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## Can Community Foundations Rally Wealthy Donors to Back Racial Equity Work?

Mike Scutari | February 08, 2022



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Every now and then we come across an initiative that encapsulates a handful of key trends permeating the broader philanthropic landscape. Nexus for Equity + Opportunity Nationwide (NEON), a cohort of community foundations launched by the Community Foundation Opportunity Network (CFON), is one such example.

**Launched in 2016**, the CFON leverages the collective experience of community foundation members to close the opportunity gap between affluent and poor families, including by engaging high-net-worth donors in efforts to advance economic mobility.

In early 2021, CFON rolled out NEON with the goal of identifying strategies and metrics to **combat structural racism** by building power and leadership among underrepresented people and increasing income and wealth. NEON's inaugural cohort plans to use its findings to show wealthy donors that their support for racial equity work makes a significant, measurable impact.

**Terry Mazany**, CFON's network executive and former Chicago Community Trust CEO and president, recently gave me an update on how the initiative was unfolding. He told me that one of NEON's top priorities is "attracting new forms of philanthropic capital where high-net-worth donors and foundations are confident that that philanthropic capital will be deployed for maximum impact *and* that it will be matched or supported as a co-investment with the existing donors of a community foundation."

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Reflecting a few trends in the sector, NEON is focusing on combating structural racism, a high priority for funders right now. It's also the latest example of the growing level of collaboration among community foundations, which have traditionally kept to themselves. And it's part of a larger push to tap frustratingly [disengaged high-net-worth](#) donors. Interestingly, NEON is aiming to do so by offering measurable results, something many wealthy donors still require, even as some in the sector shift to more trust-based practices.

## **Closing the “opportunity gap”**

In 2016, author Robert Putnam published his landmark book, [“Our Kids: The American Dream in Crisis,”](#) in which he argued that Americans who were born poor were increasingly likely to die poor. This growing “opportunity gap” between rich and poor families was especially acute for children of color.

Putnam has, however, offered some cause for optimism. As part of the “civic backbone of America,” community foundations were uniquely positioned to close the opportunity gap. The CFON launched with this explicit purpose in mind, tapping into research from Putnam, the Brookings Institution, the American Enterprise Institute and the Bill and Melinda Gates Foundation-funded [“U.S. Partnership on Mobility from Poverty”](#) study.

The CFON, which currently has 46 members, has received support from the Annie E. Casey Foundation, Fidelity Charitable Trustees' Initiative, the Ford Foundation, the Heinz Endowments and the William T.

Grant Foundation. The network also seeks to expand its fundraising power by engaging more high-net-worth donors.

Mazany cited a 2018 Bridgespan Group report called [“Four Pathways to Greater Giving,”](#) which found that families with net worths exceeding \$500 million gave only 1.2% of their assets to charity in 2017. Authors went on to explore how fundraisers, collaborative platforms like Blue Meridian partners, and—most importantly—community foundations can unlock and leverage accumulated philanthropic capital from America’s wealthiest families to accelerate social change efforts.

Equipped with the study’s findings, CFON members started building out a strategy aimed at getting high-net-worth donors off the sidelines by identifying, measuring and promoting ways to close the opportunity gap at both the local and national levels.

## **Impact and scale**

In 2019, CFON leaders met with Bridgespan Group co-founder Jeffrey Bradach, who pioneered the concept of “aligned-action networks.” [According to Bradach,](#) aligned-action networks “address the same issue in multiple locations, aiming for impact and scale.”

Mazany told me that CFON leaders “took this idea and began to explore what it would look like for community foundations to work together to achieve common goals and have common metrics for their work.”

When the world went on lockdown in early 2020, CFON leaders considered putting its aligned-action

network on the back burner as community foundations pivoted to [pandemic response](#). But leaders also intuitively grasped that the crisis was laying bare inequities across American society. “We thought, ‘That’s exactly what CFON and the aligned action network were designed to address,’” Mazany said.

In June 2020, members began work on NEON’s design phase. Their efforts, which kicked off a week after the murder of George Floyd, eventually zeroed in on dismantling structural and systemic racism and achieving equity in social and economic mobility in their communities.

The inaugural cohort of nine community foundations launched NEON in January 2021 and kicked off the “build” phase, which found them developing a common set of metrics in partnership with the Urban Institute. Members soon committed to metrics that focus on two distinct areas to combat systemic racism: building power and leadership among underrepresented individuals and increasing income and wealth.

### **A focus on performance measurement**

Here’s a quick example illustrating how NEON’s work plays out in the field. Its [strategy](#) lists two levers for increasing income and wealth—“wages, wage supplements, and work supplements” and “asset formation and access to capital + entrepreneurship.”

Taking a closer look at the second lever, it maps to three strategies—supporting “under-banked residents,” “facilitating investments in entrepreneurs of color,” and “investing in community land trusts.” Each

strategy comes with corresponding measures of success. For example, one metric for “supporting underbanked residents” is tracking the number of individuals with increased access to affordable financial products and services by race and neighborhood.

NEON’s strategy finds members branching out to embrace an unprecedented level of collaboration, advocacy and performance measurement. “There aren’t a lot of good metrics for a ranking or rating the presence or absence of structural and systemic racism in a community,” Mazany said. “And so I think this is going to be one of the exciting and leading-edge aspects of our work.”

Because each of the participating foundations is self-sustaining, funding will flow to community-based organizations and anchor institutions that support the goals of dismantling racism and achieving mobility. And with metrics in hand, participating community foundations can then make the pitch to high-net-worth donors who want to see that their donations yield the greatest impact possible.

### **Engaging high net-worth donors**

Community foundations’ discretionary grantmaking pales in comparison to assets tied up the donor-advised funds they house. Consider the numbers pertaining to NEON inaugural cohort member the Silicon Valley Community Foundation (SVCF). As of 2020, \$10.1 billion of SVCF’s assets were held in corporate and donor-advised funds, **representing 82.7%** of the foundation’s total assets.

We also know that donors operating through community foundations' DAFs frequently make contributions outside of the community to, say, their alma maters or national research institutions. Notoriously, there's also no legal requirement for DAF payout.

Cognizant of this enormous pool of potential funding, NEON members have been sharpening key talking points to unlock support from a segment of donors who Mazany describes as “very passionate about making social change and eager to work with community foundations to make a difference in our community.”

For example, Mazany underscored the potential impact of NEON's collaborative model. “Individually, a single community foundation can be hard-pressed to make a compelling case to a high-net-worth donor or a large foundation. But we think that collectively, we could make the case to attract dollars that will be utilized by [community foundations](#) through the aligned action network to bring about impact at scale that would generate additional funding.”

Mazany told me that participating foundations don't “pitch” specific nonprofits to donors as much as “offer a range of options in an Amazon fashion—‘You bought that, so you might be interested in this.’” We see this play out in SVCF's online [Giving Guides](#), which educate donors on key issues and local organizations. In a similar vein, NEON will make it even easier for each community foundation to share with donors and prospects ways that they can support organizations that advance the initiative's aims.

All that being said, Mazany also acknowledges that NEON's explicit stance against systemic racism may be "off-putting" to some donors who believe that the work may be divisive in and of itself. "We have to work through that," he said.

## **Looking ahead**

NEON's nine cohort members commenced the test phase in 2022. Next steps include identifying local data partners that can contribute common metrics to NEON's data system and conducting a "narrative inventory" in which members will examine community foundations' marketing and communications work to align a common narrative. This inventory will provide the basis for a toolkit and style guide that NEON will roll out across the field.

Members continue to raise funds from individual donors and foundations so they can implement and scale their efforts. For example, members will be submitting a proposal to the [William T. Grant Foundation](#) to fund the design of a comprehensive evaluation of NEON that will include, among other things, determining if community foundation investments contributed to increasing social and economic mobility with material improvements in income and wealth.

The cohort will also begin fundraising to test its proposition that NEON's aligned action of community foundations will attract funding beyond what community foundations would normally be able to obtain. If all goes according to plan, NEON will have accepted more community foundations into the cohort



and proceeded to the “scale phase” by this time next year.

If anything remotely positive can be gleaned from the past two years, it’s that NEON’s intended audience—high-net-worth donors—had a first-hand look at how community foundations stepped up to address critical needs in marginalized communities. NEON plans to build on this momentum and remind funders that community foundations remain, to quote Mazany, “that ‘last mile of philanthropy’ for the transmission of dollars to where donors will make the greatest difference.”

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