

There has been a strong tradition of community philanthropy throughout the United States through “grantmaking intermediaries” or “intermediary organizations that collect money from individual donors and then grant it to charities” (Lenkowsky, 2002, p. 355). With the rise in competition, particularly with donor-advised funds, this paper focuses on two particular intermediaries, the United Way and community foundations. It explores their strengths and opportunities to enhance their relevancy, particularly by fostering civic engagement, as well as organizational shortcomings and current efforts that minimize their relevancy. The research studies two United Way organizations and two community foundations. Current efforts to maintain their distinctive values are identified, including efforts with participating in community conversations, collaborating across organizational networks, and intentional funding overlap and community collaboration. Efforts that minimize relevancy and their capacity to promote civil society include their short-term grantmaking cycles, their lack of advocacy and utilization of data to determine funding decisions, donor control over gifts, misaligned organizational structure relative to mission, and competition for the role as the community leader. Suggestions are made to heighten relevancy, particularly to enhance their capacity to leverage the unique position that they have to embody the common community vision to address social issues. There has been a strong tradition of community philanthropy throughout the United States through what Leslie Lenkowsky (2002) refers to as “grantmaking intermediaries” or “intermediary organizations that collect money from individual donors and then grant it to charities” (p.355). While these mechanisms only manage a fraction of American charitable contributions within institutional philanthropy, these organizations are among the “philanthropic world's most visible and prestigious sources of support” and are often seen as the “most influential” as well (Lenkowsky, 2002, p. 355). While there a variety of organizations operate in this capacity, this research will focus on the current state of two particular organizations, community foundations and the United Way. Both organizations have not only played a pivotal role in providing financial support to meet community needs, but research indicates that they have also been viewed as critical instruments in “nurturing civic engagement” (Ragey et al., 2005, p. 1). Given the crucial role that these organizations often play within their communities, and the similarities that they share in terms of supporting social needs in a specific geographic location, not only do they compete with one another, but they also compete with other nonprofit organizations for philanthropic dollars. They are also face rising competition with for-profit entities that provide donor-advised funds, such as Fidelity, Schwab Charitable, and Vanguard. With the rise in competition for philanthropic dollars, what opportunities exist for these organizations to maintain community relevancy and value in their communities? This research explores literature that explains the historical roles of the organizations, and the current challenges that they face, particularly with competition. Several studies point to the importance of maintaining competitive edge and relevancy, particularly related to their ability to convene, lead, and embody a common community vision, and serving as instruments of civil society. Despite these potential contributions, studies have also addressed their current organizational shortcomings that minimize their relevancy, which this research examines. The research then explores these dynamics within two United Way organizations and two community foundations. Current efforts to maintain relevancy and contribute to civil society are identified along with efforts that undermine their capacity for such. Suggestions and recommendations are made to heighten relevancy to foster civic engagement and therefore maintain their competitive edge. Community grantmaking intermediaries or “bankers of the charitable world” have been popular mechanisms for community philanthropy throughout the United States (Lenkowsky, 2002, p. 358). The United Way is one of the main fundraising organizations for health and human service agencies nationwide. Named by the Chronicle of Philanthropy as the largest charity in the world in 2008, the organization raised over \$4.2 billion across its 1,400 United Way chapters (Hall, 2009). Despite the United Way's dominance in community fundraising, community foundations meanwhile have also evolved to become one of the fastest growing forms of organized philanthropy, with over 700 community foundations throughout the country that manage over \$30 billion in assets (Graddy & Wang, 2008). The United Way and Community Foundations have traditionally operated in their own distinct roles with the United Way actin as the “community's checking account” and the community foundation as the community's “savings account.” However, these lines have become blurred overtime (Ragey et al., 2005, p. 4). The United Way in earlier forms existed simply as a community chest, or to coordinate community services and raise funds for its various community agencies. Community chests have since evolved into the United Way system, which currently relies on the annual community workplace campaign to raise funds to

support community health and human service programs that serve individuals within three established focus areas: health, income, and education. Community foundations were established with the intent to strengthen local community chests and deal with the challenges of rapid urbanization (Lowe, 2004). Lowe (2004) explains that they were also established to “stabilize and legitimize local community chests” as during the 1950s, a significant percentage of community foundations grants were used to support the operating expenses of community chests (p.223). Community foundations seek ongoing support from community donors to invest and pool their funds to build on their capital endowment. They allocate a percentage of their endowment assets as grants to tax-exempt community programs and projects. The United Way currently faces obstacles including the stagnation of funds raised because of the decline in workplace campaigns. Participation in corporate workplace campaigns has dropped thirty percent over the past ten years, from 47 percent to 30 percent (Deisinger, 2006). One major reason for the decline is the increase in competition. The United Way not only competes with organizations that the community wants to support directly, rather than through an intermediary, but they are also having a more difficult time reaching high net-worth individuals. This is because the workplace campaign is not an attractive philanthropic method of giving in comparison to the individual attention, recognition, services, and products that competitors, such as foundations and universities, can offer to these individuals. Community foundations also face issues of growing competition with for-profit financial institutions, including Fidelity, that have served these charitable giving interests through donor-advised funds at a lower cost since 1991. Their “independence, access to capital, built-in scalability, and customer focus” gives them an advantage over community foundations (Bernholz et al., 2005, p. 5). Rather than make attempts to know the community, these for-profit companies will send a check to any tax-exempt organization per the client's request, a service that they can offer for a lower fee than the more comprehensive services offered by community foundations. In addition to competition, another obstacle that minimizes the relevancy of grantmaking intermediaries is technology and the desire for donor preference and control of how their dollars are spent. Technology allows donors to make informed decisions to give directly to organizations, which can diminish the value of the “middle man” fundraising concept of the intermediaries. Donor control does not ensure that funds are necessarily being directed towards programs that are serving the most pressing needs of the community; rather funds can be designated to the most popular, tangible, and attractive programs and organizations. When donors have traditionally given to the United Way, the money goes into a general pool of funds, whose distribution to local health and human services (or United Way members) is determined through a “citizen review process” based on a “priority-setting process, or rational system of needs assessment” (Brilliant, 1990, p. 104). Despite this tradition, the United Way has been forced to adopt an open donor designation system where the donor has the option to designate their donation to both member organizations and nonmember organizations, including those beyond the scope of health and human service agencies, or risk losing the donation altogether (Brilliant, 1990). Community foundations have generally held a high percentage of their assets in unrestricted funds, but this is shifting as a larger portion of their assets are moving to donor-advised funds (Phillip, 1999). These donor-advised funds allow living donors to designate to the area of need that they want to support. This represents a significant paradigm shift as traditionally these community foundations viewed their role as “accumulating unrestricted endowment funds to address the common good” rather than accumulating donor-advised funds (Carson, 1999, p. 7). This rising trend of restricted donor-advised funds can conflict with the community foundation's goal of collectively raising and directing resources to address and respond to common community problems. According to Luck & Feurt (2002), in 2002, 91 percent of community foundations either did not limit donor-advised fund grants to a specific geographic area (52 percent of the 91 percent) or they preferred local grants but made exceptions (39 percent of the 91 percent). This may inhibit community foundation funds from responding to the most critical needs of the community. An additional challenge for grantmaking intermediaries comes from the growing pressure to demonstrate how their dollars are making a difference as donors increase their expectations for documented organizational results and community impact. Donors want to understand how their gifts are making a difference. Grantmaking intermediaries compete for funds with nonprofit organizations that provide a direct, tangible service. Meanwhile, grantmaking intermediaries may fund many other critical programs and services that do not demonstrate immediate, tangible, well-measured outcomes and impact. The United Way of America implemented the “Impact” model to measure the outcomes and outputs of the services that receive United Way funding, which has since evolved into the three national focus areas of change that must be

implemented throughout local United Way chapters (Eikenberry, 2004). Despite these attempts, donors increasingly desire to give directly to a program where they can gain a better sense of impact and effectiveness, rather than to a pass-through organization. Grantmaking intermediaries have the capacity to serve as a community catalyst, or as the James Irvine Foundation (2003) describes it, as a “convener, a funder, a finder of other funding, a community organizer, a coalition builder, a grantmaker, a mediator, a staffer, and a communicator” (p. 6). Grantmaking intermediaries have many tools and resources to serve in this capacity. Serving as a catalyst requires the engagement of a broad array of diverse stakeholders, which with their community trust, credibility, and relationships across networks, is feasible for grantmaking intermediaries. As Easterling (2009) explains, these organizations typically have “widespread credibility among donors ...nonprofit organizations, businesses, public officials, and even neighborhood groups and grassroots leaders” (p. 40). Easterling later provides specific examples of organizations that are pursuing “relationship-building” work to engage stakeholders across lines such as “race, ethnicity, class and age” (p. 45). By actively identifying shared issues and concerns across a broad network and addressing them through civic volunteerism or political engagement, the benefit is that community members are then empowered to solve their own problems (Karlstrom et al., 2009). Karlstrom et al. (2009) highlight the crucial role of input from community members to ensure the success and sustainability of community change work (p. 53). As the James Irvine Foundation points out (2003), “convening is not just jargon for committee meeting. It's truly a term of art which means bringing people together for an open-ended, opportunistic and inclusive conversation” (p. 22). Allowing significant input requires careful listening. Millesen et al. (2007) also stresses that inclusivity does not mean inviting only those who are supportive to the table. True outreach, “engages responsible critics by listening to their concerns, focusing on common interests, and encouraging involvement” (p. 53). Grantmaking intermediaries not only have the capacity to engage diverse members of the community, but they also can convene, partner, and collaborate on community initiatives. Auspos (2009) emphasizes the unique role that they can play as conveners because they often have both “knowledge of the programmatic areas that are part of the broader neighborhood agendas” in addition to the “connections to leadership in many of those domains” (p. 138). They have the ability to leverage other community funders to partner with them on initiatives (being aware of the “dynamics of partnership,” including determining “who takes the lead and when, and who gets the credit for the work”) (Auspos, 2009, p. 140). They also have the capacity to collaborate across sectors. With their relationships, as well as their independence from government, grantmaking intermediaries serve in neutral community roles (The James Irvine Foundation, 2003). Carson (2007) emphasizes the essential role that they play in “maintaining a balance between the competing interests of government and business in providing social equity for all citizens” (p. 14). With their broad credibility, grantmaking intermediaries can pull together community players with various perspectives into a neutral space for dialogue and problem solving (Easterling, 2009). One of the greatest strengths of grantmaking intermediaries is their leadership role, which Hamilton et al. (2004) believes they have the potential for more so than any other institution due to their “institutional flexibility, range of boundary-crossing relationships, civic standing, and ability to see and connect the pieces into a larger whole” (p. 3). Lowe (2004) also emphasizes the leadership value that community foundations contribute to community development, and the necessity for leadership skills in order to act as a community catalyst. In addition to serving as community leaders, grantmaking intermediaries have the capacity to leverage and nurture the development of community leaders. Millesen et al. (2007) stresses that “effective leadership is inclusive leadership,” and that “engaging and empowering the citizens is an instrumental part of shirting attitudes and creating sustainable community change” (p. iii). Easterling (2009) provides examples of grantmaking intermediaries that have successfully invested in leadership development skills of leaders of neighborhood groups and community grassroots organizations (p. 43). In addition to their roles as community leaders, grantmaking intermediaries also have community knowledge and expertise, and the ability to support technical assistance and data collection on community issues. Millesen et al. (2009) refers to their role as one of “knowledge brokers” (p. 9). With their historical presence in the community, they have the commitments, relationships, and experiences that have provided them with deep community knowledge. Easterling (2009) speaks to this knowledge, mentioning their understanding of “critical problems facing the community (both surface-level and more deep-rooted), the various organizations that are in a position to address those problems, and the underlying political and inter-organizational dynamics that will either inhibit or facilitate efforts to improve the community” (p. 40). As affiliates of national organizations and associations,

grantmaking intermediaries also have access to information regarding best practices, innovative models, and strategies, and they also have the ability to connect community members to networks of practitioners in other cities (Auspos, 2009). They can offer training, coaching, and workshops that are based on best practices. Auspos (2009) later talks of their ability to expose community members to “new information and innovative practices from other friends or locations in order to inspire inform, or otherwise broaden the collective perspective of local actors, laying the groundwork for civic action (p. 143). In addition to utilizing state and national networks, grantmaking intermediaries have the capacity to fund the development of community data compilation, gathering, analysis, and community research. Auspos (2009) explains how community data can be used to “raise the visibility and level of civic dialogue about community development issues” (p. 140). Local data sources can be critical resources to inform grantmaking and efforts to pursue community change. Despite the optimistic outlook of the value that grantmaking intermediaries can provide to their communities, other scholars recognize their shortcomings and see the need for significant changes. Changes are necessary in order for them to move from functioning as what Porter & Kramer (1999) refers to as “passive middlemen” or as “mere conduits to giving” into maximizing their potential by contributing to civil society and leading social progress (p. 121). This shift is critical to ensure their relevancy and competitive edge. Scholars point out that most grantmaking intermediaries lack the capacity to, “enhance the problem-solving capacity of communities” (Graddy & Morgan, 2006, p. 607). This is attributed to factors such as organizational structure, the size and abilities of staff, the age, history, and size of the organization, the board and its abilities, and the percentage of restricted funds to unrestricted funds (Hamilton et al., 2004, p. 5). The James Irvine Foundation (2003) explains that civic engagement and community change work require the devotion of significant resources, the development of staff expertise, a wide base of relationships in the community, and a board and staff ready to play a leadership role and understand the difficult balance of maintaining community politics and perceptions (p. 5). Auspos points to how intermediaries lack the “sophisticated staff” to pursue advocacy efforts, including the ability to analyze “political power bases and pressure points,” track “legislative, administrative, and regulatory opportunities,” and work “strategically with a variety of actors both inside and outside the community development system” (2009, p. 142). Meanwhile, the board needs greater capacity to seek community change, which includes the need for having a representative, diverse board that represents many community viewpoints (Hamilton et al., 2004, p. 22). The James Irvine Foundation (2003) also points to the issue of having significant grant resources tied up in donor-advised funds and how that limits the capacity for community change work. Flexibility with unrestricted endowment and donor-advised funds is critical to serve as responsive community change agents. Not only do grantmaking intermediaries lack the internal capacity to act as community catalysts and leaders, but external factors can also emerge as barriers to success. Graddy (2004) mentions that the organization's capacity for leadership in the community is based on a multitude of factors that can be beyond their control, including the culture and characteristics of the community served by these organizations, such as the necessity for a “mature donor base” as well as the wealth and the connectedness of residents to their community (p. 611). Not only do community members need to be connected, but they also need to have an interest in seeking community change and have the capacity to financially support these efforts. Grantmaking intermediaries often participate in grantmaking that is fragmented and short-term, which undermines their efforts for community change. Porter & Kramer (1999) highlight the “fragmented pattern of giving” among foundations, stating that the average foundation makes grants in “ten unrelated fields every year, where fields are broadly defined areas as education and health care (p. 127). Porter & Kramer also criticizes short-term grantmaking, which inhibits the sustainability of innovative services and the capacity to create long-term change. They point out that ninety-five percent of all foundation grants are for one year and little evidence exists that foundations attempt to work closely with grantees over an extended period of time (although some are awarded for several years in a row) (p. 128). This pattern inhibits foundations from developing “expertise, assisting grantees, or examining social problems” (Porter & Kramer, 1999, p. 127). Meanwhile, grant recipients are typically required to report outcome data in an unrealistic, short-term timeframe. To serve as a catalyst, these organizations must not only have the organizational capacity, but they must also value equity, diverse input, shared power, and inclusion. Serving as a catalyst requires adopting a “supporting role,” allowing other local residents and leaders to take ownership and serve in critical roles, rather than imposing top down community change, which is not sustainable (James Irvine Foundation, 2003, p. 6). Auspos (2009) agrees that intermediate organizations should give up control, share credit for the work, and stay strategically

in the background (p. 144). Karlstrom et al. (2009) also emphasizes the importance of sacrificing a measure of the power and authority, and the need for respect and reciprocity in their community relationships (p. 53). Millisen et al. (2007) reinforces the need to alter existing power structures and dilute a well-established and highly concentrated power structure to one where equity and inclusion are a priority (p. 40). To seek community change, grantmaking intermediaries must also be willing to take on risk. Auspos (2009) sees this as being willing to put their own name and credibility on the line publicly in order to advance a cause and to support less powerful partners (p. 144). This is difficult for grantmaking intermediaries that are often risk adverse. Another area of risk that grantmaking intermediaries hesitate to pursue is mobilizing political will. Carson (2004) identifies barriers to pursuing advocacy work, which include avoiding government regulation, board members fear of alienating themselves from business cohorts, or their ambivalence about changing the status quo because they have been successful and reaffirmed by the existing system and power relationships (p. 11). Foundations may be reluctant to pursue social change out of fear of losing wealthy donors, or isolating themselves from securing funding support from their diverse funding base, as they are uncomfortable with controversy and want “everyone to be supportive of their actions” (Carson, 2004, p. 12). The James Irvine Foundation (2003) recognizes the hesitancy that intermediaries have with working on controversial issues that may raise concerns with donors. They stress though that it is a “reality that should be managed...not avoided” (p. 8). Millisen et al. (2007) also stresses the need for bringing “hot topics” in the open and convening them with the necessary information, resources, and skills to address the issues in a cooperative and collaborative way (p. 8). Auspos (2009) adds that grantmaking intermediaries need to devote a portion of their resources toward advocacy efforts in order to make a concerted commitment to this critical work. Finally, Easterling (2009) explains the need for grantmaking intermediaries to move from their traditional role in the community, which is defined by transactional functions (of advising donors, investing funds, and making grants) to serve as transformational agents through various strategies that “shape the public agenda, expand the number of people involved in decision making, and foster new relationships that bridge old divisions” (p. 50). This research explores current “transformational” efforts and opportunities of community foundations and United Ways, and identifies shortcomings that minimize their potential to serve as transformational agents in the community. Recommendations are made to enhance the opportunities for these organizations to increase their capacity to become more integral leaders in pursuing systemic community change, which will heighten their relevancy and their comparative advantage. Research was conducted through interviews with staff at two community foundations (referred to as Community Foundation 1 and Community Foundation 2), and two United Ways (referred to as United Way 1 and United Way 2). Community Foundation 1 and United Way 1 serve the same community, as do Community Foundation 2 and United Way 2. One staff member that serves in a leadership role was interviewed from each organization. Participants were selected based on recommendations and referrals from organizational staff and participants gave their informed consent (see Appendix 1) to participate in the study. Participants were guaranteed confidentiality; therefore personal communications will not be cited in the findings below. Questions were issue-focused, related to the organization's grantmaking processes, fundraising processes, organization's perception of itself and its role in the community, and current partnerships and views on community collaboration. Qualitative data was collected and recorded through one-hour interviews at the organizations (refer to Appendix 2 for interview questions). Interview data was recorded, sorted, coded and analyzed. Secondary analysis was conducted of the four organization's annual reports and 990 forms to identify funding and donation trends of these four organizations. The United Way and Community Foundations learn primarily about community needs through numerous community committees and conversations, but they draw awareness to these needs in their own distinct ways. All of the organizations emphasized their reliance on community conversations to learn about community needs. Organizational staff serves on numerous committees and meet constantly with key community players and organizational partners to learn of community needs. In addition to community conversations though, the Community Foundation 1 emphasized reliance on community data as it looks to a local university for information regarding community needs. In contrast, the Community Foundation 2 stated that while they look to community needs, the board is “very independent when it comes to grantmaking.” In terms of communicating the community needs, the United Way has high visibility in the community through its workplace campaign. The workplace campaign has been an effective method for sharing information regarding community needs in the health and human service realm to companies and their employees in the communities that participate in the campaign. As one

participant stated, "Yes, we ask for money, but we are really informing people of the community needs." As a result, the United Way is viewed as a "safety net" and an organization that responds to these needs. In contrast to the United Way's exposure, the community foundation has far less community visibility. In Community Foundation 2's community, the foundation is known for its scholarship programs, as the foundation plays more of a "behind the scenes role," while Community Foundation 2's challenge is "distilling what it is that we do for the community (considering the numerous initiatives that they fund and participate in)." Community Foundation 1 has made conscious efforts to broaden its donor base and to educate the community about its. Some of these efforts have succeeded through utilization of various social media tools to grow the foundation's exposure and to spread awareness of the community's needs. Some funding focus overlap as a result of intentional efforts to support initiatives in the community and align resources; yet other overlapping focus areas are strategically selected so that the United Way can remain competitive with other grantmaking entities. As mentioned in the literature review, the United Way Worldwide has implemented three key funding focus areas across the United Way system—education, health, and income. Health and education as areas of philanthropy receive greater philanthropic dollars than human services; therefore it is not coincidental that they make up two of the United Way's three key focus areas. As one United Way employee stated "support for human services, (as to the extent that UW represents human services), is shrinking, we are losing ground to health and education. This is probably why UW is strategic in using the two as titles for building blocks to our funding areas as a way to compete." A significant percentage of community foundation grants are also awarded to health and education. In 2008, 54 percent of the Community Foundation 2's grants were awarded to health and human services (27 percent) and to education (27 percent), which includes their scholarship programs. 74 percent of Community Foundation 1's were awarded to "Academic Achievement" (33 percent) and to "Healthy People" (44 percent). In addition to this overlap in funding focus areas, the participants identified initiatives that the local United Way and Community Foundation have strategically collaborated on in order to direct resources towards critical community needs. One participant stated that there are "several examples where we are one party at the table trying to do some community-wide problem solving, planning, and work together." In the other community, while the organizations have collaborated on a few projects, the United Way participant explained, "we don't share funding focus areas with the community foundations as much as I think we can." Much collaboration occurs across community foundations and United Ways nationally, statewide, regionally, and across specific counties. Participants stated that collaboration occurs particularly at the leadership level of foundations and United Ways. This allows local chapters and organizations to share knowledge, best practices, resources, strategies, and networks to enhance their work. While the United Way is tied to the United Way of America and its national efforts, participants also acknowledged a strong state network (there is a United Way state association), particularly around their 211 programs. Collaboration also occurs in their region as some of the local offices share office support, particularly with pledge processing. The United Ways understand the need for regional collaboration, as one participant noted, "There is partnership across geographic boundaries; we are all in it together in order to create a stronger region." Community Foundations collaborate across the state, particularly through a statewide association. Both community foundations also provide support to smaller affiliate community foundations nearby, such as managing their assets. In addition, there is interaction across the region when handling grant requests from grantees that serve numerous foundation communities. The organizations utilize program evaluation, but it does not necessarily drive funding decisions. While all participants mentioned evaluating their grantees, there was not a strong emphasis on evaluation being tied to funding decisions or of evaluating the overall impact of their organization's work. For example, these United Ways continue to fund many of the same agencies over time (and dollars designated to programs remain relatively consistent as a percentage of their overall fundraising campaign). The organizations all require their grantees to provide data that reports how dollars were spent, and the outcomes and outputs of the programs that they requested funding for, but some of the organization's timeframes also restrict them from collecting extensive data to demonstrate effectiveness. Short-term grantmaking by the organizations inhibits the organizations from tracking and reporting reasonable program outcomes in short periods of time, while it minimizes their capacity to truly seek community change. The funding cycle at Community Foundation 2 occurs twice a year and Community Foundation 1's funding is ongoing but the grants do not typically extend across multiple cycles. These short timeframes inhibit grantees from collecting extensive program data to demonstrate impact. In addition, foundations rarely provide

ongoing support to organizations across multiple funding cycles; therefore program effectiveness is not necessarily continuously supported through their short-term grantmaking tactics. Meanwhile, the timeframe for United Way 1's funding cycle is three years, while United Way 2's funding cycle is two years. One participant highlighted intentional efforts to extend the funding cycle beyond its previous annual cycle in order for grantees to gather data over an extended period of time, "if we were going to move toward funding around specific programs and outcomes connected to those programs, you've got to give it a little more time to see the results of the program." Regardless of the organization's communication of community needs, donors want more control over the designation of their donation (which does not necessarily align with the needs). United Way participants have experienced growth in donor designation, and gifts are often designated to organizations that are outside of the scope of their member agencies (although it must be a 501(c)3 and have antiterrorism paperwork filed), therefore implying that the community review process of member agencies, and the scrutiny that the volunteers conduct of these agencies, is not necessarily valued by donors. United Way 1 would prefer to have at a maximum, fifteen percent of its overall donations designated, however in 2009, twenty percent of donations were designated. Of the twenty percent, 42 percent (\$1.02 million) were designated to United Way member agencies while the other 58 percent (\$1.4 million) went to a broader array of agencies, many of which were not in the community. United Way 2 has 25 member agencies, but 2009 donations were designated to over 200 organizations. Concerns with this growth in donor control is summarized by one participant: What used to be valued for by the donors is that they didn't have to know about agency x,y,and z, or need x,y,and z, they would send their money to United Way, and we had people who were reviewing the needs of the community and making decisions... for the donor. Well now donors want to make that decision more for themselves, and so how much they value the fact that we have a group of people reviewing proposals...what we are hearing is that is not valued ...if I'm a donor, and I know about this organization, I want to give directly and I want to help literacy as opposed to something else, I will do it myself. While some of the community foundations' assets are unrestricted (37 percent of funds through Community Foundation 1, fourteen percent of Community Foundation 2), the majority of funds are established to serve a more defined need, in the form of a scholarship, field of interest fund, or donor-advised funds. Development officers work to encourage funders to establish unrestricted funds, yet many like to focus on a more specific cause to gain a greater sense of community impact. One foundation participant pointed out though that the "donor interests change year to year with the donor-advised funds." These organizations compete for the role as the community leader. Each organization emphasized the role that they serve as the "community convener" in order to engage the community to respond to community needs. This central role is related to the historical presence that these organizations have had in their communities (the youngest organization interviewed has been around for fifty years). The participants all mentioned "being at the community conversation table," however the foundations emphasized a more central role in those conversations as the community "mediator" or "facilitator." The competition for this leadership role exists more so in one of the communities where there are numerous private foundations, funders, and non-profit organizations in the community. According to the United Way 1 participant, "locally, we have a sense that we are not a team player in terms of being considered as part of a larger community collaboration—we have a ways to go for others [community partners] to have that perception of us." When asked about community partners, Community Foundation 1 did not mention the United Way initially, but instead other funders and the city and county were mentioned as leaders. Community advocacy is difficult for these organizations to engage in. Participants' responses to advocacy efforts were primarily that these organizations "do not go into things that are controversial." One participant pointed out that "at the local level it's [advocacy] tougher to do, because you're right there. If you take a strong advocacy position, particularly something that is controversial, you are risking local support" Community Foundation 2 explains that they try to take an "unbiased side" in community issues: We're really trying to look at what's good for the community in the LONG term which sometimes people don't understand...we take the big picture most of the time, and I think that's another important piece that we can bring to the table, because as a foundation, we're here for good forever. The dollars endowed here are going to be here 100 years from now whether or not we are or not." Despite the concerns for losing support from stakeholders, one participant acknowledged the need for advocacy work, "There's a recognition of the need for it...it is essential to advocate as well as to provide a service." The United Way organizations are more structured around raising funds while their mission focus is to "impact lives." Whereas the community foundations' structure is balanced around programs and

development, yet their mission is first to “build the community endowment.” The community foundation staff is more balanced in terms of its organizational capacity to address community needs and grantmaking. At Community Foundation 2, 25 percent of staff members work with programs and 25 percent work in development. At Community Foundation 1, thirty percent work with programs, and thirty percent work in development. United Way 1 staff are not as balanced, as 15 percent work with investment while forty percent work in fundraising. At United Way 2, ten percent work with programs, and thirty percent work in fundraising, however the roles are not as distinct for this smaller organization. Despite their organizational structures, the community foundations emphasize that their primary mission is to “build and manage the community endowment” and to be a perpetual resource in the community, while the United Way states that their mission is to “impact lasting community change.” Findings from this study support the literature that the United Way and community foundations provide value to their communities by raising funds for their communities (for those donors that designate their gifts to the community), and while several studies point to the need for these grantmaking intermediaries to move beyond fundraising/development in order to stay relevant and become a “catalyst for community change,” their capacity and focus on providing significant ongoing support to impact systemic community change was not evident from this research. However, some attempts have been made around a few community initiatives. Organizational effectiveness is challenged by their grantmaking timeframe, underutilized program evaluation tactics, donor control, hesitancy to engage in advocacy, and misaligned organizational structure. Short-term grantmaking and funding cycles do not provide support for long-term change, which are shortcomings that the literature identified among community foundations. In contrast, while the United Way runs three-year funding cycles, their funding to consistent member agencies, and therefore their lack of utilization of program evaluation data to drive funding decisions does not necessarily support long-term community change either. With their challenges to raise funds and increase assets, these grantmaking intermediaries honor donor control and preferences, which are not necessarily aligned with community needs. They also hesitate to engage in advocacy work for fear of risking local support. In addition, while the foundations' organizational structures are balanced to support both fund development and program initiatives (because they have the resources to support them), their mission focus is centered on fund development and building the community endowment. Meanwhile, the United Way points to a mission for community change, yet its organizational capacity to do this is limited as significantly more staff work in the resource development department as they face the challenge of raising new funds each year through their annual campaign. The literature suggests that organizations seeking community development should not focus on donor relations, but instead should focus on “collaborative conversations” around key issues (Graddy & Morgan, 2006, p.9). The research conducted in this study demonstrates that these organizations are successful in collaborating and carrying community conversations. As mentioned above, donor relations remain a priority, and while collaborative conversations are important, the literature also suggests that the goal for these organizations is not necessarily just to learn and “identify the most critical issues,” but also to “contribute to its solution.” As mentioned earlier, another critical issue is with whom they engage in conversations and the necessity to engage a diverse array of community stakeholders. These intermediary organizations are well positioned in the community with the knowledge, leadership positions, and partnerships/relationships/networks, but also need to consider other strategies and tactics in order to seek community solutions (in addition to addressing their limitations mentioned above). They need to align the size and duration of their grants, develop new organizational structure (in the case of the United Way), be willing to take risks, engage a broad array of stakeholder input, and embrace advocacy efforts in pursuit of community solutions. In addition, they need to put aside their desire for power and status as the community leader. Rather, they need to be willing to play a supporting role as convener and share power. They also need to nurture, invest and develop other community leaders. Until these tactics are embraced, community funding will tend to support the status quo and run the risk of becoming more irrelevant in the face of rising competition. Future research should explore community foundation competition and its impact on grantmaking as the literature points to growth in competition with commercial funds, although foundation participants in this study did not seem too concerned with competition. In addition, further research should explore the impact of donor control on grantmaking and community solutions. If giving trends towards more donor control, these organizations must be strategic in partnering with donors and directing their interests to meet the needs of the community. Auspos, P., Brown, P., Kubisch, A., & Sutton, S. (2009). Philanthropy's civic role in community change. *Foundation Review*, 1(1), 135-145.

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Informed Consent Form

Information and Purpose: The interview, for which you are being asked to participate in, is a part of a research study that is focused on the role of grantmaking intermediaries in their communities. The researcher, a graduate student in the Masters of Public Administration program at GVSU, is interested in the roles that they play in civil society, as well as how this role can be enhanced in their community in order to stay relevant and distinct from competitors. Your Participation: Your participation in this study will consist of a one-hour interview. You will be asked a series of questions about the organization to which you are

employed. You are not required to answer the questions and you may pass on any that you wish. You may also notify the researcher and stop the interview and your participation in the study at any time.

Confidentiality: The interview will be recorded; however, your name will not be recorded on the tape. Your name will not be associated with any part of the written report of the research. All of your information and interview responses will be kept confidential. If you have any questions or concerns, please contact Heidi McPheeters at heidi.mcpheeters@gmail.com. I acknowledge that I have read and understand the above information. I am aware that I can discontinue my participation in the study at any time. Signature: _____ Date: _____

Qualitative Interviews- Community Grantmaking Intermediaries

1. Introduction - Consent - Permission to use tape recorder (confidentiality) - Idea of the study - Details like to know about the study before we begin?

2. Questions: Organizational Characteristics: • Overview of organization- staff size, board, budget • What would you say are some of your organization's major accomplishments? Grantmaking: • What percent of your organization's staff is devoted to working with grantees? • What is your organization's main funding focus area(s) at this time? • Have the focus areas changed throughout time? If so, how and what was the impetus for this change? • How do you prioritize your grantmaking? • What is the application process for grantees? • What is the timeframe of your investment/grantmaking cycle? • Do you fund programs over multiple cycles, if so, what percent? • Do you have reporting procedure expectations for your grantees? If so, explain • Is your grantmaking focus shared with other community organizations? Donations/fundraising: • What are the main mechanisms that you receive funds through? Has this always been the case? • How would you describe your typical donor? • Do donors/funders have a say as to what program/need/agency their donation supports? • What percentage of your grants is currently made with discretionary funds? • What percentage of your organization's staff is devoted to working with donors? Role in the community: • What is your organization's role in the community? • What is the community's perception of your organization? • What is your organization's role in advocacy? • What is your organization's relationship with its grantees? • How is the community engaged with your organization? • Are there opportunities to develop this? Partners: • Who are your organization's primary strategic partners? • How do you view the role of that partner organization in the community? • What is the nature of the relationship with those partners? • Are there specific projects that you have collaborated with them on, and if so, please explain? • Does your organization have defined roles in place in regards to this partnering organization(s)? • Does your organization have financial interaction with other organizations? • Do the donors or board members overlap across these organizations? • Who are your competitors (non-profit, for-profit, etc.)? • Do you collaborate with other member organizations in other regions? Have geographic boundaries become somewhat blurred with neighboring organizations? • Are there opportunities to collaborate, coordinate, or cooperate with other member organizations that serve another geographic location? • What future opportunities would you envision for collaboration?

3. Closing Anything else? Heidi McPheeters is a 2013 graduate of Grand Valley State University's Master of Public Administration program with an emphasis in Nonprofit Management and Leadership. She received the 2013 Outstanding Student Award for the Master of Public Administration program and is a member of Pi Alpha Alpha. Originally from Flint, Michigan, she obtained her Bachelors of Social Work with a minor in International Development at Calvin College. She has over eight years of experience working in the nonprofit sector, including as a researcher and fundraiser for the United Way of Greater St. Louis, in donor cultivation for the American Red Cross Great Lakes Blood Services, and as an admission and financial aid counselor at Calvin College. She currently works for the Frey Chair for Family Foundations and Philanthropy at the Johnson Center for Philanthropy at GVSU. Ms. Pheeters was a Cook Leadership Fellow with the Hauenstein Center at GVSU, and also recently served on an investment committee with the Heart of West United Way and on the capital campaign committee for the Fulton Street Farmers Market Expansion Project. Her academic and future career interests and passions are in philanthropy, particularly in strategic grantmaking to build the capacity of nonprofits to respond to community needs and to enhance impact. She lives in Grand Rapids, Michigan with her husband Scott.