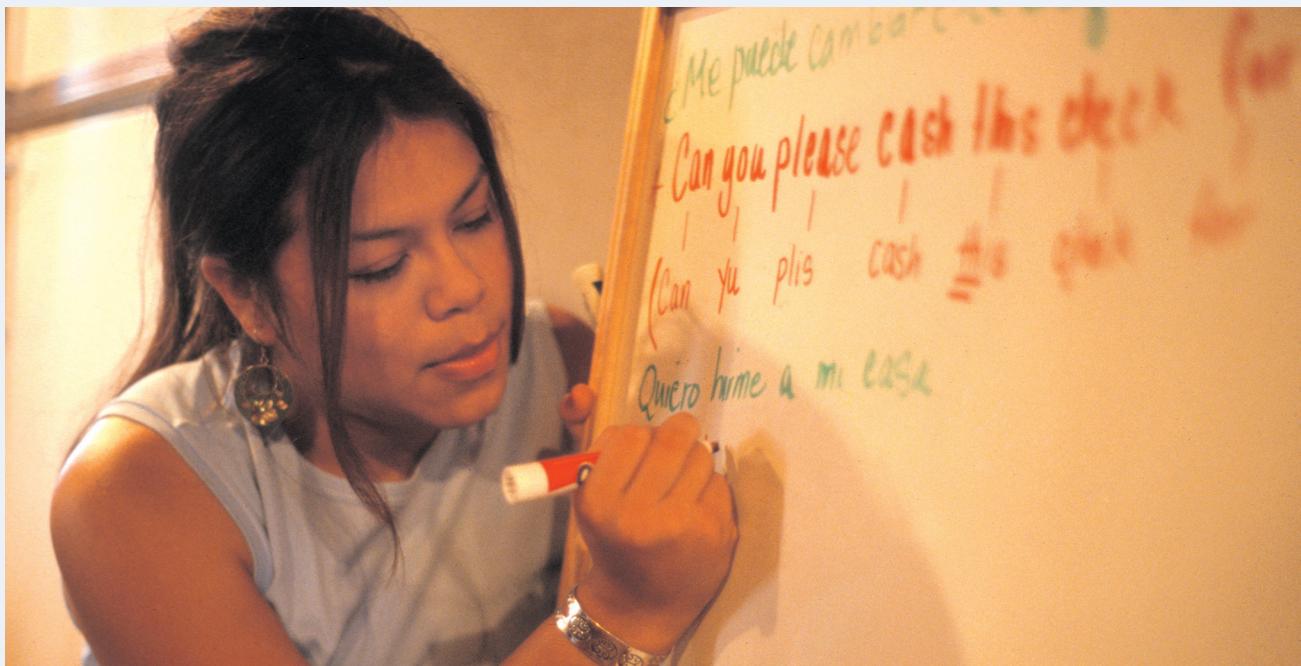
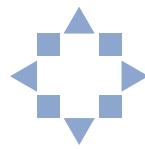
The Foundation does not fund the following:

- Foster care programs
- Single-site day care centers



ADOLESCENT PREGNANCY PREVENTION COALITION-NC , Chapel Hill, NC	\$50,000	NC ASSOCIATION OF COUNTY DIRECTORS OF SOCIAL SERVICES , Raleigh, NC	\$40,000
For general operating support.		For the Department of Social Services and Domestic Violence Community Partnership Program.	
AMIGOS INTERNACIONAL , Wilmington, NC	\$30,000	NC CENTER FOR INTERNATIONAL UNDERSTANDING , Raleigh, NC	\$40,000
For general operating support for Centro Latino.		For the "NC in the World" Initiative.	
CENTRO DE ENLACE , Burnsville, NC	\$20,000	NC CENTER FOR INTERNATIONAL UNDERSTANDING , Raleigh, NC	\$30,000
For general operating support to assist Latinos' access to existing social services in Yancey County.		To enhance organizational efficiency and effectiveness.	
CULTURAS UNIDAS , Cary, NC	\$30,000	NC COALITION AGAINST DOMESTIC VIOLENCE , Durham, NC	\$75,000
To increase the capacity of the Latino community to advocate for change.		To provide comprehensive technical assistance to domestic violence programs across the state.	
EL PUEBLO , Raleigh, NC	\$175,000	NC COALITION AGAINST SEXUAL ASSAULT , Raleigh, NC	\$50,000
For general operating support.		To support statewide education and advocacy efforts.	
EMPOWERMENT RESOURCE CENTER OF ASHEVILLE/BUNCOMBE COUNTY , Asheville, NC	\$25,000	NC COMMUNITY SHARES , Durham, NC	\$20,000
To empower economically disadvantaged people of color with information through radio broadcasting.		For general operating support to continue workplace solicitation campaigns for social justice organizations.	
FOOD BANK OF NC , Raleigh, NC	\$100,000	NC JUSTICE AND COMMUNITY DEVELOPMENT CENTER , Raleigh, NC	\$225,000
To support outreach coordinators and establish new Talking Councils.		For a collaboration of anti-poverty organizations that will work against home mortgage foreclosures and predatory lending.	
HIGH COUNTRY AMIGOS , Boone, NC	\$20,000	NC PEACE ACTION EDUCATION FUND , Durham, NC	\$20,000
For general operating support to strengthen the organization's work in Ashe and Watauga counties.		For Peace LEAP (List Enhancement Action Project), designed to increase the capacity of and collaboration among social change advocacy organizations in NC.	
HOKE COUNTY YOUTH & FAMILY SERVICES , Raeford, NC	\$14,800	NEW LIFE WOMEN'S LEADERSHIP PROJECT , Williamston, NC	\$20,000
General operating support to increase community awareness and provide domestic violence services.		To provide low-income women with entrepreneurial and job training skills.	
LATINO COMMUNITY DEVELOPMENT CENTER , Durham, NC	\$450,000	NORTHEASTERN COMMUNITY DEVELOPMENT CORPORATION , Camden, NC	\$30,000
To provide operating support for the Latino Community Credit Union.		To create a six-county regional Hispanic Outreach Center.	
LEGAL AID OF NC-RALEIGH , Raleigh, NC	\$150,000	ONSLOW WOMEN'S CENTER , Jacksonville, NC	\$25,000
To support legal representation of poor and working families threatened by foreclosure.		For the Court Advocacy Project.	
LEGAL AID OF NC-RALEIGH , Raleigh, NC	\$60,000	PEACE COLLEGE OF RALEIGH , Raleigh, NC	\$30,000
To provide an array of appropriate legal services to battered immigrants in NC.		To support the NC Center for Women in Public Service.	
LEGAL AID OF NC-RALEIGH , Raleigh, NC	\$25,000	PISGAH LEGAL SERVICES , Asheville, NC	\$35,000
For the Environmental Poverty Law Project.		To assist immigrants in western North Carolina.	
LEGAL AID SOCIETY OF NORTHWEST NC, WINSTON-SALEM, NC	\$35,000	PLANNED PARENTHOOD OF CENTRAL NORTH CAROLINA , Chapel Hill, NC	\$100,000
To expand the Hispanic Outreach Project.		For the Strategic Advocacy Initiative.	
LEGAL SERVICES OF SOUTHERN PIEDMONT , Charlotte, NC	\$35,000	STUDENT ACTION WITH FARMWORKERS , Durham, NC	\$20,000
To protect the rights of immigrants in western North Carolina.		For general operating support.	
NATIONAL INTERFAITH COMMITTEE FOR WORKER JUSTICE , Chicago, IL	\$30,000		
For NC Workers' Centers that advocate for workers' rights and improved working conditions for low-wage and immigrant workers.			

(Continued on page 48)



Zylvia Zpata, a member of Student Action with Farmworkers, teaches English to farmworkers in Boonville.

UNITED HMONG ASSOCIATION , Hickory, NC	\$20,000	
To conduct a needs assessment in the Hmong community.		
WOMEN'S CENTER OF ROCKINGHAM COUNTY , Reidsville, NC	\$20,000	
For general operating support.		
WOMEN'S RESOURCE CENTER OF HICKORY , Hickory, NC		\$20,000
For general operating support.		
WORKING FILMS , Wilmington, NC		\$25,000
For NEW FACES, a Latino curriculum project for NC classrooms.		
TOTAL SOCIAL JUSTICE & EQUITY		\$2,094,800



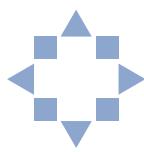
MISCELLANEOUS

The majority of the Foundation's grantmaking is accomplished within its five stated focus areas. However, it is also the desire of the Foundation to serve as a catalyst for new practices and ideas and to respond to other challenges or opportunities that are unique to North Carolina. For these reasons, the Foundation reserves the right to remain flexible in its grantmaking and, therefore, makes occasional grants that are classified as "miscellaneous."

ALAMANCE COMMUNITY COLLEGE FOUNDATION , Graham, NC	\$7,000	
NSR Award designated by Tony Foriest.		
ALAMANCE COUNTY ARTS COUNCIL , Graham, NC	\$1,000	
NSR Award designated by Tony Foriest.		
BLUE RIDGE PARKWAY FOUNDATION , Winston-Salem, NC	\$10,000	
For general operating support to increase fundraising to enhance the Blue Ridge Parkway.		
E. BYNUM EDUCATIONAL CENTER , Burlington, NC	\$500	
NSR Award designated by Tony Foriest.		
EDUCATIONAL FOUNDATION OF BURLINGTON , Burlington, NC	\$5,000	
NSR Award designated by Tony Foriest for Closing the Gap Education Fund.		
Employee Matching Gifts Contributions	\$1,855	
FAMILY VIOLENCE AND RAPE CRISIS SERVICES , Pittsboro, NC	\$20,000	
NSR Award designated by Maria Pavón and restricted to the Coalition for Family Peace.		
FIRST BAPTIST CHURCH , Graham, NC	\$4,000	
NSR Award designated by Tony Foriest.		
FOOTHILLS CONSERVANCY OF NC , Morganton, NC	\$18,500	
NSR Award designated by Paul Braun.		
FRIENDS OF ALAMANCE COUNTY PUBLIC LIBRARIES , Burlington, NC	\$1,000	
NSR Award designated by Tony Foriest.		
FRIENDSHIP CENTER OF ALAMANCE , Burlington, NC	\$500	
NSR Award designated by Tony Foriest.		
GREEN STREET PRESBYTERIAN CHURCH , Morganton, NC	\$1,500	
NSR Award designated by Tony Foriest.		
HOSPICE & PALLIATIVE CARE CENTER OF ALAMANCE-CASWELL , Burlington, NC	\$500	
NSR Award designated by Paul Braun.		
JACKSON COMMUNITY MISSION CENTER , Dillsboro, NC	\$20,000	
For general operating support to develop a facility to house several nonprofit agencies under one roof.		
MOUNTAIN STEWARDSHIP ALLIANCE , Sylva, NC	\$20,000	
To begin a program of stewardship and technical assistance on behalf of 'for-cause' organizations in western NC.		
NETCORPS , Durham, NC	\$50,000	
To build the capacity of NC nonprofits through strategic technology planning and assistance.		
TRIANGLE COMMUNITY FOUNDATION , Research Triangle Park, NC	\$25,000	
To assist in creating a Disaster Relief Fund Guide for North Carolina.		
UNITED WAY OF ALAMANCE , Burlington, NC	\$500	
NSR Award designated by Tony Foriest.		
WAKE FOREST UNIVERSITY , Winston-Salem, NC	\$1,200,000	
Annual grant, under 1990 contract, for general support, faculty development, and scholarships.		
WAKE FOREST UNIVERSITY , Winston-Salem, NC	\$530,352	
For the Campaign for Wake Forest. Initially for scholarships: Joseph G. Gordon, Nancy Susan Reynolds, NC middle-income residents; annual awards to faculty members; Reynolds Professors supplements; and special undergraduate programs and needs.		
TOTAL MISCELLANEOUS		\$1,917,207



Students enjoy an outdoor class on campus at Wake Forest University, a long-time grantee of the Foundation.



GRANT APPLICATION GUIDELINES

THE Z. SMITH REYNOLDS FOUNDATION, INC. is legally restricted to making grants for the accomplishment of charitable works in the State of North Carolina. Grants are made only to nonprofit, charitable organizations that are exempt under Section 501(c)(3) of the Internal Revenue Code or to governmental units. No grants are made to individuals for any purpose. Organizations that operate both within and outside the State of North Carolina may be eligible for consideration for programs operating within North Carolina. The Foundation does not pay indirect or overhead expenses for projects at colleges, universities, public schools, or governmental units.

To accomplish its purpose, the Foundation currently gives special attention to certain focus areas:

- Community Economic Development
- Environment
- Governance, Public Policy, and Civic Engagement
- Pre-Collegiate Education
- Social Justice and Equity

While the listed areas are of highest priority, it is also the desire of the Foundation to serve as a catalyst for new practices and ideas and to respond to other challenges or opportunities that are unique to North Carolina. In addition to funding projects that achieve the goals of each focus area, the Foundation has an interest in building the capacity of organizations and in promoting organizational development. Also, the Foundation reserves the right to remain flexible in its grantmaking policies.

SUBMITTING APPLICATIONS:

Effective with the August 1, 2005, deadline, the Foundation will accept ONLY applications submitted via its on-line submission process. To access the application, please visit: www.zsr.org and click on "How to Apply" and then "Grant Application Form." The Foundation will not accept proposals by mail, facsimile, or e-mail. If your organization does not have access to the Internet and needs to discuss an alternate submission process, please contact the Foundation at 800.443.8319.

DEADLINES:

The Foundation's Board of Trustees meets in **May (deadline February 1)** and in **November (deadline August 1)** to consider grant applications. **Proposals must be received via the Foundation's on-line submission process by 11:59 p.m. EST on the deadline date.** When deadlines fall on a weekend, the following Monday will be the deadline. **The Foundation will not accept proposals by mail, facsimile or e-mail.** Late proposals will be considered in the next funding cycle.

REPORTING REQUIREMENTS:

If your organization received a grant(s) in the past, all reporting requirements must be met in order for your current application to be considered. The Foundation has written reporting requirements for each grant made. If you have questions about these requirements, please contact the Foundation at 800.443.8319.



DECEMBER 8, 1936 THROUGH DECEMBER 31, 2004

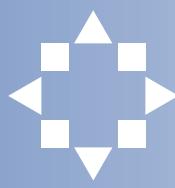
STATEMENT OF INCOME, GRANTS, EXPENSES & DISTRIBUTED INCOME

	2003	2004	1936-2004
Undistributed Income Beginning of Period	\$20,223,189	\$17,370,341	
Income Received:			
Zachary Smith Reynolds Trust	8,620,564	8,046,644	167,984,615
W. N. Reynolds Trust	9,057,841	9,165,877	216,021,070
Interest on investments*	90,688	87,317	13,858,811
Refunds of grants	30,760	136,275	624,260
Other Income	2,240	908	13,921
TOTAL INCOME	\$17,802,093	\$17,437,020	\$398,502,677
Disbursements:			
Grants Paid	\$18,395,527	\$16,585,726	\$352,406,857
Direct Charitable Activities:			
Nancy Susan Reynolds Awards	130,783	162,299	2,256,372
Sabbatical Program	97,675	80,298	1,391,941
Special Projects/meetings/seminars	237,667	303,789	4,227,684
Total Grants and Direct Charitable Activities	\$18,861,652	\$17,132,112	\$360,282,854
Administrative Expenses:			
Personnel	733,618	757,859	9,602,942
Operating Expenses	1,053,941	1,077,128	12,418,318
Federal Excise Tax	5,730	1,604	261,892
Total Administrative Expenses and Taxes	\$1,793,289	\$1,836,591	\$22,283,152
TOTAL DISBURSEMENTS	\$20,654,941	\$18,968,703	\$382,566,006
Undistributed Income End of Period	\$17,370,341	\$15,838,658	\$15,838,658
Unpaid Grants End of Period	\$14,835,361	\$14,835,361	\$14,835,361
Excess of Undistributed Income Over Unpaid Grants	\$2,534,980	\$1,003,297	\$1,003,297

NOTES TO FINANCIAL STATEMENTS

The Foundation's income is derived from two trusts that are separately controlled and each of which meets the reporting requirements of the federal government and of those states in which they are located. No list of investments appears in this report because the Foundation itself has no assets.

*Interest earned on short-term investments of income received from the two trusts but not yet distributed.



THE NANCY SUSAN REYNOLDS AWARDS

Recognizing a Special Kind of Leadership

Nancy Susan Reynolds was a founder of the Z. Smith Reynolds Foundation, which was created in memory of her younger brother, and was devoted to the Foundation and its good works. Throughout her life, she remained deeply committed to the state where she was born and saw the Foundation as a way to improve the lot of people in North Carolina. Her interests were far ranging, and she embraced and supported with enthusiasm the many areas of the Foundation's activities.

Her quiet demeanor belied her strong heart and the passion she had for constructive change. She had no aversion for risk-taking and admired those who were willing to tackle the truly hard tasks and, if fortune favored them, prove naysayers wrong. It was fitting, therefore, that when the Board of Trustees honored Nancy Susan Reynolds after her death in 1985, it established the Nancy Susan Reynolds Awards for people who work tirelessly and often with few resources to right wrongs and effect change in their communities.

The Award

Each award is accompanied by a grant of \$25,000. The recipient receives \$5,000, and \$20,000 is distributed to qualified tax-exempt, charitable, North Carolina organizations selected by the award recipient. Since their inception, the awards to grassroots leaders and nonprofit organizations in North Carolina have totaled \$1,425,000.

Criteria for Selection

Throughout her life, Nancy Susan Reynolds worked quietly for the people of North Carolina, never seeking recognition for herself. The Nancy Susan Reynolds Awards honor her memory and individuals whose good works are done in that spirit.

Nancy Susan Reynolds Awards are presented in the following categories:

ADVOCACY - on behalf of people, issues, or concerns that otherwise may be without effective voices. This category is for persons whose persistence, patience, and intelligence have earned them the ear of those who make and shape policies in the state and its communities. It recognizes people who have served as advocates for persons, positions or groups at some personal risk, earned the respect of those to whom they speak, and earned the trust of those for whom they speak.

PERSONAL SERVICE - for people helping other people. This category recognizes inspired service, continuing devotion to service under difficult circumstances and often at substantial personal sacrifice, and willingness to assist persons or groups who have few alternatives and little ability to repay except through thanks and profound devotion.

It recognizes people who have helped alleviate the condition of some less-favored group in the community, performed work that served as a catalyst for self-respect and self-sufficiency, and provided special examples of service that caused others to take more seriously their responsibilities to people in their communities and state.

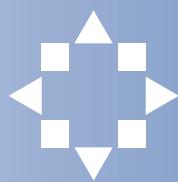
RACE RELATIONS - for persons who have acted in ways to bring about improvements in multi-culturalism in a community and served as role models of racial understanding and cooperation. This category seeks to recognize individuals who have made significant efforts to encourage communications and motivate improved relationships between persons of different racial and ethnic backgrounds, increased understanding or resolved conflicts between persons of different racial or ethnic backgrounds, or helped resolve conflicts created by racial and ethnic discord and stimulated action to eliminate racism in his or her community.

Eligibility

Nominees must be living residents of North Carolina. They should be persons not typically in the limelight who perform valuable public service, predominantly at the community level. They may be volunteers or paid, full-time employees of the organizations through which their service is rendered.

In seeking nominations, the Foundation is looking beyond traditional business or civic leaders or those people who already have received significant recognition and public visibility. In the case of joint or collaborative efforts, an award may be shared. Committees and organizations are not eligible.

Persons interested in nominating someone can call the Z. Smith Reynolds Foundation for information or visit its Web site at www.zsr.org. The deadline for nominations is June 1.



THE 2004 RECIPIENTS

The Foundation presented Nancy Susan Reynolds Awards to three North Carolinians in 2004. Telling the winners' stories does not end with the presentation luncheon in November. The winners are featured in a 30-minute television program produced by the Z. Smith Reynolds Foundation and aired across the state each spring enabling hundreds of thousands of other North Carolinians to draw personal inspiration and renewed strength from them.

Paul Braun, Morganton

Advocacy



Paul Braun, who received the Nancy Susan Reynolds Award for Advocacy, has devoted most of the last eight years to saving Lake James from uncontrolled development. Lake James, the uppermost lake in the Catawba River chain of lakes, was created early last century by Duke Power. It is located in Burke and McDowell counties in the North Carolina foothills and is considered one of the most beautiful and pristine lakes in the eastern United States.

Eight years ago Braun, without any background in leading a public campaign, decided it was up to him to "save Lake James." He began writing letters to the editor and gathered more than 7,000 signatures on petitions. His campaign, which pitted his grassroots movement against one of the most powerful corporations in America, was contentious and costly. In the end, Duke Energy's real estate subsidiary, Crescent Resources, joined local officials and grassroots leaders at the table, and Braun's dream of protecting Lake James for future generations has come true.

Maria Pavón, Siler City

Personal Service



Maria Pavón, who received the Nancy Susan Reynolds Award for Personal Service, is a survivor of domestic violence who turned that abuse into "a miraculous story of hope." She came to the U.S. from Mexico and, in part because she was an illegal resident, was afraid to go to authorities. After her young daughter insisted that she report the abuse, she found courage to do so.

That step began a healing process that led her to an organization in Siler City called the Coalition for Family Peace, where she received counseling. Pavón's inner strength and compassion so impressed the staff at the Coalition that they employed her to counsel other Latino women. The number of women who sought counseling increased dramatically.

Pavón has become a courageous and inspiring leader of the Latino community in Chatham County and serves as a speaker and facilitator in other parts of North Carolina and beyond.

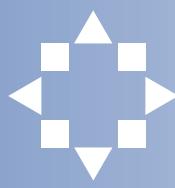
Tony Foriest, Graham

Race Relations



Tony Foriest, who received of the Nancy Susan Reynolds Award for Race Relations, could have taken it easy after retiring from the Xerox Corporation. Instead, he was troubled by the wide differences in achievement scores for white students and black students in his native Alamance County. He helped create an organization called Closing the Gap, and as co-chair, has provided the vision and energy to make it successful.

Through initiatives such as tutoring programs and recognition ceremonies, Closing the Gap is on its way toward achieving parity of student achievement scores. In the process, he has brought together parents, students, educators and civic and business leaders from all walks of life and all racial and ethnic groups in Alamance County. He is involved in a broad range of civic groups, working for unity, cooperation, and reconciliation.



THE Z. SMITH REYNOLDS SABBATICAL PROGRAM

THE Z. SMITH REYNOLDS FOUNDATION awarded sabbatical grants of \$15,000 each during 2004 to five leaders from North Carolina's nonprofit community through the Foundation's annual Z. Smith Reynolds Sabbatical Program. The sabbaticals allow nonprofit leaders to take extended breaks from their jobs to relax, revitalize, and gain new energy.

THE 2004 RECIPIENTS ARE:

- **James Barrett**, executive director of Pisgah Legal Services, Asheville
- **Peter Kittany**, director of the North Carolina Rural Communities Assistance Project, Pittsboro
- **Sonjia Kurosky**, executive director of Samaritan Ministries, Winston-Salem
- **Mary Ann Lama**, executive director of Domestic Violence Shelter and Services, Wilmington
- **Jonathan Sher**, senior fellow and former president of the North Carolina Child Advocacy Institute, Raleigh

The Foundation established the Sabbatical Program in 1989. Foundation trustees saw that some of the most creative and inspired leaders in the nonprofit community were burning themselves out because they had no relief from the daily challenges of sustaining and effectively managing a nonprofit. The Foundation hopes that sabbatical recipients, who are chosen from the leadership of the state's nonprofits, can renew themselves personally and professionally and return to work with more balanced lifestyles and fresh ideas for achieving their missions.

Recipients of sabbaticals are chosen on the basis of the need for a break from the daily stress and challenges of their work environment, the innovation and creativity they have demonstrated in their work in the past, and their potential to continue to make significant contributions to public service.

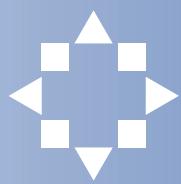
Barrett has served as executive director of Pisgah Legal Services for 10 years and has worked at the nonprofit for 20 years. Pisgah Legal Services advances and protects the legal rights of low-wealth individuals. "My sabbatical was not what I planned but just what I needed. Being with my dad and mom during his dying was a blessing beyond description," Barrett said. "The rest of the sabbatical was a return to other life and a chance to rest. I still retain that sense of perspective I gained in the time away from work."

Kittany has worked with the North Carolina Rural Communities Assistance Project for 20 years, serving as director for the last eight years. The organization provides assistance to low-income rural communities on public health and environmental quality issues pertaining to water, wastewater, solid waste, and affordable housing. "The sabbatical took on a life of its own. I found myself wanting things to go one way but having to adjust to the natural inertia of how things will go," Kittany said. "For me, that was the purpose of the sabbatical – to be still and to see how the view had changed over the years."

Kurosky has served as the executive director of Samaritan Ministries for 11 years. Samaritan Ministries provides hope and healing by offering food, shelter, and guidance to individuals and families in need. "My sabbatical schedule included assisting my parents in their relocation to North Carolina, foreign travel, and relaxing at home," Kurosky said. "I welcomed the time entertaining friends over a dinner that I have prepared. Thanks for the opportunity to slow down, read books, take long walks, and renew my spirit."

For 18 years, Lama has been the executive director of Domestic Violence Shelter and Services, which provides shelter and direct services to victims of domestic violence and their children. "Never in my adult life have I anticipated or imagined such an amazing gift," Lama said. "Yes, I want to pursue new interests and I have a long list of goals, but first of all, I want to find out what those mythical bon-bons really are and to see what it's like to do absolutely nothing ... and then rest afterwards!"

Sher has worked for eight years as president of the North Carolina Child Advocacy Institute. Founded in 1983, the North Carolina Child Advocacy Institute is an independent, nonprofit, nonpartisan, multi-issue



organization that advocates for public policy in favor of North Carolinians below the age of 18. "The accumulated stress of eight years as NCCAI's president had taken a significant toll on my physical and emotional health," Sher said. "This changed for the better after one month in Paris and two months of daily workouts in karate and karate aerobics. Paris provided a complete break from my *vie ordinaire*, while the Durham dojo assisted me in developing new habits and restoring my energy level."

Individuals in paid, full-time leadership positions who have served their North Carolina nonprofit organizations for at least three years, including two as leaders, may apply for sabbatical awards. This program is not designed for career public school, college, university or government employees. The application deadline is December 1, 2005, to be considered for a sabbatical during 2006.

Please contact the Foundation for an application if someone you know may deserve and qualify for a Z. Smith Reynolds Sabbatical.





HUGH HUMPHREY AWARD



IN HONOR OF the long time member of the board of trustees and general counsel of the Z. Smith Reynolds Foundation, the Foundation has endowed an annual award, the Hubert B. Humphrey, Jr., Award, to recognize the most improved public high school in Guilford County.

Hugh Humphrey, a trustee since 1981, died in March of 2003, and the Hubert Humphrey Award was announced as a memorial in 2004. The first award will be presented in 2005.

"Because of his professionalism, his dedication, and his great spirit, Hugh was revered by the people with whom he was associated over the years," said Tom Ross, Executive Director of the Foundation. "When Hugh died, the Foundation's board of trustees wanted to do something that would be appropriate and continue to remind people of his extraordinary life and service. Because he was a great believer in public education, we decided to explore opportunities in that area."

Pre-collegiate education has long been a primary focus of the Foundation's grantmaking.

Each year the Guilford County high school deemed to be "most improved" will receive a \$10,000 award to be spent for professional development of teachers, administrators, and staff. The most improved high school also will receive possession for one year of the "Humphrey Cup" and will have its name engraved on the base. The inscription on the cup reads, "Created and endowed by the Z. Smith Reynolds Foundation in memory of Hubert B. "Hugh" Humphrey, Jr. (1928-2003). The Greensboro attorney and civic, professional, educational, and political leader, who served with distinction as legal counsel and Trustee of the Foundation for more than two decades."

The Hugh Humphrey Award Committee, composed of representatives of the Z. Smith Reynolds Foundation, the Community Foundation of Greater Greensboro, the Guilford County Board of Education, the Guilford County Schools, and the Humphrey family, will use 10 criteria to determine the most improved high school. The criteria include various measures of academic test score improvement, parent and community involvement, extracurricular participation, attendance, Tech Prep, school climate, and SAT scores.

Nominations from Guilford County's 14 high schools must be submitted by August 1 each year. Additional information about the awards may be obtained by calling Monteic Sizer, program officer of the Z. Smith Reynolds Foundation.

In addition to honoring the most improved high school in Guilford County, where Hugh Humphrey lived for most of his adult life, the Foundation hopes that the Hugh Humphrey Award will be a model for other groups in other counties in North Carolina.

STATEMENT OF INCLUSIVENESS

THE MISSION OF the Z. Smith Reynolds Foundation is to improve the quality of life of the people of North Carolina. Toward this end, the Foundation actively seeks to promote access, equity and inclusiveness; and to discourage discrimination based on race, ethnicity, gender, age, socioeconomic status and other factors that deny the essential humanity of all people.

The Foundation has the conviction that inclusiveness benefits everyone and is not only compatible with, but also promotes, excellence. The Z. Smith Reynolds Foundation's grantmaking policies reflect the belief that organizational performance is greatly enhanced when people with different backgrounds and perspectives are engaged in an organization's activities and decision-making process.

We recognize that this policy must be practiced with flexibility and with sensitivity. In this spirit, applicants to the Z. Smith Reynolds Foundation are asked to provide general information about the race and gender of their board and staff. With the aid of this information, the Foundation is better equipped to do its modest part to foster inclusiveness and equal opportunity throughout the State of North Carolina.

ACKNOWLEDGEMENTS

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