

S4E5

Tue, May 07, 2024 4:11PM • 36:13

SUMMARY KEYWORDS

endowment, endow, organizations, foundation, philanthropy, racial justice, work, pooled fund, resources, grants, philanthropic sector, years, progress, democracy, strategy, grassroots organizations, support, naacp, build, campaign

SPEAKERS

Monique Curry-Mims, John Jackson, Valerie Johnson

Valerie Johnson 00:00

Hello, and welcome back to beyond philanthropy. My name is Valerie, I am here with Monique.

Monique Curry-Mims 00:06

Hello.

Valerie Johnson 00:08

And we've got a really fun guest for you today. So I'm going to toss it to Monique to introduce our guest and get us started.

Monique Curry-Mims 00:15

Thank you, Valerie. I had the pleasure of meeting with Schott foundation last year in mourning about their endow now campaign and program. And in a time where endowment funding for nonprofits I think are integral especially when we're talking about spending down we thought it was right to have John Jackson who is the president of shot foundation to join us for our conversation on endow now and the benefits of endowing nonprofits. Welcome to the podcast. John, thank you again for joining us.

John Jackson 00:53

Thank you for having me. It's great to be here.

Monique Curry-Mims 00:56

Yeah, so let's just let's just hop right in. So you guys had this amazing - First of all, like Schott is amazing. Also, we had Edgar on last year. So Edgar Villanueva, he was on our podcast last season. You guys do some amazing work. Can you tell us about endow now?

John Jackson 01:13

Sure. So Schott, we're a public fund. And as such, we work with larger philanthropic organizations or foundations and donors to get resources to grassroots advocacy campaigns, recognizing that if you

look at all of the dollars within philanthropy, a significant amount is missing in the coffers of racial justice organizations. And I say it that way. Because we often work from our frame of scarcity. But within the philanthropic sector, there are billions of dollars that are available. If we look at what's dedicated annually toward racial justice, and even more education, justice, we are looking at 100 to 150 million. And when you look at the size, scale, depth of the challenges that are before us, there are resources that are available that are not dedicated to bending the arc of justice. So at the foundation, we work to support and build the capacity of education and racial justice organizations. That being said, we also have to think about the long term sustainability of these organizations. I would ask anybody who believes that we're going to solve racial equity, racial justice within a grant cycle to show me your theory of action. Show me your theory of change, show me what you're actually funding. That is not the case, I would ask anybody who knows anything about maintaining a democracy, how you believe that democracy is a destination, rather than a journey? And if it's a journey, then how do we sustain our progress within democracy without the organizations that make our democracy work. So if we start there, we recognize that there has to be some strategy to ensure that the organizations that make our democracy work that ensure that there's progress in racial equity are sustained. That's how we got to the endowment campaign, because racial justice organizations are the least likely to have endowments. I work prior to coming to Schott I worked with the NAACP for seven years. This is an organization that is 110 plus years, an organization that has a proven track record in advancing our country, our democracy, the you know, Brown versus the Board of Education in 1964 Civil Rights Act, the NAACP was a significant part of both of those. And yet, that was an organization that didn't have an endowment after 100 years, proven track record of success. So we can't talk about well, we don't know if they do good work, you know, if they have a capacity proven track record over 110 years, and as a sector, we have not committed resources to ensure the long term sustainability of this institution. Now just use that as an example. So we came to the endow now campaign, because there are certain behaviors within the philanthropic sector that we have to critique, as we critique other sectors, and as well, what are the behaviors that lead to racial disparities, and the lack of progress in racial equity? What are the behaviors within our own sector that leads to the lack of progress? And for some foundations, it's written in policy, we do not support endowments, right. Then there are those that support endowments, but we endow hospitals, universities, museums, which I think that that's great, we endowed the brick and mortar of institutions that we want to maintain, or support services that we would like to maintain. At the same time, we've got to recognize that grassroots organizations are the bricks and mortar of our democracy, because of democracy involves relationships, people and relationships. These are the organizations that ensure that our democracy stays in good relation with all people within a democracy. And we don't have to go far in our history to recognize that we haven't always had a democracy in good relation to people of color in good relation to women. So that's why we wanted to, number one, critique the behavior within philanthropy. Number two, ask what can we do to begin to shift the behavior, and that is, you know, the focus of the endow now campaign.

Monique Curry-Mims 06:00

We've got to get some sound effects, but definitely wanted, like a round of applause there. Because when like, we're all about critiquing philanthropy, and they're, like, so many conversations that are like, replaying in my head around critiquing philanthropy. So what have you learned from endowing nonprofits? Like I know that recently, I believe it was the center for effective philanthropy just put out a report. And there's been a lot of different write ups about it. And a lot of it was saying that people just

weren't doing anything was like 86%, or something like never thought of it never did it, something like that. But what are the learnings that you are seeing from in dialing them? Like, what good is coming out of it? What should people learn? What should people know, just generally?

John Jackson 06:46

Well, as a part of the data that came from the Center for effective philanthropies report, just 31% of foundations provide endowment grants, and which those endowment grants represent a small percentage of the total number of grants, and only 7% fund endowments for grassroots organizations. So as I mentioned, you know, of that small share 56% of those endowments are dedicated to museums and arts organizations, another, you know, 54%, direct service 41% funded education or endowed educational institution, but just 7% are related, or officers used to fund grassroots organization, I think, you know, one of the things that we have to make very apparent is the significance of grassroots organizations and bipoc led organizations, again, to our democracy. I think for so many years, we have believed that our democracy is on autopilot. And now more than ever, we should see that it is not that it works best because of people who actually make it work, nameless and faceless people in communities across the country. And **if there's any sector that knows the benefit and the power of an endowment it's the philanthropic sector, that's how many of our organizations survive**. So if it's something that we are aware, then it's a question of to what degree do we trust the organizations and the grantee partners that we support? While we're also saying that we do trust based philanthropy? well endowed in these organizations is the next phase of trust based philanthropy, rather than transferring grants, let's transfer wealth, which means you're transferring power as board, we have to ask the question, how much is too much to have in our own endowment? Is it really significant to get to from 1 billion to 2 billion? Or is it more significant to begin to build endowed networks that are connected to where we're sustaining those organizations that we know have done more with less, so we want to give them more to do more?

Valerie Johnson 09:15

All right. So there's so many things I could jump into right now. But I think the one that's sticking in my head, is what I think listeners might get stuck on too, is grassroots organizations versus endowed organizations seem like they're two different ends of the spectrum. Like if you're a grassroots organization, you're scrappy, you're on the ground, you don't have a lot of funding to play with, you're making a lot happen with a little bit. And if you're endowed, you're like, a university. You're a healthcare system. You're in established like as far away from grassroots as humanly possible. So I think my question, I don't know what my question is, I'm still formulating it. I think what my question is, is how have you seen grassroots organizations remain grassroots, despite having the added resource of an endowment, so like an endowment doesn't mean that you're suddenly tapped here and away from the community, or at least, I'm assuming that that's what's been happening and what you've been seeing. So talk to me a little bit about that.

John Jackson 10:28

I think **having an endowment is a strategic tool, it does not change the nature of your work, it provides more opportunities for you to strategize in different ways**. And you know, what I mean by that is having HBCUs that are endowed, doesn't necessarily change them from HBCUs. It doesn't necessarily change their pedagogy. It doesn't necessarily change. In fact, it allows that it allows more individuals to have

access to that HBCU experience that holds true with endowing grassroots organizations, and bipoc led organizations. The fact that the Robert Wood Johnson Foundation and others decided to begin the process of building an endowment with the NAACP doesn't change the work of the NAACP. By that it only strengthens their ability to do that work in a more strategic way. So, you know, I would, I would challenge anyone who says that we can't endow this hospital, because if this hospital is in doubt, it won't, you know, be able to serve in provide the health services that are necessary. That's not how it works, work. In fact, again, the philanthropic sector in and of itself, this is for many of the organizations, endowments are built into our business model. So much so that we, many of the foundation's have sort of said, well, we were going to spend down 4%, or 5%, I think we've got to get more aggressive than that. But it is clearly something that we've built into our our business model, that doesn't necessarily stop the work that we do.

Valerie Johnson 12:27

so it's almost like coaching ourselves to not look at and endow organizations as only well established large machines, like we have to look at endowments as a tool that is actually available to all nonprofits, and not just the ones that have those big resources. That's like a big, that's really messing with my brain. It's like a big shift for me, like when I think of endowment, I think like, you're pretty established if you have the resources to get an endowment, which is the point of endow now is that you don't have to have that establishment and those massive resources.

John Jackson 13:03

Well, it does take a shift from this mindset of charity within philanthropy, because there are some donors that like to be have that feeling of being needed, you know, and the privilege and the press release and all the rest. This is not that this the work that our racial justice and education justice organization is doing. And if we're going to support these organizations, it can't be about charity, just giving them just enough to survive, just enough to be in the game, just enough so that you still have to come back to me to get more that is part of the challenge that maintains these disparities that exist in our country. That's part of the challenge that we have with our our democracy, we have yet to effectively and consistently give up the power and the privilege, our share the power and the privilege with all people who need to be in good relations with our democracy.

Monique Curry-Mims 14:13

Valerie brings up a good point about the mindset shift. I was at a conference recently, it was a total impact Summit, which is put on by impact PHL and SOCAP. And here in Philadelphia, and I won't, I won't say any names, but there was this one woman from a foundation that, I was there as the emcee. So I was definitely trying to like hold my piece and not get on my soapbox, but she was saying that her foundation which has a really well known name, no longer gives general operating because general operating is only for operations is only for keeping the lights on paying the bills. Paying the insurance and they can't do what they need with it. I know Valerie you're shaking your head. And that's annoying. So now they're moving to an investment focus, where they're now investing their resources. And they're biting down and giving out 250 per year to help with infrastructure of a nonprofit. And I'm like, isn't that not general operating? Like, we get so caught up in the semantics of what a name is, whether it's an endowment or a grant or general operating? And I'm like, but what is the purpose? Right? Like what like, what is your intent behind the gift that you're giving and how you're giving it? And I in? I guess my

question, and what I'm trying to say is like, how do we, how do we help that mindset shift? Like, because people are like, that is not what general operating is investing in the infrastructure of a nonprofit and letting them do whatever they want with it, it's general, they can do whatever they want with it. If we're thinking about now using endowment to be able to say, here's money for some long term infrastructure, as well as that 5%, kickback, or even you know, I worked at a nonprofit that had an endowment and that money went into a board advise reserve, that we just kept stacking up in case we needed it for something right. So we had that option to take that draw or not. But understanding that there is that draw that they can use understanding that there is some long term potential infrastructure investment. How do you how do you make that or help that mindset shift around utilizing that as a vehicle for your giving and for your intent?

John Jackson 16:34

there are definitely ways in which you want to support organizations to be prepared to receive an endowment. And in fact, when we've been talking about the endow now campaign, and that campaign is really focused on having the philanthropic sector shift our behaviors, and lean into supporting racial justice and bipoc led organizations with endowments. At the same time, the way that we walked into that value at the Schott foundation is we launched the racial justice and education endowment, it's a \$30 million campaign over a five year period, to endow three national racial justice alliances, we're 20 months into that campaign, we've raised about \$5.5 million. Understanding that it won't be a linear process, because we're still encouraging philanthropy to lean in while we're also raising the money. Now, in order to do that, those community organizer partners national alliances are at the investment table with us. So there it isn't necessary to ensure that they have the capacity, support and knowledge to manage an endowment that part can be done. And we know how within philanthropy to build capacity. Aside from that, a lot of the pushback that takes the tone of business strategy really boils down to trust. You know, you get questions of well, you know, what if they don't do the right thing with the money, you know, there's acorn that's out there. And we remember what happened with Acorn and they folded and X y&z Yes, that that that is possible. But But more often than not, these organizations are not folding, right? They're in communities doing great work. And this concept of releasing large chunks of resources and dollars to partners is not a new concept. Because if we go on our investment side, right, many of the foundation's they manage they have investment managers who manage their endowments, and you don't necessarily give the investment managers two years of funding. You don't put them on a grant cycle. But you give them large chunks of dollars, you evaluate their progress over a three, five and 10 year cycle. And you trust that they have the experience to do the right thing with the resources. Now acorn is real, that happened, but also on the investment side Bernie Madoff happened. And why did any foundation all of a sudden decide that we're not going to use asset managers anymore? Because of the Bernie Madoff situation? No. So there are a host of barriers that are created to doing this. One of the things that Darren Islam from Bridgespan talks about in the case study that he did on Robert Wood Johnson, is that the Robert Wood Johnson Foundation when they leaned into their endowment strategy for racial justice organizations, they started with a yes frame, understanding that there will be a host of barriers But how do we address them? With a yes, towards where ultimately, we want to end up. And that's getting resources to organizations for endowments. So I think that you've got to start with the yes strategy. We are smart enough to work through any challenges or barriers. We know how to build capacity, we know how to build support. This isn't a strange strategy to us, because we do it on the investment side within foundations. And all we're saying is, this isn't the only two that we

should use on the programmatic side. To the point that you raised Valerie there, it's generating general operating support there. There's project grants, we're saying that it's in the best interest of most philanthropic organizations to also have a pool of resources that they're using to endow there many of their anchor grantee partners.

Valerie Johnson 21:03

I feel like we're both like speechless, because we're like, This is so great. So knowing what you know, about how well this is working, what would you say to a foundation that is on the fence? Like, I think I might want to maybe try this, but I'm used to old school philanthropy, like, is there anything that you would want to say to kind of like, push foundations into thinking that this might be a strategy that they want to look at?

John Jackson 21:36

Well, I would say, one, a lot starts with the board. And it is a mind shift that has happened at the board level. And the question is, is your fiduciary responsibility to the sustainability of that foundation in in perpetuity? Or is it the sustainability of the work the mission, if it's ensuring that the foundation stays around, then you're going to make a set of choices that says, Oh, we already need to spend 4% 5%? Well, that might be a little too aggressive. If it's ensuring the progress of the work, this strategy has to be on the table. Again, it's not the only tool that you're using, but it has to be in your playbook. You start there. Secondly, there are a taxonomy of ways of getting there. And I understand for some philanthropic organizations, this may be a journey. And so when we talk about and down now or in down now foundations, it may start with the simple step of providing an organization five years or more of funding, right, unrestricted funding, that, again, gives that organization some level of flexibility and commitment, because what often happens specifically with racial justice organization, most foundations will fund them for two years, they're all four year, now the foundation comes in and all the rest, if we could get a five year commitment, and give the organization resources in a very flexible way, they can begin to strategically think about how they build up their reserves, leading to even an endowment. The other part of it is, you know, taking the journey of maybe not Robert Wood Johnson took the course of setting aside a pool of resources, their large Foundation, of which they could move 10 million 15 million to support endowments for several organizations. You may be a small foundation, lightshot, or individual donor. And that situation, we've created a pooled fund. And we have \$25,000 gifts into that pooled fund. And we have those that have given 750,000 We have those that have given 2.5 million. The message there is it should be a part of your strategy. And there are different ways to get there. Whether you start with increasing the term of your commitments to racial justice organization, whether you start with helping them to build one year two year reserves, or if you take the leap of endowing them, or paying into a an endowment endowed pooled fund. There are a host of ways that you can begin that journey. But I just believe that and we believe that there it is necessary for foundations regardless of where you're located to be a part of this, this effort.

Valerie Johnson 24:49

I'm so excited. I like this so much.

Monique Curry-Mims 24:53

I manage a foundation and I'm redoing the grand strategy right now. And I'm like our endowment is only 5 million. So You know, we run about 250 a year. So it's like, how can we really be impactful in that in that way? And then, at the conference, Jessica Norwood from runway, but two things. One, she said, you know, be courageous, right? Because I was like, oh, take little steps like that I'll take little steps be be courageous in your steps. And then the second thing she said was, because if it's not reparative, is extractive. That's right. And I was like it. Like, I felt bad for the other panelists, because we were like, how are ya gonna go after she tore it down. And it just really made me start thinking about this, especially knowing I was having this conversation today. And the importance of endowment because there's so many foundations here, like, there were foundations that had a ton of money, you know, the, the head of the family died and said, Okay, I want this spun down within the next five years. And they just, you know, spit out grants here. And there are some organizations really didn't do much with it. They didn't really have a plan for it. There's foundations now that are thinking about spending down and, and while I don't believe in a perpetuity, I do believe that foundations should spend down but they should spend down when the issue that they're actually focused on is no longer an issue, and how are you getting to the point where you're not needed, and not just winding down because you don't want to manage the fund anymore? Well, then give it to someone else to manage or create these endowments, that allows for these nonprofits to grow and then draw down for operating. This is I'm excited. Thank you. There was just thank you.

John Jackson 26:29

I think, to your point Monique that there's a different analysis that has to be applied to the concept of perpetuity for foundations, and for social justice, or even social support organizations. I don't want hospitals to go out of business. I want hospitals to exist in perpetuity, because we have people who need their their services. I don't want racial justice organizations to go out of business, because quite frankly, history tells us that in order to keep the balance and progress that we need these organizations now, do we need philanthropic partners who sort of sitting back making decisions over how these organizations are best supported and where those resources go? Maybe there's a time where we don't. And in fact, if you look at those who and that's why some people say this is a game changing strategy. I don't know how much it's game changing. Because if you look at those who have pushed back against reproductive rights, that wasn't led by a philanthropic strategy, a donor wrote a check for 100 plus million dollars, gave it to a few institutions who executed the strategy. It wasn't the donor writing a grant every year. So essentially, those organizations like the Heritage Foundation, and others that have that are sitting on these huge endowments, they have the capacity to think long term. And it's they get the check, go, dude. And I think we've got to sort of think about why is it that too often, Oregon and progressive organizations are given the smaller checks, and are not given that liberty? And I do believe it says something about our results. And so, you know, it's it is something that, again, we got to step back as a sector and analyze why we're doing what we're doing. And how can we be more effective in moving resources?

Monique Curry-Mims 28:47

Man, yes, I totally can call the yeses, all of the yeses. And I really just think about the idea that like, yes, you're absolutely right. There are some things that needs to be around and, and as much as we want to be like, Oh, we don't need these racial equity, these racial justice organizations, like as we see, the country is turning its clock backwards. So the progress that we've made is now you know, declining and

a lot of was racial or sexual away, you know, gender, whatever it is. So we do always need these things around. And like I said, you know, maybe the stewards of them are different, right? And maybe that's really, maybe that's really what it is. So if I'm a small foundation, or from a big Foundation, and I'm like, Oh, my gosh, John is dropping jewels. I want to get in on this. Where should they start?

John Jackson 29:42

Well, let's just start with the Schott foundation. We're a small foundation. Our endowment is only \$7 million. So I had to go as CEO, go to my board and ask him, can we raise more money than we have to. We're about endowments larger than our own. And my board said, Yes, let's do it. So every morning, I wake up, we've raised 5.5 million, I've got this \$24 million bill over my head that I'm working towards. And I think that that's what we should do, we should leverage our position and privilege within the philanthropic sector, to coalesce our partners to for the benefit of racial justice and education justice organization. So we created a pooled fund model, of which smaller foundations and even individual donors can sort of pay into larger foundations, you may want to look at the Robert Wood Johnson model, where they set aside a amount of resources, they identified a set of long standing grantee partners who they would begin to endow. So again, there, there are models that boards and foundations should look at and decide which model fits us best. But not being in the game is not an option. Because when we look at again, it's clear that our democracy is not on autopilot. It's clear that as it relates to racial justice, it's not about winning, or losing, there's progress, and there are setbacks. And it's about ensuring that there are individuals and institutions to help motivate the country and build the moment momentum toward continuous progress. And in order to do that, our racial justice organizations are in it for the long haul. And their resources should be also

Valerie Johnson 31:52

I mean when I think about endowments, I think about large chunks of money. So what I'm hearing is you don't have to start with a massive goal like you, you can start small, you can start with individual donations, you can start with just one foundation grant to get started. And I think we need more of that. Because in my head, like, if you don't have a \$10 million campaign to start your endowment, then you might as well not have an endowment. And I think that we need to get beyond that thinking after hearing you talk today.

John Jackson 32:23

Well, that's right. When I came to Schott, you know, some 16 years ago, they shot about 800,000 to a million in reserves, I said that we have a \$7 million endowment, so they grow over time. And that's the whole benefit of the ability to benefit from market shifts. Likewise, you know, in 2008, we saw the market just dropped. And when that happens, philanthropy gets sort of tight foundations. And so racial justice organizations are the first organizations that in most cases, received the smaller checks. On the other side, where there have been organizations that have been endowed, they can strategically go and tap into those resources to maintain at the very least maintain their level of programmatic activity. So where we see the racial justice organizations fall, they're able to at the very least maintain if not decide to surge because of what's happening on the other side. Now, when the market returns three years ago, we saw a 15% increase in the market. For an organization they is getting \$100,000 Check every year, that's still only 100,000. For an organization that is in doubt, they just saw a 15% increase in their overall assets. That's a tremendous difference and the resourcing of those two organizations.

That's what I say, we're in the asset management business. So this strategy we have to sort of consider it's not just something that we're doing out of some moral call. But it's its strategy. And I think that those are the conversations that we should have at the board level. What have we been doing over the last couple of decades, what has been the impact and how can we be more strategic and the ways that we're moving resources and the relationships that we're building?

Monique Curry-Mims 34:31

I got to have you up here in Philly, we're gonna have to figure out how to get you up here to educate some of these foundations. But we are at time is there anything else you want to share something that you want the people to know about shot about endow now about endowments in general?

John Jackson 34:47

No, we're we're here. We want to have these conversations. I was in Chicago, Wednesday, talking with a group of philanthropic partners who are interested in how they could Set up a pooled fund in Chicago to begin to endow some of the anchor organizations there. So we're here to have conversations. But if I say anything, I will say that it is important that you just start take the step right, there will never be the right time. But there's something that you can do, there's never the right time to save. But we're always taught that you save something. Well, this is a part of, you know, saving our democracy saving for our democracy. And that doesn't mean stop giving the operating support to the organization. We can do both. And because at the end of the day, these battles that we are fighting, unfortunately, we're going to have to fight for the next several decades. So again, we want to make sure that we're providing organizations with the fuel necessary and fund them as if we want them to win. Thank you.

Valerie Johnson 35:54

Thank you so much.

Monique Curry-Mims 35:54

Mic. Drop. Thank you so much, John, for joining us today. Thank you to our listeners for once again joining us. We hope to see you again next month. But if you didn't know now, you know, this has been beyond philanthropy. Thanks, guys.