



PHILANTHROPY *Australia*

Australian Philanthropy

Autumn 2010, Issue 75

Maturing philanthropy: challenging complacency & learning from experience

■ Impact Investing

■ Women Mobilising Millions

■ The Holy Grail of Impact

**Australian Philanthropy is the journal
of Philanthropy Australia Inc.**

Philanthropy Australia is the national peak body for philanthropy and is a not-for-profit membership organisation. Our Members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and encourage others to become philanthropists.

Our vision
A giving and caring nation.

Our mission
To represent, grow and inspire an effective and robust philanthropic sector for the community.

Philanthropy
The planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community.

Philanthropic sector
Trusts, foundations, organisations, families and individuals who engage in philanthropy.

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Front Cover

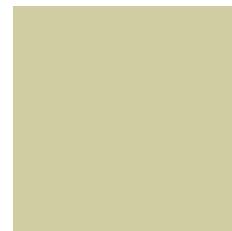
Our stunning front cover image – titled 'Voices', by 16 year old student Adam Hazelwood – was exhibited in 2008 at the Ku-ring-gai Council's Insight Exhibition, on the theme of mental health issues. The Colonial Foundation's milestone funding of Orygen Youth Health (featured in *Australian Philanthropy* issue 74, Spring 2009, 'Researching mental illness' by Andrew Brookes) represents a new step on the journey of maturing philanthropy. Director of Orygen Youth Health, Prof. Patrick McGorry's appointment as Australian of the Year 2010 has further raised the profile of mental health.



Contents

Perspectives

From the President: Bruce Bonyhady	2
From the CEO: Gina Anderson	3
Five steps of philanthropy	

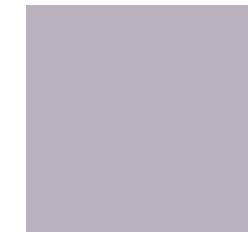


Highlights

5

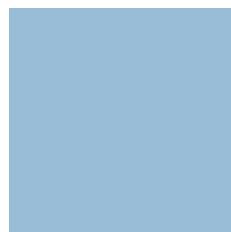
Interviews

Adam Smith	14
CEO of the Foundation for Young Australians	
Dr Helen LaKelly Hunt and Christine Grumm	22
Women Mobilising Millions	



Feature – Maturing philanthropy: challenging complacency & learning from experience

Governance, transparency and the Madoff Effect	6
Vanessa Meachen	



Beyond feel-good philanthropy	7
Michael Liffman	

Impact investing: creating social and environmental returns alongside financial returns	8
Kylie Charlton	

Sunshine Foundation: a case study in succession planning	11
Robin Hunt	

The holy grail of 'impact'	13
Bruce Sievers	

Learning from the crisis: the Implications for Endowments post GFC	16
Christopher Thorn	

Time <i>Will Tell</i> – Showcasing stories of good philanthropy	18
Tricia Bowen	

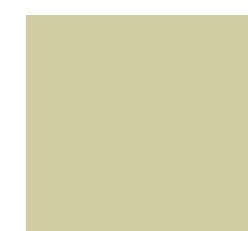
Maturing philanthropy: the Westpac Foundation experience	19
Gianni Zappala and Lisa Waldron	

2010 – International year of biodiversity	21
Beth Mellick	

Information sharing in philanthropy: learning from the blogosphere	24
Louise Arkles	

Modelling a new art of delegation	26
Mary Borsellino	

Members of Philanthropy Australia	27
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From the President



'Maturing philanthropy: challenging complacency and learning from experience' is the theme of this issue of *Australian Philanthropy*. The Oxford Dictionary

defines mature as 'having reached full growth or development'. Based on this definition, I hope that Australian philanthropy never reaches maturity! Rather I would see philanthropy aspire to be far sighted, practical, impactful, pluralist and respected. Others undoubtedly would choose different adjectives to describe their hopes, and so it should be as part of a diverse philanthropic community.

But semantics aside, it is the process of growing and developing that is under the spotlight here, and there is much to celebrate, not least that Australian philanthropy has come through the Global Financial Crisis with distinction.

In January, the Prime Minister chose to begin his government's celebration of this year's Australia Day in the Great Hall of the National Gallery of Victoria (NGV).

The platform from which he addressed his audience of community, business and government leaders was positioned beneath an inscription which reads: 'Honour Alfred Felton' whose bequest has transformed our collections.

While Felton is familiar to most Australian philanthropists, because in 1904 he established one of Australia's oldest foundations, not everyone in the Great Hall that evening would have noticed the tribute to Alfred Felton, notwithstanding its 10 inch lettering, because the stainless steel of the inscription blends into the basalt blocks with which Sir Roy Grounds lined the walls of the Great Hall. For those who watched the Prime Minister on television, the tribute to Felton was simply invisible because the cameras were trained on Mr Rudd.

However, the juxtaposition of the Prime Minister and the inscription honouring Alfred Felton were highly symbolic and could not have been more timely: still largely unsighted, philanthropy is moving towards centre stage in Australia:

- The response of the Victorian and Australian communities to the **Bushfire Appeal** was nothing short of extraordinary. Never before had the devastation from a natural disaster in Australia been so great, but never before had the generosity of Australians, including from new and long established philanthropists, been so substantial.
- In a landmark transaction, last November **GoodStart**, a consortium of community organisations – Mission Australia, the Brotherhood of St Laurence, the Benevolent Society and Social Ventures Australia (SVA) – purchased 678 former ABC Learning early childhood centres. The role of philanthropy was key in every aspect of this deal, including the development of the early intervention model, *Pathways to Prevention*, which will be used by GoodStart, the underwriting of SVA in its formative years and the direct investment of 'social capital' by philanthropists to help finance GoodStart.
- Philanthropy has also played an important supporting role in the development of the concept of a **National Disability Insurance Scheme**. It would be a Medicare type scheme that would transform the lives of people with disabilities and their families. In November the Prime Minister announced that the Productivity Commission would undertake a detailed feasibility study into this idea, which could, literally, underwrite the inclusion of people with disabilities in Australia.
- For many years Professor Myles McGregor-Lowndes at the Centre for Non-profit Studies and Philanthropy at the Queensland University of Technology has been working tirelessly to establish a **standard chart of accounts** for the community sector. His work, which would not have been possible without philanthropic support, was at long last adopted at the COAG meeting in December and as a result it will be much easier to compare the performance and efficiency of community organisations.

• On Australia Day this year **Professor Patrick McGorry** was named Australian of the Year for his pioneering work in preventing and improving mental health in adolescents and young adults. However, while Professor McGorry's work is now being rightly acclaimed, it was largely philanthropy that supported his research as he painstakingly built the evidence to support his theories.

At the same time, while these successes are notable, there is also so much more that Australian philanthropy can achieve because it is still, and will ever be, maturing.

One area, which is recognised in Philanthropy Australia's Strategic Plan, is the development of better measures of wellbeing, in order to gauge the contribution of philanthropy and to help trustees to prioritise amongst alternative areas of focus and projects. The importance of a framework built on the concept of wellbeing was highlighted very recently by Ken Henry, writing in the 10th Anniversary edition of *Boss* magazine. He noted that Treasury's framework has "five dimensions: the freedom and opportunity that people enjoy; the aggregate level of consumption possibilities; distribution (of opportunities); the risks that people are required to bear; and the complexity that people are required to deal with."¹

Dr Henry noted that this framework had helped to guide Treasury's thinking on taxes, transfers, emissions trading and Indigenous policy, and that wellbeing is a much richer framework for policy analysis than just aggregate growth in the economy, i.e. growth in GNP.

And measures of wellbeing could also provide a lode star for philanthropy, as it seeks to have maximum positive impact. ■

1. Ken Henry, Agenda 2020: Growth v Wellbeing, *Boss*, March 2010.



From the CEO



It is no news to readers of *Australian Philanthropy* that the philanthropic sector in Australia, like the not-for-profit (NFP) sector as a whole, is going through a very dynamic phase. A number of new players have come to prominence, including the Private Ancillary Fund (PAF). Many of the donors who have established PAFs are businesspeople who have been giving informally for many years.

New vehicles and structures such as donor advised funds, community foundations and a variety of investment products are emerging to meet the needs of a new class of donors who are seeking to invest money for social good. The new specialist players, coupled with a growing and far greater involvement by the finance sector, are contributing to the rapid restructuring of the NFP sector.

However, with so many new players entering the philanthropic sector, expectations by new philanthropists – and of new philanthropists – are very high. Many are still in a learning phase: learning about the NFP sector, learning about the causes of social and environmental issues, and learning about the challenges and opportunities presented by civil society.

Five Steps of Philanthropy

To help us all, Philanthropy Australia has developed the *Five Steps of Philanthropy*. The idea originally came from my discussions with Fernando Rossetti, CEO of GIFE, my counterpart in Brazil, as we were both trying to understand our new philanthropists, primarily individuals and families in my case, and corporations in his. These five steps give us a spectrum for philanthropic endeavour and allow individuals, foundations and indeed corporations to identify where they are on the journey as a whole, or in their work on a particular issue.

Those who are new to philanthropy begin by moving through the journey, step-by-step while experienced philanthropists operate along the whole spectrum most of the time.

Let me explain.

Step 1 – Donations

This Step assumes an acceptance of wealth and that donors are making decisions about, or have already resolved, some of the issues around giving wealth away. In Step 1, the donors respond to requests for assistance on an ad hoc basis. This is often in response to a crisis such as a bushfire

or a tsunami, or a personal request by a friend or colleague. Over time, there develops a conscious decision to engage in the social fabric of our community and in civil society issues.

Step 2 – Multi-Projects

In this Step, donors begin to structure and plan their donations, beginning the first step of philanthropy. Often this is when donors set up a Private Ancillary Fund, or specific fund with a community foundation or donor advised fund. This is a learning phase where donors typically make small one-off grants to a wide variety of organisations, colloquially referred to as the ‘scatter gun’ approach. For new philanthropists this is a learning phase in which most wish to remain anonymous. It takes about four to five years before they move to a much more focused approach (Step 3). Over those years philanthropists often feel overwhelmed by a large number of requests and start asking questions.

- Are we making a difference?
- What are others doing?
- Are we on the right path?

Step 3 – Search for Focus

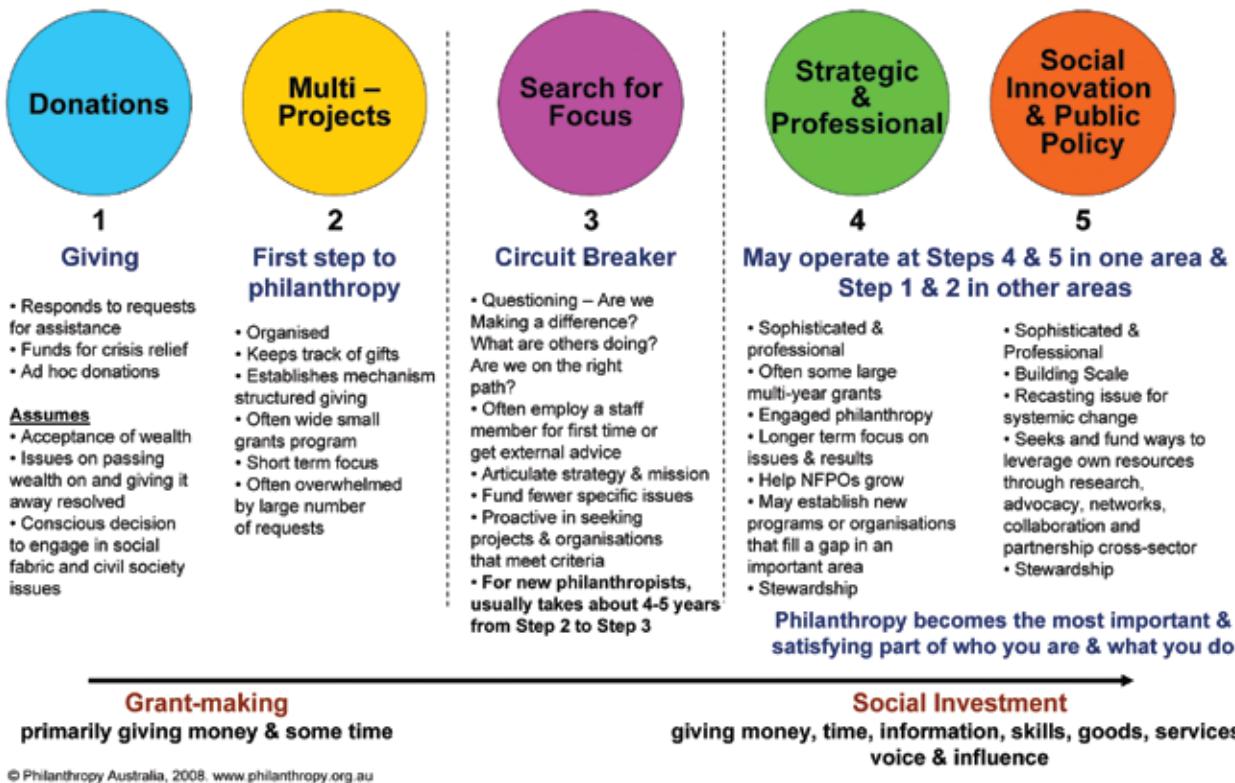
This questioning usually leads to a ‘circuit breaker’, where the philanthropists begin to look outside their immediate frame of reference, seeking external advice, either through experts or employing a staff member. This is the time when philanthropists start to articulate a strategy and mission, and concentrate their grants on a few specific issues. They also begin to proactively seek projects and organisations that meet their criteria.

Step 4 – Strategic and Professional

As philanthropists become more strategic and professional they begin to take a much longer term approach, with a focus on outcomes and results. They make large multi-year grants and build partnerships with their grant recipients. Foundations set up websites, individuals speak publicly about philanthropy and many also take on a general stewardship role in the community on issues of public significance.

By this stage in the journey philanthropists have become very engaged, giving not only money, but their time, information, skills, voice and influence. Many are actively encouraging their family, their friends, their peers and their colleagues to become involved in their communities.

Five Steps of Philanthropy



Step 5 – Social Innovation and Public Policy

To date, only a few Australian philanthropists have really engaged at Step 5. However when they do, they usually only concentrate on one project or program area. In most cases they are re-casting an issue for systemic change, developing methods to build scale, and seeking ways to leverage their own resources through research, advocacy, networks, collaboration and cross-sector partnerships.

While there are five steps on this philanthropic journey, the reality is that most philanthropists and philanthropic foundations operate along the whole spectrum most of the time. For most people, Donations (Step 1) will always remain an important part of the philanthropic spectrum, particularly for situations where an immediate response is imperative, such as a disaster. Direct donations also provide the 'joy of giving', needed to balance some of the long term persistent effort required to make real and lasting social change. At any one time an experienced philanthropist, may be making a couple of large strategic grants (at Step 4) in one of their specific focus areas, for example education, as well as making a number of small grants to test the waters in an area new to them, such as the environment (Step 2).

What is really encouraging is that individuals, families, corporates and foundations/trusts are able to identify where they are on the *Five Steps of Philanthropy* journey, and use this to inform their planning and communications. In the past year, a number of foundations have made presentations using the *Five Steps of Philanthropy* as their framework, some describing their foundation's journey, others describing the development of their funding programs.

Wherever they are operating on the philanthropic spectrum, for most philanthropists there is a very definite transition from grantmaking where they are primarily giving money and some time, to 'social investment' where through the giving of money, time, information, skills, goods, services, voice and influence, philanthropy becomes the most important and satisfying part of who they are and what they do. ■

Gina Anderson, CEO, Philanthropy Australia

Philanthropy Australia conference 2010: Philanthropy at the tipping point?

Save the date! The Philanthropy Australia conference has been brought forward to Tuesday 31 August and Wednesday 1 September 2010, to be held in Melbourne. The conference will be a 1.5 day thought leadership event, with a dinner on Tuesday evening followed by a full day conference on the Wednesday. Our speakers will include:

- **Dr Susan Raymond**, from Change Our World and onphilanthropy, a US academic and practitioner who has spoken provocatively about the philanthropic and NFP sectors.
- **Dr Michael Wesley**, CEO of the Lowy Institute. Dr Wesley gave the opening plenary speech at the Australia 2020 Summit on Australia's place in the world, covering key demographic and international trends.
- **Prof. Patrick McGorry**, a leading researcher, clinician and advocate of youth mental health, Executive Director of Orygen Youth Health, and Australian of the Year (see below).

Patrick McGorry Australian of the Year



Congratulations to the 2010 Australian of the Year, Professor Patrick McGorry. Professor McGorry is a leading international researcher, clinician and advocate for youth mental health reform and is Executive Director of Orygen Youth Health, a long term funded partner of Colonial Foundation which has committed a major grant over a 10 year period for the establishment of the Orygen Youth Health Research Centre.

Launch of National Compact

On 17 March 2010 Prime Minister Kevin Rudd launched the National Compact between the Australian Government and the Third Sector. The Prime Minister, the Hon Jenny Macklin, Minister for Families, Housing, Community Services and Indigenous Affairs, Senator the Hon Ursula Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector and Sector leaders signed a canvas representing their commitment to the Compact's Shared Vision:

"...to work together to improve social, cultural, civic, economic and environmental outcomes, building on the strengths of individuals and communities. This collaboration will contribute to improved community wellbeing and a more inclusive Australian society with better quality of life for all."

Philanthropy Australia president Bruce Bonyhady was in Canberra to sign the Compact on behalf of Philanthropy Australia, along with a number of our Full Members and Associates.

To download a copy of the National Compact please visit www.nationalcompact.gov.au

Jackie Huggins joins Philanthropy Australia Council



Philanthropy Australia is delighted to welcome Dr Jackie Huggins AM as a new member of Council. Jackie is a member of the board of Telstra Foundation, and is also a respected author and academic. She is

Deputy Director of the Aboriginal and Torres Strait Islander Studies Unit at the University of Queensland, and is also a past Co-Chair of Reconciliation Australia and a former Commissioner for Queensland for the National Inquiry into the Separation of Aboriginal and Torres Strait Islander Children from their Families. She was awarded a Member of the Order of Australia in 2001 for services to the Indigenous community, particularly in the areas of reconciliation, social justice, literacy and women's issues.

Community Council of Australia

A group of like-minded people representing charities and the broader not-for-profit sector have established a new independent venture, the non-political, member-driven Community Council for Australia (CCA). The CCA's mission is to lead by being an effective voice on common and shared issues affecting the contribution, performance and viability of nonprofit organisations in Australia through:

- Providing thought and action leadership.
- Influencing and shaping sector policy agendas.
- Informing, educating and assisting organisations in the sector to deal with change and build sustainable futures.

The CCA's key focus in 2010 will be to research, analyse and address issues and reforms facing the sector, including the impact of potential changes arising from the Productivity Commission report and the Henry Tax review.

For more information about the CCA, contact Kevin MacDonald, kevinm@communitycouncil.com.au

Governance, transparency and the Madoff Effect

By **Vanessa Meachen**, Research & Training Manager at Philanthropy Australia.

One criticism frequently leveled at Australian foundations is that they lack transparency. A lack of public reporting does make determining the size and activities of the sector difficult and veils some of philanthropy's good work. It is also true that a lack of transparency means that some not-for-profits don't get the chance to approach some foundations for funding. Some have argued that a lack of transparency leads to limited accountability and the possibility of misused funds.

In many of these discussions, as with many philanthropy matters, the United States is pointed to as the leader in the field. US philanthropy is, however, currently reeling from the loss of literally hundreds of millions of philanthropic dollars through the Ponzi scheme run by former investment advisor Bernard Madoff.

Amidst calls for Australian foundations to be more transparent, one might ask: with all that transparency in the US, how could this happen?

The US foundation sector has mandatory transparency. Since the 1969 Tax Reform Act, private foundations have been required to file annual returns (990-PF forms) with the Inland Revenue Service and to make these available to the public. These provide vastly detailed information on a foundation's finances, trustees, employees and grantmaking. In short, US foundations are open books to what many Australian trustees would regard as an unnecessary and even horrifying extent.

Some believe even this level of transparency is insufficient; the 'Glass Pockets' initiative¹, developed by the Foundation Center together with a number of other philanthropy bodies, analyses foundation transparency based on 22 criteria including whether the foundation makes available its diversity practices, conflict of interest and whistleblower policies, assessments

of the foundation's effectiveness and the results of grant recipient surveys.

An estimated \$2 billion of assets has been lost to Madoff's scheme altogether. Of the estimated 147 philanthropic foundations affected, 105 had invested more than 30 per cent of their assets with Madoff and 45 had handed over 90 per cent or more. In some cases the assets ran into the hundreds of millions and the foundations no longer exist, meaning in many cases that charitable partners have been defunded and programs cut. Many of these charities are also facing further potential losses due to the possibility of a 'clawback' manoeuvre, which requires beneficiaries of a fraudulent scheme to return any profits withdrawn from it for up to six years before the fraud's discovery, whether or not they were aware of the wrongdoing.

Blame has been apportioned to everyone from the Securities and Economics Commission to the boards of individual foundations. The National Committee for Responsive Philanthropy, in a study of the foundations affected, reported that the majority had three or fewer board members and that in most cases the trustees were all members of the same family. This is precisely why Australia's Private Ancillary Fund (PAF) structure, hailed as an 'American style foundation' when first unveiled as the Prescribed Private Fund, requires at least one director to be a Responsible Person, unrelated to the donor, who provides an external and more disinterested perspective.

So how did Madoff get away with it for so long? Part of the answer may lie in the massive size of the US philanthropic sector; with over 75,000 foundations and \$680 billion in assets, actual policing of the sector would be impossible without committing substantial resources, and who would pay?

Much undoubtedly lies in the fact that Madoff was a cunning operator. Author Mitchell Zuckoff believes that



philanthropy was an essential part of Madoff's scheme, arguing that Madoff could be fairly certain of avoiding unexpected withdrawals, as most foundations would see their capital as merely an income generating tool and withdraw only small, predictable amounts of money each year.

"For every \$1 billion in foundation investment, Madoff was effectively on the hook for about \$50 million in withdrawals a year. If he was not making real investments, at that rate the principal would last 20 years. By targeting charities, Madoff could avoid the threat of sudden or unexpected withdrawals."²

Part may lie in the homogeneity of so many foundations' boards, enabling over-reliance on a single trusted advisor. Outsourcing all investment responsibilities to Madoff may have breached fiduciary duties and would not meet the Prudent Person principle in Australia. The Australian PAF structure requires the Responsible Person to be active in the ongoing management of the fund.

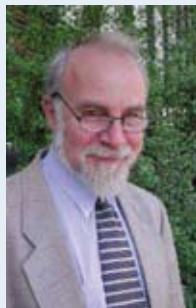
One thing that the Madoff affair has demonstrated is that transparency alone is not enough. Transparency does not equal, or ensure, accountability, and is particularly no sure way of preventing misuse of charitable money. That is not to say that some degree of transparency is not useful or desirable; merely that in this as in any debate we should guard against believing in surefire or simple solutions to complex issues. ■

1. www.glasspockets.org

2. http://money.cnn.com/2008/12/29/news/newsmakers/zuckoff_madoff.fortune/

Beyond feel-good Philanthropy

By Dr Michael Liffman, Director of the Asia-Pacific Centre for Social Investment and Philanthropy at Swinburne University.



I am sure we have all experienced that strange feeling when driving, of arriving at the other side of a difficult intersection with no recollection of how we crossed it. The current debate overseas about the importance of impact in giving reminds me a little of that feeling. Suddenly, instead of talking about the virtue of giving, the commentators are talking about 'social return'.

Typical is the December 2009 issue of that especially useful UK-based journal, *Alliance* which draws attention to commentators who urge that outcomes are more important than donor intentions.

A discussion at the European Foundation Centre Conference in Rome last year led to leading British consultant (and one of APCSIP's early Waislitz Visiting Fellows) David Carrington being commissioned to produce a report asking whether better research into philanthropy and social investment could improve the practice of philanthropy.

New Capital Philanthropy (NCP) (www.philanthropycapital.org) an exceptional UK based organisation which came into being in order to increase the impact achieved by charities and their funders and to share this as widely as possible, has now joined with Germany's Bertelsmann Stiftung to create an Association of Nonprofit Analysts. NPC has also added to its already outstanding list of reports a new publication, unhelpfully entitled *The Little Blue Book*, explaining NPC's charity analysis framework, and looking at how charities can assess their effectiveness in six performance dimensions. In the USA GiveWell (www.givewell.net) also leads the way in analysing causes, needs and the charities which serve them and offering explicit assessment of what works, and which agencies are most effective.

Both NCP and GiveWell are something of a blend between *Choice* magazine, offering charity supporters a guide to quality products, and an investment prospectus for social investors.

In the US media such as the *Wall Street Journal* regularly run stories drawing attention to the importance of philanthropic effectiveness. The recent tragedy in Haiti has led some commentators to the courageous position of suggesting that the rush of giving to relieve that catastrophe may not be the most effective way of converting compassion to results.

Suddenly, therefore, instead of talking about how wonderfully risk-taking, innovative and transformative philanthropy is, the commentators are talking about the need to make sure that

social investment is effective, and can be shown to be so. This is, in my view, a very good place for the debate to have moved to.

Encouragingly, a similar focus is emerging in Australia too. The Centre for Social Impact is offering useful resources for the measurement of social return through the December issue of its publication *Knowledge Connect*, and its forthcoming short course: <http://csi.edu.au/latest-csi-news/csi-march-newsletter/#Social>

"I contend that a mature philanthropic sector is one which recognises that generosity does not exonerate virtuous people from the responsibility to consider the effectiveness of their actions, by ensuring that their gift, if not maximising the good it can do, is at least is doing some real good."

But while there is increasing, and largely welcome, noise around this area from commentators, practitioners, consultants and academics, it seems to me that the pointy end of the work is still based around the USA's GiveWell, and the UK's New Philanthropy Capital.

Indeed the GiveWell story, if its website is anything to go by, is quite remarkable, and makes for the most invigorating and challenging professional reading I have encountered for quite some time. The GiveWell story is extensively documented, commencing with a forthright statement suggesting that much of the work of many charities, including the most celebrated, is unaccountable and frequently ineffective; that many of the policy directions most accepted within various fields are unproven or even counter-productive; and that the other ratings agencies, such as the US's Charity Navigator or Australia's GiveWell (which is not affiliated with the American GiveWell), are unrigorous and near useless. All of this, and GiveWell's unapologetic insistence that it is not unkind, but, on the contrary, obligatory, to ruthlessly look behind intentions to study impacts, is courageous and refreshing.

The passion and directness with which GiveWell (US) does its work, and writes its reports, investigations, and blogs, is something to behold. GiveWell takes no prisoners. Some of the most hallowed names and causes, particularly in the international development field to which GiveWell gives greatest priority, fail GiveWell's assessments. For instance, 'building

wells often fails to reduce water-related illness, and there are better options for donors looking to change lives.' And, going where most fear to tread, GiveWell asserts that Oxfam does not provide sufficiently rigorous information to enable GiveWell to confidently recommend it to donors.

Trying to ensure that, in its call for absolute transparency, GiveWell practices what it preaches, GiveWell's homepage prominently features a detailed and sometimes damning list of its own shortcomings (this, even though some years ago, GiveWell's founder was found to be manipulating online research in an unethical way which led to a severe and public reprimand and apology from its own board).

New Capital Philanthropy, as one might expect of an outfit based in London rather than New York, is more measured and detached, although no less rigorous. But its mission is the same: 'to put effectiveness at the heart of how all charities work and how all funders give'. New Philanthropy capital was established by Goldman Sachs staff who were trying to find the best way to give away money to charity. It does this by undertaking in-depth research of social issues and analysing charities' effectiveness. To date, over 50 reports have been published, covering such varied topics as the effectiveness of strategies to assist youth offenders, and options for supporting NGOs in India.

Behind these organisations is a challenge rarely given voice in Australia. It is easy, and polite, to enjoy and commend the good feeling gained from a generous act, to avoid engaging with the complexities of saving the world, and to promote the mutual self-congratulation which characterises the philanthropic sector. But I contend that a mature philanthropic sector is one which recognises that generosity does not exonerate virtuous people from the responsibility to consider the effectiveness of their actions, by ensuring that their gift, if not maximising the good it can do, is at least is doing some real good.

This approach to philanthropy, perhaps better described as social investment than benevolence, requires candour and a caution about sentimentality. It also requires a willingness to admit to failure, or unintended consequences. A range of technical skills are entailed – research, policy analysis, project management – as well as the more subtle ones of judgement and emotional intelligence. But possibly even harder to bring to the task are a suspicion of orthodoxy, and a willingness to confront peer thinking. Real risk-taking, and a consequent admission and analysis of failure, is integral to the continual assessment of effectiveness.

Arguably, profound global forces and events have lead our overseas counterparts to this new, more hard-nosed approach to the former sacred cow of philanthropic giving. The economies of the global financial crisis and the Madoff scandal have forced even the mega-foundations to make, the continued existence of so many of the age-old ills philanthropy sought to cure, and the emergence of the new ones such as climate change, must lead to questioning of how money is best spent. Australia, too, is subject to these forces, and it is to be hoped that our colleagues in the philanthropic sector will agree that we have an opportunity, and indeed an obligation, to explore this path and take us to a new level of purpose and maturity. ■

Impact investing: creating social and environmental returns alongside financial returns

Kylie Charlton, the Social Investment Fellow at the Centre for Social Impact, explains that the new industry of impact investing is at the forefront of the idea that investment, rather than philanthropy, will be the vehicle to mobilise the capital needed to address global challenges.

The philanthropic and investment landscape is rapidly changing as around the world charitable and government capital is recognised as insufficient to address today's social and environmental challenges. Despite the events of the global financial crisis, over the past year interest in harnessing the capital markets to address these challenges has grown significantly.

Unravelling Impact Investing

Impact investing helps solve social or environmental challenges while generating financial returns. The industry of impact investing has taken hold in the US and Europe over the past decade, with industry pioneers developing investment opportunities in the areas of microfinance, community development finance, global health and clean energy. Monitor Institute forecasts impact investing will represent 1 per cent of total global managed assets approximated at US\$500 billion (A\$561 billion) within the next decade.¹

Impact investors are diverse. Individuals undertake impact investing to express their values through their investments. Private and public foundations see impact investing as a way to maximise their impact by augmenting grantmaking with the effects of an investment strategy aligned with their mission and values. Impact investing also provides foundations an alternative to perpetuating grant dependency in those they support. Institutional investors such as pension and mutual funds are looking to satisfy the demand from their clients to hold a range of investments offering more than simple negative or best-in-class screens.

Some impact investors decide to fully integrate impact investing into their overall portfolio allocation, while others elect to carve-out a dedicated pool of capital from their portfolio. For example, last year the Bill and Melinda Gates Foundation announced it would carve-out US\$400 million (A\$449 million) for impact investing. This move signals a shift



by the world's largest philanthropic organisation to tie part of its \$30 billion (A\$34 billion) underlying assets directly to charitable causes rather than relying on grantmaking as the sole driver of impact.

Two broad approaches to the question of financial return and impact are adopted by impact investors, coined by Monitor Institute as 'impact first' and 'financial first'. Impact first investors seek to optimise social or environmental impact with a floor for financial returns. Financial first investors seek to optimise financial returns with a floor for social or environmental impact. Impact investors may adopt a portfolio approach that adopts both of these approaches. 'Yin yang' deals combining impact first and financial first investors, possibly alongside philanthropy, are also a possibility (see Figure 1).

Moving from Concept to Practice

Solutions for Impact Investors: From Strategy to Implementation, prepared by Rockefeller Philanthropy Advisers, seeks to ease the path into impact investment. The *Impact Investing Roadmap* is the centre piece of the monograph, providing a framework to assist individuals and institutions move towards action (see Figure 2). The framework is divided into two distinct activities: (1) establishing an impact investing strategy; and (2) implementing and maintaining an impact investing strategy. Linking these two activities is the Impact Investing Policy, which draws upon the fundamentals of traditional investment principles while

moving beyond the prevailing orthodoxy of financial return as the only measure of value, to one that includes social and environmental impact. This policy essentially serves as the operating manual for an impact investor.

On first glance the *Impact Investing Roadmap* may appear to make impact investing sound simple and straight forward. Pioneers to impact investing however acknowledge the path is long and full of challenges. Much is needed to build the capacity of players on both sides of the equation to achieve a systematic change in the way we deploy capital and to move impact investing into the mainstream. Impact investors need to continue experimenting, measuring and investing, building knowledge and experience to drive and shape this systematic change. Tools like the *Impact Investing Roadmap* play an important role in encouraging entry into this brave new world.

Impact investing in Australia

In Australia, impact investment is increasingly finding its way into conversation. Senator Hon. Nick Sherry called on Private Ancillary Fund trustees to join with their counterpart superannuation trustees and step into the area of impact investing during a speech he delivered last November at the launch of Philanthropy Australia's *Private Ancillary Fund Handbook*. While the Productivity Commission Research Report on the Contribution of the Not-for-Profit Sector released

11 February 2010 recommends the development of a sustainable market for not-for-profit organisations to access debt financing with the ultimate aim to establish mainstream financial products for investors.

Imagine the potential of incorporating impact investment into the portfolio strategies applied to the \$1,335 billion of funds under management in Australia². Or the opportunity provided to the asset managers and trustees of charitable trusts or foundations and Private Ancillary Funds to optimise their impact by constructing mission aligned impact portfolios.

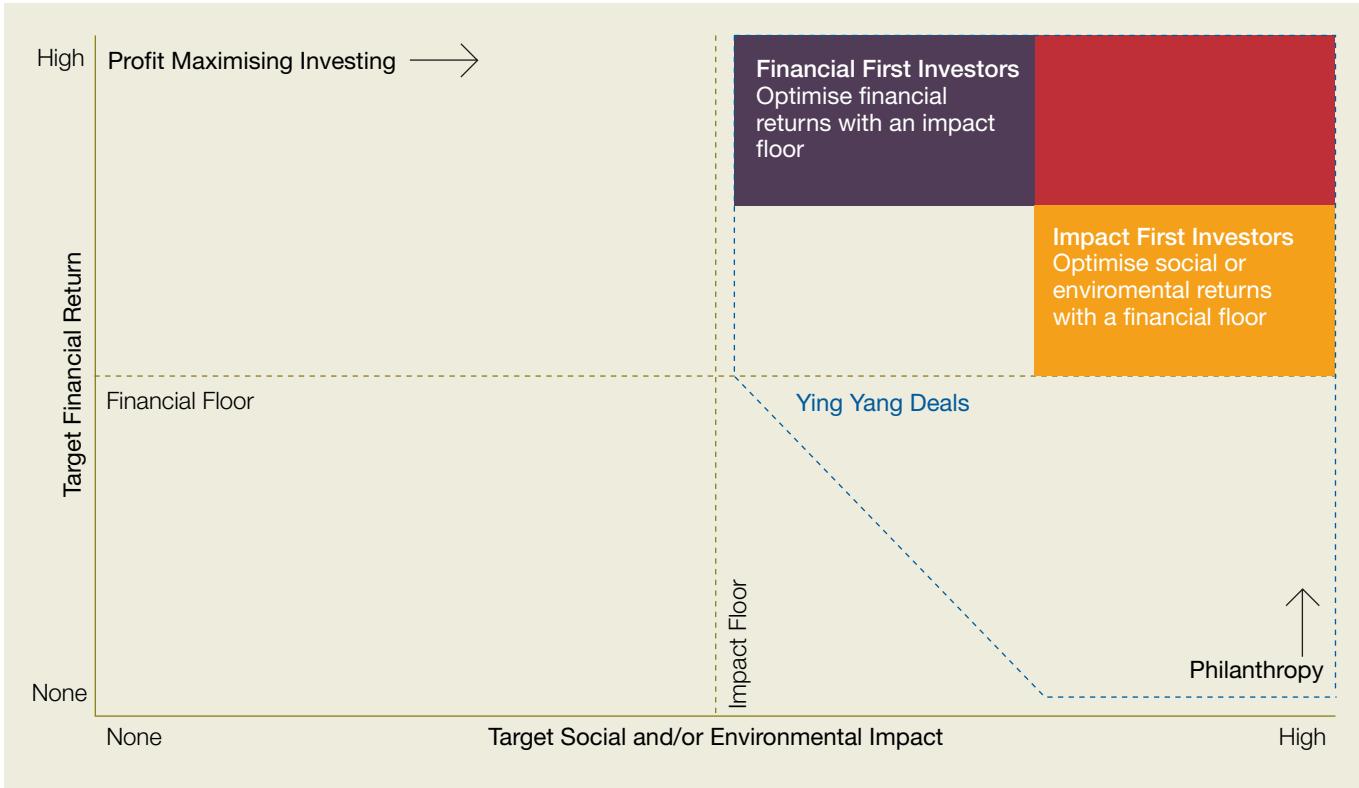
"Imagine the potential of incorporating impact investment into the portfolio strategies applied to the \$1,335 billion of funds under management..."

Impact investors in Australia face the same challenges as those around the world, although perhaps at somewhat magnified levels given the little activity in impact investing that has occurred locally to date. Little is known of the absorptive capacity for capital given the reliance placed on charitable and government capital to solve social and environmental challenges. Few advisers and intermediaries offering impact investing products exist.

Microfinance... a leading asset class for impact investing

Microfinance is a leader in the field of impact investing with foreign capital investment having passed US\$10 billion (A\$11 billion) in December 2008. More than half of investment in microfinance, US\$6.6 billion (A\$7.4 billion), is managed by microfinance investment funds with the top five funds accounting for more than 53 per cent of total assets under management. Funds offer a range of debt, equity and guarantee products to microfinance institutions (MFIs) around the world. A diverse range of investors have been attracted to microfinance; dominance of public investors seen in the early development of the asset class has been superseded by greater participation of institutional and retail investors. Symbiotics Microfinance Index, an index that tracks the performance of regulated fixed income microfinance investment funds, reported an annualized yield of 5.95 per cent in USD at December 2008. Returns for private equity funds are harder to ascertain given funds are yet to reach maturity. An investment in an equally weighted index of publicly traded MFIs would have realised a compound annual growth rate of 101 per cent over seven years.

Figure 1: Segments of Impact Investors



Source: Monitor Institute 2009.

“...investment, rather than philanthropy, will be the vehicle to mobilise the capital needed to address global challenges.”

Despite these challenges, some have taken bold steps forward:

- Christian Super Fund has invested A\$10 million into microfinance through Triodos and MicroVest, two leading international microfinance investment vehicles.
- Foresters Community Finance and its subsidiary Social Investment Australia mobilise investment capital to provide mortgage finance or directly purchase assets to ensure community organisations are securely located in suitable properties.
- MECU has provided financing for the development of affordable housing.
- Individuals and community organisations have joined together as shareholders of Hepburn Wind, Australia's first community wind farm.
- Yackandandah Community Development Company also raised capital from its local community to ensure future fuel supply in Yackandandah.

• Australian and international impact investors have financed Barefoot Power, a social entrepreneurial business founded in Australia to increase access to affordable energy to reduce poverty in developing countries.

Internationally, impact investing has been catalysed in a large part by proactive experimentation of individuals and trustees with charitable mandates or values-based investment principles. Little reason exists to believe that the catalyst in Australia will be any different. The immediate challenge is for impact investors to step forward in Australia to incubate and accelerate impact investment opportunities by growing in tandem the supply and demand for capital across investment themes.

Impact investing provides the avenue for a paradigm shift to move our concept of value beyond one of a simple function of numeric performance to one that is holistic, encompassing financial, social and environmental performance.

It enables us to align the way our money is managed with our social and environmental values. Ultimately, impact investing holds the potential to mobilise the capital needed to enable and scale solutions to our most pressing social and environmental challenges. ■

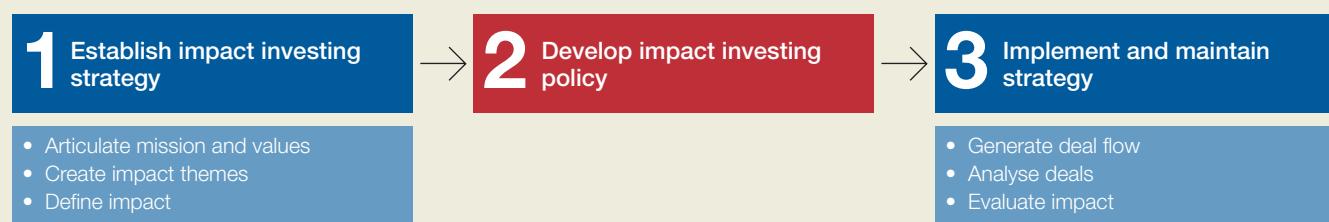
Kylie Charlton is a managing director and co-founder of Unitus Capital (www.unituscapital.com), a financial advisory firm specialising in arranging capital for social enterprises benefiting those at the bottom of the economic pyramid. Unitus Capital has directed more than US\$80 million into impact investments since its launch in July 2008. She is also currently the Social Investment Fellow at the Centre for Social Impact where she is actively looking at the development of social finance in Australia.

1. Monitor Institute (January 2009). Investing for social and environmental impact: a design for catalysing an emerging industry.
2. ABS December 2009, Cat. No. 5655.



Impact Investing Roadmap

Figure 2: Impact Investing Roadmap



Establish impact investing strategy

Articulate mission and values	Mission and values form the foundations of an impact investing strategy determining the approach – ‘impact first’ or ‘financial first’ – and being core to the choice of investment theme.
Create impact themes	Common themes include: climate change; energy; water; community development; social enterprises; health and wellness; sustainable development; and education.
Define impact	Impact first investors aim to directly generate specific desired outcomes from their investments (e.g. units of affordable housing created, children immunised or families lifted out of poverty). The financial subsidies their investments provide enable additional outcomes that would otherwise not be possible. Financial first investors look also to generate specific outcomes but without subsidy.

Develop impact investing policy

An impact investing policy will comprise asset allocation targets and ranges across asset classes and impact themes, a purpose statement articulating investment theses; definition of roles and responsibilities during investment evaluation and ongoing performance monitoring and reporting; and performance benchmarks.

Asset allocation is central to the impact investing policy as in traditional investing. Impact investors should adopt an asset allocation that spreads investments over different asset classes based on their risk tolerance, liquidity profile, spending needs, other financial considerations and impact objectives. A diversified portfolio may include:

- Cash and cash alternatives representing a portfolio’s liquidity requirements for meeting spending needs.
- Notes, bonds, other debt obligations, absolute return or low-equity correlated strategies to preserve wealth and/or generate income.
- Public equity and private equity assets to grow wealth.
- Real estate, commodities and other real assets to protect a given portfolio from inflation and its consequential erosion of purchasing power.

The set of available impact investment options will depend on investors’ chosen impact themes, geographic preferences and other desired characteristics. While the choices may currently be narrow for many impact investors investment opportunities across asset classes and impact themes will evolve as the field of impact investing expands.

Implement and maintain strategy

Generate deal flow	Impact investing can be pursued either through direct investments and/or funds and other types of intermediaries. An impact investor’s choice of impact themes, desired level of engagement and in-house expertise will all be considerations in making the decision to adopt a direct or indirect approach.
Analyse deals	Three stages of deal evaluation will be conducted by impact investors before moving to execution of a transaction: <ol style="list-style-type: none">(1) Social and/or environment impact assessment.(2) Investment due diligence (including qualitative and quantitative analysis).(3) Assessment of compliance with investment policy.
Evaluate impact	Measuring impact and financial return during the life of the investment is core to assessing performance of impact investments and using this knowledge to drive future strategy and investment decisions.

Sunshine Foundation: a case study in succession planning

Robin Hunt reflects on some of the experiences he gained as a trustee (37 years) and as Chairman (30 years) of the Sunshine Foundation, a medium size family foundation that was established in Melbourne by the McKay family in the 1950s.



After many years, in the period 2005-2009, an opportunity arose to restructure the Board of the Sunshine Foundation via an ordered series of trusteeship changes. This was necessary as this important aspect had been neglected for far too long and prior attempts had been frustrated on several occasions.

Sunshine's Trust Deed only allows for there to be five trustees and once a trustee has been so appointed, he/she cannot be removed and can only be 'encouraged' to resign!

Generational shift

The Whiteman Study in the US (1990), came up with some observations about succession outcomes on philanthropic boards:

- **Generation #1** 'Donors' Vision'. The personality and wishes of the founders prevail.
- **Generation #2** 'Donors' Legacy'. The general character and structure now alter from G1. Better educated and more democratic family members participate in running the board and they strive to honour their founders' intentions. After all, they 'knew' the founders.
- **Generation #3 and onwards** 'Family Legacy'. Foundation work becomes more complex. Members of diverse branches of the family may join the board – the 'scatter effect'. There may be many willing and wanting to join the board – there may be too many or there may be too few. The Board becomes more structured, committees are formed and the need is expressed 'to get out into the community'. Questions are raised as to the directions being taken.

By 2005, Sunshine's Board was comprised of Generation #3 and Generation #4 members.

With regard to replacement trustees, it was decided that 'family only' would be a criteria for Board membership and within this, 'blood' family was to be preferred. In doing this, the Board was conscious of other philanthropic boards' experience in this area, and it was also cognizant that a family foundation can be the 'glue' that holds family generations together.

The Board also discussed the matter of age and gender and agreed that neither were of major concern. It was felt aptitude, experience, qualifications and availability were more important. These were summarized in terms of 'what could the candidate

bring to the Board?' It was strongly felt that 'representation' of a family interest was not sufficient reason for appointment to the Board.

Implementation steps

It was decided to create some committees (e.g. investment, grants and administration) in order to give younger McKay family members an opportunity to become familiar with the work of the Foundation. It also gave existing trustees an opportunity to assess who of those participating would be best equipped to become a trustee.

One long-serving trustee resigned in order to facilitate the change process, and one vacancy had been carried for quite some time and so two new trustees were appointed in 2007/08. They had both been participants in the Committee model mentioned above. A problem then arose when one of the existing trustees went overseas for several years.

During this transition period, leading members of Philanthropy Australia and other professionals addressed the Board and committee members on:

- The importance of philanthropy to Australian society.
- How difficult it is to donate philanthropic funds for maximum impact.
- The role of Philanthropy Australia in keeping government off our back.
- Collaborative philanthropy.
- Proactive vs. reactive philanthropy.
- The need for trustee (as opposed to staff) professionalism.
- Capacity building – enabling recipients to grow their own enterprise.
- How to better handle reporting and feedback.
- The role of Community Foundations.

In 2008 I resigned as Chairman, but continued as a trustee in order to give the new Chairman time to get up to speed and to develop his Board. In late 2009 I resigned as a trustee feeling confident that we now have a strong and sustainable board as a result of our strategic planning. Sunshine now has third cousins – some 'once removed' – serving on its Board and some of whom had not met each other until they joined the Foundation. Thus the work of our founders is carried on through later generations of the McKay family. ■

The holy grail of 'impact'

By Bruce Sievers. This article was first published in *Alliance* magazine, vol. 15 no. 1, March 2010 and is reprinted here with the kind permission of the author and *Alliance*.

'With money tight, top philanthropists insist on more bang for the buck' reads a recent headline in Barron's business magazine.¹ These days, to read Barron's and many other business publications, one would think that at last the key to great philanthropy had been found.

What is that key? Ostensibly, it is impact – more bang for the buck, or results-oriented investment in the social world. It sounds pretty good, a definitive way of describing the good that a philanthropic investment is doing. That is, until one begins to ask what impact is exactly, and how it is to be assessed.

The concept of impact is based on a metaphor – that of a force crashing into a resistant substance, resulting in some kind of movement. But this metaphor oversimplifies the process and belies the enormous complexity of the cultural and political factors involved in social change. Beyond the interaction of innumerable variables, many of which are unpredictable and random, and very long timescales lie deeper complexities of competing value systems and subjective interpretations of the ends of social action.

The practice of philanthropy is inextricably entangled with these complexities. Philanthropists aspire to assist those in need or strengthen programmes that will lead to improvements in the human condition. In doing so, they become participants in the intricate dance of social change. Rather than viewing themselves as business investors who inject funds with a single-minded aim of producing a product (and ultimately a profit), those who engage in philanthropy will do better to understand themselves as part of the give and take of social agenda-setting. In other words, less as bankers and social engineers and more as civic actors among other civic actors.

A simple example: the philanthropically supported programme (later extended by the Kennedy Foundation) that brought

Barack Obama Sr to the United States had the unforeseen consequence a generation later of making it possible for Barack Obama Jr to become President of the United States – a world-changing event. (Now that is impact!) No doubt the donors who supported that programme in the 1950s thought good things would come of supporting promising young Africans in their pursuit of higher education in the US. But surely no-one had the slightest idea that the son of one of those students would grow up to be the first African-American to hold the highest office in the land. And they certainly were not engaged in trying to assess 'impact' through the metrics of presidential elections.

A second example: for years, a few small foundations have been supporting the work of Compassion and Choices, an organization whose aim is to allow terminally ill people to have the right to physician-assisted death. Last year, the organization drew upon language on human dignity that had been inserted in the constitution of the state of Montana in the early 1970s (along with some later legislative language) to argue successfully a case before the Montana Supreme Court on behalf of the 'right to die'. The court's ruling in favour of their position will have national and international consequences.

In both cases, the long-delayed but hugely important events related to earlier philanthropic contributions were the result of visionary support of people and ideas, not of investments targeted to produce specific impacts that might be calibrated against alternative investments in a given time period. Thus, the list touted by Barron's as 'the 25 Best Givers' offers the illusion of tough-minded 'bang for the buck' comparisons but is in fact no more valid than any number of other ways of describing philanthropic effectiveness. The problem with the list is not just the questionable assumptions behind its ranking criteria (as others have pointed out²) but that its fundamental premise is



an empty shell of a concept – impact – in which layers of subjective judgements masquerade as rigorous analysis. (The article itself admits in a side comment that 'by its nature, this exercise involves a lot of subjective calls'.)

There is no doubt that the donors in the Barron's list are directing a lot of money to good causes (size seems to be one of the selection criteria), but it is a sham to suggest they are somehow to be ranked as the 'top 25' according to some mysterious 'high-impact giving' formula by which each dollar given is supposed to generate a minimum of '\$3 to \$4 of benefits'. To imply that such a method of making comparisons is a valid mode of impact assessment is not only indulging in fantasy, it subverts the efforts of those who are trying to do serious work in the field. ■

1. http://online.barrons.com/article/SB125935466529866955.html?mod=BOL_hpp_...
2. See, for example, www.tacticalphilanthropy.com/2009/11/the-best-philanthropists.

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Alliance can be found at www.alliancemagazine.org

Adam Smith

One of Australia's youngest CEOs, **Adam Smith** has experienced first-hand much change and growth in philanthropy. Adam's values and expertise were initially shaped by working with the Coalition for the Homeless in New York and in remote villages in Northern Thailand. Back in Australia he joined the Education Foundation in 2005, soon becoming CEO. In 2008 he led a merger with The Foundation for Young Australians, and now heads the combined organisation. He is also a founding board member of Changemakers Australia. He spoke with Louise Arkles about maturing philanthropy and looking ahead.



What did you think when you saw the theme *Maturing Philanthropy*, did it resonate?

It absolutely resonated. We're observing a lot of change in philanthropy and it's good to see it being acknowledged and articulated. As a sector, we're becoming far more sophisticated in our thinking about

how we use our resources. Philanthropy is not just about money, but mobilising the will, challenging the awareness, investing in new and surprising collaborations, and getting 'old' messages to new audiences in compelling ways.

This change is partly driven by a pressing need for us all to adopt a far more strategic and bold role in the twenty-first century. As government continues to be highly risk averse, and as not-for-profits need to meet increasingly challenging and complex demands, the expectation on philanthropy to initiate and lead social change is more apparent than ever.

The release of the National Compact, of which both FYA and Philanthropy Australia are founding signatories, has the potential to redefine the relationship between government and the third sector, and potentially result in a new, and more equal, power dynamic. Obviously we eagerly await the release of the Henry Review to better understand the structural enablers that might support the implementation of the National Compact.

For FYA, what are the key ingredients for success?

As our sector is evolving, organisations such as FYA have been compelled to move away from a model of operating where we seek to be all things to all stakeholders – and are become increasingly focused, disciplined and strategic in terms of where and how we direct our resources for maximum impact. FYA in its current form is a combination of the best of the Australian Youth Foundation, Queens Trust, Education Foundation as well as our own pioneering efforts in the youth and philanthropic sectors over the past ten years.

So ensuring that we build on our rich history of collaboration, mergers and deep stakeholder relations is a priority.

In all of our efforts, young people must remain at the core of what we do and how we work. While our structures and priorities will always change and evolve, our one constant is an unfaltering commitment to supporting young Australians, and our challenge is to ensure that all young people have voice, value and visibility in all elements of Australian society.

Our current and future work must be underpinned by a strong research and evidence base and we will always seek to find an appropriate balance between being responsive to current issues and policy changes – and being bold and proactive in calling for new approaches. And we now ensure we translate our research findings to be highly accessible to each of our core audiences and presented in a way that can enable significant change to occur.

For example, we really want to challenge how young people are viewed in this country and how young people view themselves. We also want to change the systems within which young people exist, so we take what we know works from our research and evaluation, and use that knowledge in our programs: the *RUMad* program, our City Centre program, our *Worlds of Work* program have all come from our research, and demonstrate what our learning's look like in practice. We're now at the next stage: linking our knowledge and experience from our programs to the government's social inclusion agenda.

What would you like the philanthropy sector to look like in five years?

I'd like to see a much stronger collective voice giving feedback around major issues affecting the not-for-profit sector, particularly funding, reform of charitable tax law and broader governance issues. By collective voice I don't mean we all agree – I mean that there is a mechanism for a variety of voices to be heard.

I'd also like to see an increased respect for programs that have not worked. We need to see and share the lessons of 'failure' – from which we can learn and share so much and consequently improve. There is still a sense of competition in philanthropy. We talk about collaboration but ultimately we're still responsible for our own patch – we need to be much smarter about how we coordinate messages and share resources.

In five years it would be great to be able to look back on a demonstrated history of philanthropic organisations themselves entering into mergers and strategic alliances and investing in effective mergers of Australia's 600,000 not-for-profit organisations.



Finally, I'd love to see a new generation of leaders and advocates engaged within the philanthropic community and in Australia's third sector more broadly.

What will it take for this to happen?

The more we talk openly about the impact and responsibility philanthropy has, the more we can be seen as a sector that is highly credible and achieving great results. We're great at talking amongst ourselves, but we need to find new ways to communicate this to young people, to schools, to community leaders and to government.

This goes back to the issue of using our non-financial resources in a different ways – another sign of maturity. We'd be foolish not to take advantage of the diversity and skills in our field. For example the championing of Clontarf by Christopher Thorn and Goldman Sachs has undoubtedly added a dimension that Clontarf could not have done for themselves. Creating impact is not always about the exchange of dollars, but the fact that this relationship has opened a door to individual investors and a door to government opens up new opportunities for ongoing and growth and sustainability.

“There is still a sense of competition in philanthropy. We talk about collaboration but ultimately we’re still responsible for our own patch – we need to be much smarter about how we coordinate messages and share resources.”

Another important role for our sector to consider is that of accountability. We may at times be in a unique and powerful position to hold a mirror up to Government and call for greater accountability around how public funds are spent. The representation of young people in Australia is a classic example of this. The representation of youth voice, through peak bodies and alike, is exceptionally well funded (given the moderate impact they have). However the high impact, youth-led organisations in this country – are missing out in the most appalling way. There are now many thousands of youth-led organisations in Australia, that are, sadly, missing out on both government and philanthropic support. The Left Right Think Tank and SYN.ORG are just two examples of outstanding, high impact, youth organisations that deserve far greater support.

FYA has kept a low profile this last year. What's been happening?

Over the past 12 months we have worked to build a more dynamic, agile organisation that is driven by impact. We are no longer a grant making organisation, and instead have been creating an organisation that can have maximum impact on young Australians by delivering the following:

- Influential research and evaluation.
- Targeted advocacy and campaigning.
- Demonstration projects.
- Brokering significant investment.

A major change to our organisation through the merger process with Education Foundation Australia was us making the decision to shift from being a grant making organisation with a fixed life of 25 years, to an organisation committed to having a lasting impact on young Australians in perpetuity.

In terms of the philanthropic sector, we've gone from the largest grantmaking body for young Australians to a completely different model, where we need to ask those who have previously co-funded with us, to now support us. So we've been quite cautious – wanting to demonstrate our impact and delivery first before moving into the grant-seeking space.

We now have very tangible outcomes; for example: the Schools First partnership with NAB is the largest corporate partnership in schools, investing \$15 million in building school/community partnerships across Australia. FYA is providing seed grants to fund establishment and measure impact, mentoring support and professional development to ensure these partnerships are sustainable (www.schoolsfirst.edu.au).

The groundbreaking *Tell Us* campaign, which for the first time asks secondary students across Australia what success at school means to them, is another great example. *Tell Us* is the first step in a broader campaign that will redefine how we value learning and education outcomes (www.tellus.org.au).

How Young People are Faring is another milestone achievement. FYA produced the 11th edition of HYPAF in the wake of the global financial crisis, and shone a light on the challenges and conditions of young people's wellbeing and their transition to work or further study (www.fya.org.au/media/publications).

What's next for FYA?

Ongoing priorities for us are the development of a comprehensive strategy to guide our work within the youth sector, with an explicit focus on supporting Australia's impressive youth-led organisations; a revised strategy for working effectively with Indigenous young people; ensuring a demonstrated whole-of-organisation commitment to better supporting young people in regional and rural areas; and growing our advocacy work as we aspire for a more equitable, aspirational and relevant education system that equips young people for the real world of both today and of tomorrow.

We remain proud of the work we are undertaking and are excited about the possibilities ahead. I welcome questions and feedback at anytime. ■

www.fya.org.au

Learning from the crisis: the implications for endowments post GFC

The Global Financial Crisis (GFC) may not have thrown the Australian economy into the darkness of a deep recession or created the severe challenges currently being experienced by other developed nations around the globe, however this doesn't mean investors in Australia have been spared the pain and uncertainty that volatile markets bring. According to **Christopher Thorn**, Executive Director of Philanthropic Services at JBWere, there is much to learn from recent events to ensure we 'don't let a serious crisis go to waste'.



Both here and offshore the experience of the GFC has highlighted weaknesses in governance, understanding of risk and the processes employed in the management of endowments.

David Ward, Treasurer of Philanthropy Australia, has recently returned from a trip to the US where he looked at, amongst other things, the fallout of the GFC in a philanthropic context. One of the observations he brought back was of lessons learnt from the Madoff fiasco. Several foundations that invested with this manager disappeared completely and many more were significantly impacted. Some key governance issues have subsequently been identified. For instance, the Madoff organisation had no independent directors, assets were held internally (i.e. no external custodians were used) and the Auditors were not well known. Simple due diligence around these fundamental issues along with appropriate governance policies and procedures may have protected the foundations involved from significant financial loss.

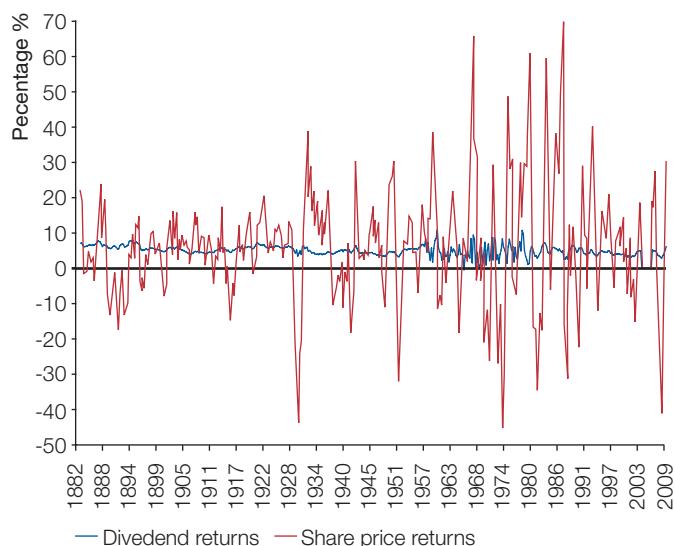
Over the past 18 to 24 months we have observed many examples where weaknesses of governance, misunderstanding of risk and lack of transparent process have severely impacted the ability of endowments to make grants or fund the provision of services and support to respective stakeholders. In the past six months the JBWere Philanthropic Services team have seen many Boards revisiting mission statements, governance and investment policies.

Failure in these areas is all the more significant, as the past decade has seen a significant increase of financial reserves of not-for-profit organisations in Australia. From 2002 to 2008, there has been a 370 per cent increase in financial assets (not including cash) according to GiveWell. On another measure, investment income as a proportion of total income of not-for-profit organisations has increased by nearly 60 per cent between 1999 and 2007 (ABS). Evidently as investment income is a more important part of the funding mix, it is even more important to commit the time and effort to improving the process around managing endowments.

The issues we are addressing here are equally relevant to both commercial and non-profit/philanthropic sectors. The challenges of raising social capital, and the immediate impact of the resultant reduction in service delivery caused by such financial disruption, only makes the fallout of the GFC, and mitigating it wherever possible, all the more relevant.

The domestic equity market is extremely volatile, though for the long term investor it provides a steady income stream:

All Ordinaries one year price and dividend returns to December 2009



Source: IRESS, JBWere Philanthropic Services.

Financial governance is the cornerstone of managing an endowment; a sound investment policy provides confidence to all stakeholders, while transparent investment practices and the associated discipline this promotes is critical to long term sustainability. Failure to take adequate steps to ensure such sound financial governance practices are in place, can have devastating effects that include loss of reputation, loss of donor confidence, capital loss (forced selling), liquidity constraints and diminution of vital income for funding operations.

The reality is that there are thousands of endowments throughout Australia; JBWere alone acts as investment manager to over \$1.5 billion in both grantmaking and grantseeking endowments. Philanthropists are giving larger, more focussed grants than ever before; they are often sophisticated individuals with the skills and the desire to assist charities in accessing the right people and information, to better position endowments. Philanthropists are in a powerful position to demand that the organisations they donate to adopt quality financial governance practices, promote transparency through the provision of accurate reporting on endowments, and finally, demonstrate the delivery of the outcomes they promised to a given cause. It is clear that those funding charitable endowments can bring significant resources to this discussion, beyond the dollars they give.



Top returning asset classes vary across time given the economic conditions; this is demonstrated by the top performing asset classes since 1994, highlighted in the table below:

	CPI	Cash	Australia Fixed Interest	International Fixed Interest Hedged	Australian Listed Property	International Listed Property Hedged	Australian Shares	International Shares	International Shares Hedged	Alternative Assets
1994	1.9%	5.3%	-4.7%	-3.5%	-7.1%	-10.8%	-8.8%	-7.6%	-0.2%	-3.5%
1995	4.6%	8.1%	18.6%	17.1%	14.3%	14.7%	21.1%	26.7%	20.1%	11.1%
1996	2.6%	7.6%	11.9%	7.6%	14.2%	26.4%	14.4%	6.7%	17.3%	14.4%
1997	0.3%	5.6%	12.2%	9.5%	21.9%	14.1%	12.7%	42.2%	23.1%	16.2%
1998	0.9%	5.1%	9.5%	10.1%	18.4%	-6.6%	9.8%	32.8%	21.2%	-5.1%
1999	1.5%	5.0%	-1.2%	-1.2%	-4.7%	1.4%	18.7%	17.6%	28.3%	26.5%
2000	4.5%	6.2%	12.0%	8.3%	19.7%	30.9%	6.4%	2.5%	-9.8%	4.1%
2001	4.4%	5.3%	5.5%	5.2%	14.6%	9.1%	10.4%	-9.6%	-14.2%	2.8%
2002	3.0%	4.8%	8.8%	8.5%	11.8%	6.2%	-8.8%	-27.1%	-24.0%	1.0%
2003	2.8%	4.9%	3.0%	2.2%	8.8%	30.9%	14.6%	-0.3%	25.8%	11.6%
2004	2.3%	5.6%	7.0%	4.9%	30.7%	33.9%	28.0%	10.4%	11.5%	6.9%
2005	2.7%	5.7%	5.8%	3.7%	12.5%	15.8%	22.8%	17.4%	16.1%	7.5%
2006	3.5%	6.0%	3.1%	0.8%	34.0%	37.7%	24.2%	12.0%	15.9%	11.0%
2007	3.0%	6.7%	3.5%	7.3%	-8.4%	-16.9%	16.1%	-2.1%	4.9%	9.9%
2008	3.7%	7.6%	14.9%	13.6%	-54.0%	-42.2%	-38.4%	-24.6%	-38.4%	-21.2%
2009	2.1%	3.5%	1.7%	3.6%	7.9%	29.1%	37.0%	0.3%	26.1%	**11.0%

Source: Iress, Ibbotson, Morningstar, Bloomberg.

Cash: UBS Warburg Bank Bill Index.

Fixed Interest – Australia: UBS Warburg Composite Bond Index (All Maturities/All Series).

Fixed Interest – International: JP Morgan Global Government Bond Index Hedged.

Shares – Australia: S&P/ASX 200 Accumulation Index.

Shares – International: MSCI World ex-Aust Accumulation Index Gross Div A\$.

Shares – International Hedged: MSCI World ex-Aust Accumulation Index Gross Div Hedged.

Property: S&P/ASX 200 Property Trust Accumulation Index.

Global Property: UBS Global Real Estate Investors Index \$ Hedged.

** Alternative Assets: HFRI Fund of Fund Composite Index performance as at 30/11/09.

Working with trustees or managers of endowments, we have observed that in many cases risk being taken was not compatible with the long term objectives of the endowment. In other cases, inappropriate risk was taken with working capital that left the endowment exposed to excess volatility. Some endowments that were heavily weighted towards high yielding domestic equities, striving for the capital appreciation and income enhanced by the benefits of franking credits, were lulled into a false sense of security by years of strong equity performance from 2003 to 2007, only to be surprised by the extreme volatility of 2008.

As the accompanying chart demonstrates, the income streams derived from the All Ordinaries Index since 1882 is remarkably consistent. However the timing of adding to or redeeming capital has had a significant impact in performance if not managed well.

Whether it was fear of future losses or the need for capital to fund operations in difficult times, too many endowments were forced to liquidate some or all of their investments at the bottom of the cycle. These losses would have been mitigated through the adoption of a soundly based investment policy and proactive management of appropriate liquidity. Such a framework provides a valuable tool in ensuring that those managing endowments better understand the risks that they are confronting and construct their portfolios accordingly. As long term investors, a well thought out strategy assists in appreciating the inevitability of volatility in markets, provides benchmarks to assess performance, and creates the disciplines required to make the right decisions in uncertain times. This might be understanding the prevailing circumstances and providing the confidence to ride out a difficult period so as not to undermine

the future viability of the endowment, or conversely adding to positions in the face of short term adversity.

Finally, the importance of a clear, proactive statement, communicating to stakeholders the mission of the organisation and how it is integrated into the investment policy, has been a common theme throughout the GFC.

With accounting practices determining that paper gains/losses be written down annually, the importance of communicating what these absolute changes mean for endowments, particularly against the agreed benchmarks, to donors, potential donors, employees and other stakeholders becomes intrinsically important.

In the financial world there has been a cry for greater transparency in investments and for those investing in endowments the same concerns apply. Stewardship is an essential component to running an endowment; and those in charge must always focus on transparency and concise periodic communication, so that when losses are written down in response to overall market volatility, this can be contrasted with underperformance due to poor management or investment selection. This mitigates unnecessary negative reaction that could harm an organisation even though the endowment has performed as expected in that financial environment or well in relative sense. ■

Christopher Thorn is the Executive Director of JBWere's Philanthropic Services team, a member of Philanthropy Australia Council, and Chairman of StreetSmart Australia and ShareGift Australia.

JBWere

Time Will Tell – Showcasing stories of good philanthropy

By Tricia Bowen, Author.



It was November 2008 when Chris Wootton, Grants Executive from the Helen Macpherson Smith Trust contacted me about writing a collection of case studies showcasing good philanthropy. He'd been working with a small group – Kirsty Allen from The Myer Foundation, Genevieve Timmons from Portland House Foundation, Christa Momot from the Reichstein Foundation and Trudy Wyse from the Melbourne Community Foundation – and together they wanted to write some celebratory stories of successful philanthropy. Was I interested?

I was very interested. For the last 15 years I've worked with many organisations across Melbourne, listening to and writing stories, describing what people have done, are doing, and want to get done, in order to build stronger and more equitable communities.

I met with the working group and they described the process they had gone through in choosing those projects, which they agreed exemplified good philanthropy. Concepts such as leadership, innovation, collaboration, diversity and respect had framed their decision making. They provided me with a list of the people at the heart of each of these projects, and asked that I meet them to flesh out the story of their endeavours.

So in early 2009 I began the interviews, that eventually led to the publication of *Time Will Tell – Showcasing stories of good philanthropy*, published in December 2009 by the Helen Macpherson Smith Trust. I talked to project workers, chief executive officers, committee members and a host of individuals that had been involved in achieving success in shaping their vision with philanthropic support.

The conversations were insightful. People spoke to me about their frustration with the restrictive processes of government funding, with rigid timelines and lengthy reporting requirements. They appreciated philanthropy's flexibility. As they all said, it meant they could get on with the work. Many talked about philanthropy's willingness to support projects others deemed risky. People from regional areas admitted to knowing little or indeed nothing about philanthropy prior to contact with a specific foundation. But I also discovered it was the representatives from the foundations involved who made first contact with regional networks, letting them know how philanthropy could be of assistance.

During this period I was also shaping my own ideas as to what good philanthropy actually meant. All of the people I spoke with described a sense of feeling listened to, understood, and respected by the philanthropic agencies involved. Success, it seems, hinges on relationships; authentic, honest relationships, between those from the philanthropic sector and those seeking their support.

Each of the featured case studies have, at their core, people demonstrating a true generosity of spirit, and a commitment to work with others to achieve success. Without exception there was no distance or pretence in the relationships that drove each of these projects. Philanthropic representatives had got to know the recipients, they understood their work, and they welcomed the opportunity to step forward and listen.

So time has moved on and I'm left to wonder what the legacy of *Time Will Tell* will be. I hope people read the stories and see within them the means by which philanthropy can help to build extraordinary things.

I remember a moment just after my work on the project had finished. I was



coming home on a very crowded tram. There was a young man blocking the door with his body and his bag, making it very difficult for others to get on and off the tram. I don't think he was aware of the rumblings he was causing. He was engrossed in the article he was reading. From where I was sitting I could read the title – it was called *Building Stronger Communities*. While seemingly intent on learning about community building, he remained oblivious to the community of people sharing the journey with him.

This incident clearly reinforced for me the idea that noble intentions and desires are simply not enough. As *Time Will Tell* highlights, in order for philanthropy to be truly successful, those involved need to be both willing and mindful in their seeing, listening and responding to those seeking support. I have no doubt that philanthropy can assist in the creation of extraordinary things, when relationships matter, and thrive, at the very centre of the work. ■

Copies of *Time Will Tell – Showcasing stories of good philanthropy* are available through the Helen Macpherson Smith Trust (one copy free, multiple copies are \$22 each inc GST).

Tricia Bowen is a freelance writer based in Melbourne: tjbowen@netspace.net.au



Maturing philanthropy: the Westpac Foundation experience

Corporate foundations have played a key role in the maturing of Australian philanthropy. Even though it may seem that corporate foundations have similar aims and practices they are in fact quite diverse; many being internal business units responsible for the firm's social responsibility policies and practices, rather than discrete legal entities. This diversity has been both a source of strength and a source of weakness for the sector. **Lisa Waldron and Dr Gianni Zappalà**, Executive Officers of The Westpac Foundation, share their experience in the world of corporate social investment.



The Westpac Foundation's origins extend almost as far back as those of Westpac itself. In 1879, Thomas Buckland, then President of the Bank of New South Wales, donated £1,000 to form the Buckland Fund, whose aim was to provide financial assistance to the families of deceased Westpac employees. Another 120 years would pass before legal changes to the original Trust deed enabled The Westpac Foundation to also make grants to not-for-profit (NFP) organisations across Australia. Having made grants totaling over \$20 million to almost 150 NFPs during the last decade it is timely to examine whether and how we have matured in terms of our philanthropic approach.

First, we should note that while the Westpac Foundation is a charitable trust which makes its funding decisions for the public benefit and independently to the commercial interests of the Bank, the Foundation plays an important role in complementing Westpac's broader community involvement and corporate responsibility. Westpac provides administrative support to the Foundation and its Board of Trustees are all connected to Westpac through either current or former senior executive positions with the Bank.

We can identify three broad phases in the Foundation's approach to philanthropy over the last decade:

- **1999-2002** In phase 1 the general focus of funding was on social and community welfare and education and giving mainly to organisations with an existing relationship with the Bank.
- **2003-2005** Phase 2 saw a sharpening of the guidelines and funding focus towards early childhood intervention, literacy and numeracy. The range of organisations funded broadened and closer working relationships were forged with other

foundations, such as the Rio Tinto Aboriginal Fund, which led to an increase in funding to Indigenous-based projects. There was also a shift to funding relatively smaller and newer organisations, providing seed funds for innovative pilot projects and a greater emphasis on ensuring funded projects were evaluated.

- **2006-the present** Phase 3 has been a period of more significant change, following an internal review. First, the funding focus became less about the issue (e.g. poverty) and more about the way the organisation or project operates. More specifically, the focus was to help build healthier and stronger communities through supporting social enterprise across Australia. Two key dimensions of social enterprises are that they generate a proportion of their revenue from commercial activities, usually related to their mission, and they apply entrepreneurial approaches to entrenched social problems.

What we've achieved in these last five years is briefly summarised under each of our objectives.

1 Enhancing the financial capacity of social enterprises to address disadvantage

This is the bread and butter objective of most foundations, providing the grants that enable NFPs to establish and run their programs. Stated simply it's about numbers – how much and to how many. In our case, 72 existing or prospective social enterprises have received a total of almost \$10 million in the four funding rounds since the current focus on social enterprise began in 2006.

2 Increasing the effectiveness and social impact of the enterprises funded

This objective is about going beyond numbers. We do this in a variety of ways such as providing a range of workshops on project design, evaluation and social impact assessment for the NFPs we fund. Our flagship capacity building initiative has been a two day workshop on Logical Framework Analysis which, together with QUT, will be developed into a broader workshop on fit-for-purpose evaluation, with ongoing support and reflection sessions. These workshops ensure that the projects we fund are embedded within an evaluation framework to better enable the organisations to track their performance and longer term impact. The feedback we receive from organisations about the workshop and their subsequent use of the Logic Framework is extremely positive, and highlights

the greater confidence and understanding they have of their programs, the data needed for evaluation, the assumptions that underlie their programs and how they can bring about improvements to what they do.

We also try to foster relationships between our funded organisations and Westpac employees. This has in some cases led to Westpac staff being seconded for periods of time to work on a particular project as well as Westpac staff volunteering on and for particular projects and organisations.

3 Ensuring the sustainability of the social enterprises supported

Whether and how NFPs can become sustainable is a key challenge. Indeed, some would argue that traditional philanthropy may be a barrier to longer term sustainability. It is one reason we promote and encourage a social enterprise approach as revenue diversity is a key factor behind financial sustainability. The other way we promote sustainability is by acting as a signal for other potential funders. We have long received anecdotal feedback from grantees that receiving the Westpac Foundation funding helped them attract additional funding from private and government sources. Since 2007 we have been collecting data from grantees which confirms that this is the case for most of the organisations we fund. The strength of our due diligence process, commitment to evaluation and capacity building means that Westpac Foundation funding provides a degree of comfort to other funders that may not have the resources to conduct their own detailed assessments.

In addition, this year we'll be working with the Bank in providing business mentors for some of the social enterprises we fund, particularly around the area of financial sustainability, another example of leveraging the expertise and resources of Westpac employees.

“...this year we'll be working with the Bank in providing business mentors for some of the social enterprises we fund, particularly around the area of financial sustainability, another example of leveraging the expertise and resources of Westpac employees.”

4 Increasing the overall capacity of the NFP and social enterprise sector

Since 2006, we have provided over \$1 million in sector wide capacity building grants to 13 organisations. Our flagship is our partnership with the Australian Centre of Philanthropy and Non-profit Studies at QUT. We funded the establishment of an Associate Professorship of Social Entrepreneurship and Social Enterprise, to which Dr Jo Barakett was appointed in 2008, involving mapping the social enterprise sector in Australia, and developing tools to assist organisations that wish to pursue a social enterprise approach as a means to sustainability.

What have we learnt?

One should exercise caution in translating any lessons given the diversity that exists across corporate foundations. The rapidly changing external environment also means that what worked once may not necessarily be appropriate in another time. Nevertheless, some key learnings for us have been:

Less is best: Our intense evaluation process means that it is best for us to provide greater funding to fewer organisations. This ensures that there is adequate time to conduct a thorough due diligence process, and that relationships with potential grantees can develop before a funding decision is made. Funding fewer organisations also means pre-funding site visits are more feasible, as is supporting potential grantees in undertaking feasibility studies and refining business plans through Westpac volunteer staff. The challenge however is ensuring that the first round screening process works effectively as there are fewer options to choose from later in the selection process.

Funding evaluation is not enough: We were one of the few foundations that not only required successful applicants to undertake an external evaluation of the funded program but required them to cost it into their budget. While resourcing evaluation costs has generally become standard practice, our experience is that solely funding evaluation is not enough. NFPs also need to understand the evaluation process and the various evaluation and social impact frameworks available. The internal workshops we run for our funded organisations not only give them the basics to set up their own evaluation frameworks for their projects, but boost their confidence in working with external evaluators in due course.¹

Funding overarching infrastructure: Grants can be made to work 'harder and smarter' by funding the overall capacity and infrastructure of a particular model (rather than its implementation in a particular site or geographic area). NFPs can then leverage our original investment with a series of smaller scale local grants. Examples of this have included The Smith Family's Technology Packs Project and The Song Room's national expansion of its creative art program. Investing in the 'model' rather than a specific implementation site has the potential to generate a much greater social return for the funder and social impact for the community. By enabling NFPs to garner local funding for their projects also encourages the building of local relationships and social capital with a range of stakeholders and a sense of community ownership, potentially improving the sustainability of the initiative in the long term.

Funding collaboration: The impact of the global financial crisis has heightened interest in greater collaboration across funding bodies. With most endowed foundations having experienced a drop in income, co-investing can be a way to continue funding large projects. Our experience has been that despite the will to do so, co-funding is hard to execute in practice because of the diversity of the foundation sector. Different foundations have different priorities, decision making timelines, risk profiles, due diligence processes and reporting requirements which makes coordination difficult.

To achieve greater collaboration, (outside of greater standardisation of processes), discussions and agreements first need to occur at the level of the Chairs and Trustees of respective foundations. The top level commitment needs to be in place before the executive staff can begin the due diligence and selection preparation process.

“Grants can be made to work ‘harder and smarter’ by funding the overall capacity and infrastructure of a particular model (rather than its implementation in a particular site or geographic area). NFPs can then leverage our original investment with a series of smaller scale local grants.”

Trust your gut: Our final lesson may appear incongruous coming from a foundation known for its detailed assessment process and commitment to evaluation. It is one however that we suspect many others who work in the world of philanthropy share, but are often reluctant to admit – listen to your ‘gut feel’ or intuition. It is not, as far as we know, a selection criterion that appears in the grantmaking manuals of most foundations, but our experience tells us that maybe it should! Indeed, science is confirming that intuition does in fact play an important role in decision making.² There have been several projects that have come before us where all the usual categories could be safely ticked, but we just knew something wasn’t right: perhaps due to an impression from a site visit or a comment made in an interview. We are not suggesting discounting all prior evidence, but certainly investigating that inner voice of doubt, as there have been a few cases where we ignored the inner voice only to find that it was right all along.

The world of philanthropy continues to evolve together with broader societal change. Over the last decade the Westpac Foundation has moved from a more general funding issue-based focus (e.g. welfare) to a more specific process-based focus (e.g. social enterprise). Greater emphasis has also been placed on non-financial sources of support. This shift has in part reflected the changing relationship between the Foundation and the Bank in order to take advantage of our respective strengths, expertise and resources and in part the greater maturity and professionalism of philanthropy in Australia. ■

1. For a review of social impact frameworks increasingly used by the sector and that have been encouraged by the Westpac Foundation see Gianni Zappalà & Mark Lyons, ‘Recent approaches to measuring social impact in the Third sector: an overview’, BP No. 6, 2009, Centre for Social Impact, UNSW (www.csi.edu.au).

2. See for example, D. Radin & A. Borges, ‘Intuition through time: What does the seer see?’ EXPLORE, 5(4), 2009, pp.200-211; J. S. Albrechtse, C.A. Meissner & K.J. Susa, ‘Can intuition improve deception detection performance?’, Journal of Experimental Social Psychology, 45, 2009, pp.1052-1055.

Funding the environment

By Beth Mellick



We've floundered around the issue of global warming and climate change for at least a decade and still people are debating its validity. It has been very frustrating watching how quickly people were able to react to the global financial crisis, finding strategies to move out trouble, and yet some leading climate scientists would argue that no matter what we do now, it's all too little too late for the environment.

So what does this mean for us? For environmental philanthropists the tough decisions need to be made about what to invest in – what critters do you try and save and what ones do you let die out? What part of the country needs the most help, and what groups are the most capable of carrying out successful conservation projects?

2010 is the year of the environment

Over the last 13 years The Norman Wettenhall Foundation has developed solid relationships with a broad range of environment, community and Landcare groups around Australia. Being connected into the movement and keeping abreast of ecological processes and natural resource management issues allows us to seek out and support key projects associated with biodiversity preservation.

We believe the time to spend on environmental issues is now – GFC or not. What we have clearly learnt over the last year is that no matter how much our income drops, we need to maintain granting, even if that means dipping into the corpus. The environment is in crisis and our job is to help curb species decline.

Our strength as a small environment and philanthropic organisation partly comes from our expert and dedicated Board of Trustees (currently numbering nine), a legacy from Norman Wettenhall himself, who as a devout bird and bush lover, was determined to build a philanthropic organisation with passion and expertise around Australian flora and fauna issues.

Our expertise allows other philanthropic bodies the chance to set up a funding stream with us. We currently have such partnerships with the R.E. Ross Trust and the newly established Dahl Foundation, as well as sub-funds of the Melbourne Community Foundation. Our knowledge of environmental projects across Australia means that any group can increase their spending on environmental issues by either making a donation to one of our granting schemes, or setting up their own specific granting scheme. We seek out the appropriate projects, make and administer the grants, and provide a report to your organisation. ■

Partnerships and alliance are managed by the Foundation’s Executive Officer, Beth Mellick, who has a background in the environment movement, nationally and internationally. Please speak to her – increasing spending on the environment can be as easy as that.

Dr Helen LaKelly Hunt and Christine Grumm

Dr Helen LaKelly Hunt and Christine Grumm are co-founders of Women Moving Millions (WMM), a campaign aiming to inspire gifts of a million dollars and above in support of women's funds across the globe. In February 2010 Helen and Chris were in Australia for the launch of Women Mobilising Millions, calling on Australian women to elevate women and girls to the top of the philanthropic priority list. They spoke with Philanthropy Australia's Louise Arkles.

The story began in the United States with sisters Swanee Hunt and Helen LaKelly Hunt who, through a 'spark' gift of US \$10 million, catalyzed a partnership between the women donor community and the Women's Funding Network, a global movement of more than 145 women's foundations on six continents. WMM beat its goal of raising US\$150 million in gifts of \$1 million+ by April 2009, raising more than \$181 million.

How did the Women Moving Millions campaign come about?

Helen: My sister Swanee was involved in strengthening women's voices in policy making arenas, and had spent time in war-torn countries. She saw first hand the need for much greater funding for women. Impatient for change, she decided to write a big cheque. I had been researching women who funded women at the million dollar level and wrote an article on them called 'Thanks A Million'. Swanee though wanted to raise the bar for women's giving, both giving by and giving for women – let's add two zeros to the cheque! Our sister energy began to ignite.

Traditionally women will step up to give to the symphony, the ballet or the museum, writing the \$500,000 cheque, or the \$1 million cheque – but to women's organisations they'll give \$10,000. We want to see those \$1 million cheques going to support women-led agencies for change.

Only about 7.5 per cent of (US) philanthropy goes to women and girls, so when my sister and I pledged \$10 million between us, I needed to work out how to make this investment in women. Luckily I knew Chris Grumm, who's got 15 years experience in the

field and is a genius at stimulating women's philanthropy. We formed a partnership and designed an initiative that became WMM, and it took off. Women from five countries became involved – we've had more than 100 donors pledging at the \$1 million+ level.

Chris: We rolled it out using the existing architecture of the Women's Funding Network. We have a large established network of 157 women's funds, and 42 of our member funds participated, with both existing and new donors. What was really interesting about this campaign was the combination of the energy our donor leaders Swanee and Helen brought to the table, with a network structure that allowed it to develop its own momentum and become a vibrant part of the women's funding movement. It wasn't just the Women's Funding Network raising the money, it was also the Ms Foundation for Women, the Global Fund for Women, the Chicago Foundation for Women and the New York Women's Foundation.

It was very strategic and it was the right time – without knowing what Swanee and Helen were planning, we'd been preparing women's funds to think bigger and bolder, to not only accept the \$5,000 cheque but to ask for the \$100,000 plus cheque. So it was both the asking, and the donor leadership awareness that came together just at the right time.

How did you each come to be involved in philanthropy?

Chris: Philanthropy and give-back have always been a part of my life. I'm a preacher's daughter and I learned about tithing (giving 10 per cent of your income) at an early age. I've been in the NP sector all in my life, working in women's healthcare in the United States, then with an international NGO and moving

into women's philanthropy about 15 years ago. I'm particularly interested in the intersection of philanthropy and social change for women and girls.

Helen: From a young age too I learned the joy of giving, specifically giving time. I come from an oil family, but my parents never discussed money with me and until I was married I didn't even know how much I had. So, although a lot of women volunteer their time and skills, the money piece often lags behind for women, including those that have the means to write very substantial cheques!

What holds wealthy women back from giving large amounts?

Helen: I think it's cultural programming, illustrated by the nursery rhyme – 'the king is in his counting house counting out his money, the queen is in the parlour eating bread and honey' – both are rulers of the land, but she's relegated to the parlour. This is what WMM is directed towards – waking women up to the fact that they can march into the counting house and grab a hold of some of that money and direct it in a way that reflects their values.

Chris: Change is coming, from up and coming generations and from women with earned wealth, because they control their money from the beginning. However I think it's important to understand that women's relationship to money in many cultures is very complex: studies have shown, for example, that women think they need much more money for retirement than men do. This is partly due to women feeling responsible for taking care of others in their family or community, but it's also based on the fact that many women who've made large amounts of money will look back on their success and put it down to good luck, and worry that they could not replicate that same success,



Helen LaKelly Hunt and Christine Grumm, co-founders of Women Moving Millions in the United States, at the Melbourne launch of Women Mobilizing Millions, with co-founders Carol Schwartz and Eve Mahlab (left to right Christine, Carol, Helen and Eve).

whereas men tend to assume they could do it time and time again, no question. This vulnerability around financial security continues to plague women, including wealthy women.

Helen: Think of the 'bag lady' syndrome. Even women with financial security feel one cheque away from poverty. We can't overestimate the impact of being a second-class citizen, for centuries and across civilisations. We carry this sense of discrimination and disenfranchisement, and the fear this brings: think of violence against women; women's under-representation in government and on boards; women's lack of voice in religious and economic spheres. This fear also motivates the cheque-writing.

What is it about WMM that is changing this and empowering women to give more?

Chris: Since industrial times, men have used philanthropy to imprint their values on society. That has been a very traditional and accepted way for them to gain and express their influence. I do not think that has been the case for women – women haven't thought of their money (when it did belong to them) as a way to imprint their values on society. That consciousness is coming in when women write a \$1 million cheque for WMM – they're saying that women and girls are valuable and important, and this donation is giving a signal to society that supporting women and women's organizations is critical.

Sister Joan Chichester made the point that we must not think that it is a benign

influence that has led women to be second-class, disempowered citizens – at some point it was a deliberate policy, and probably still is.

Helen: Inviting women to give \$1 million for women is correcting something that has been out of alignment for a long time, and has created a really surprising energy that we weren't expecting. Chris and I have both been fundraising for women's funds for many years, doing the ask and saying 'thank you'. With WMM we invite women to make a million dollar commitment, and the number of women who've thanked us, with tears in their eyes, saying "this means so much to me – thank you!" is amazing. It's like we're giving them a gift! We were worried about just meeting our goal, but we surpassed it by \$30 million in an economic downturn!

Do you think we can achieve the same kind of impact, albeit on a much smaller scale, here?

Chris: Yes, you may not have the scale and infrastructure of women's funds that we do in the United States, but the two of them – the Victorian Womens Trust and IWDA are 25 years old. They came along about the same time that women's funds were really getting started in the US, and have deep and strong histories and an incredible list of achievements. You've also have energetic new women's funds emerging, such as the Sydney Women's Fund and the Australian Women Donors Network, so there is great momentum here for Women Mobilising Millions to succeed.

What does 'maturing philanthropy' mean to you?

Helen: Never before in history of the world have women stepped up to make a conscious decision to take their money and fund women's voices and values. When planning this campaign, we asked Kathleen McCarthy (Director of The Center on Philanthropy and Civil Society at The City University of New York) if women have ever funded women's advancement in a serious way before, anywhere around the world? Her research showed that women have been generous givers throughout the centuries and cultures, funding monasteries and libraries, alma maters and ballets, but never before have they pooled their money to advance their values in the world.

Chris: The way this is happening is new too. Patriarchy is order from the top down, but women work in a partnership model – we're so much stronger when we work with others. Not only do we leverage our dollars and magnify our impact working together, but it's a much richer mix when we work collectively.

For me, mature philanthropy should be about leadership and investment being a force for change. Women Moving Millions shows that women are increasingly not just bringing more money to the table but are part of that leadership. Women are inspired to make the leap from giving charitably to investing strategically in women, first and foremost. ■

Information sharing in philanthropy: learning from the blogosphere

Increasingly, much of the vibrant and cutting-edge analysis in philanthropy takes place in the 'blogosphere'. For the uninitiated, blogs (the word originated from Web-logs) publish brief online articles or 'thought-downloads', often written from a personal perspective by leading thinkers and practitioners, which others can comment on, hence creating online conversations. Here *Australian Philanthropy*'s editor Louise Arkles takes a close look at several recent posts on the Tactical Philanthropy blog around information sharing in philanthropy, and finds much meaty content to challenge us in Australian philanthropy.



There has been a fascinating discussion on the Sean Stannard-Stockton's Tactical Philanthropy blog (<http://tacticalphilanthropy.com/>) on 'information sharing in philanthropy', something I think we do not do particularly well in Australia, with many of us staying in the 'stand back and look on' camp, rather than stepping forward to participate with the early adopters. At Philanthropy Australia we're particularly interested in this space, following our work developing the PhilanthropyWiki and the Projects Pool, collaborative tools for our Members.

Back in April 2009 Sean anticipated what he dubbed 'the Googlization of philanthropy.' He explained that what this means is that "as philanthropic knowledge is captured and put online, third-party groups can organise this information and make it accessible and useful."

"Googlization focuses on enabling collaboration and participation by unbundling the process of creating information from its distribution. Since philanthropy is improved exponentially as more information is shared about which social-benefit efforts work¹ – and which ones fail – this is a big moment for philanthropy."

A seminal point for me is that the organisation and distribution of the information will not necessarily be done by the information creators, but by third parties, and as Sean points out, the people who want to consume that information.

Philanthropy Australia is already working in this space by scanning, researching, selecting, collecting, packaging and translating information on philanthropy for our members to use and interpret as they wish. The big challenges for us are:

- sourcing new Australian content on philanthropy, especially research and/or analysis by our member foundations – many still intensely private – on their work; and
- resourcing, for it takes time and effort to source, analyse and interpret this information, and put it up onto the web.

Sean mentions several standout developments in this third party space² which are worth keeping an eye on, and particularly in the case of the third, using:

There has been a fascinating discussion on the Sean Stannard-Stockton's Tactical Philanthropy blog (<http://tacticalphilanthropy.com/>) on 'information sharing in philanthropy', something I think we do not do particularly well in Australia, with many of us staying in the 'stand back and look on' camp, rather than stepping forward

1 Philanthropedia

Most foundations are keen to find ways to measure the impact of their philanthropic dollars, and to determine which nonprofit groups are most effective. Philanthropedia is aimed at capturing the collective knowledge of foundation program officers, senior nonprofit staff, and academic researchers who, as Sean points out, are the ones who know which non profit groups are really outstanding. Philanthropedia works by building networks of experts to identify the best nonprofits according to their criteria for nonprofit effectiveness (more advanced than, but not dissimilar to, our Projects Pool). They've taken this a step further by creating a pooled 'Mutual Fund', so donors can not only see which charities the experts recommend, but also donate to 'an entire social cause', with the funds pooled and distributed across the selected organisations.

2 The Foundation Center's Glass Pockets

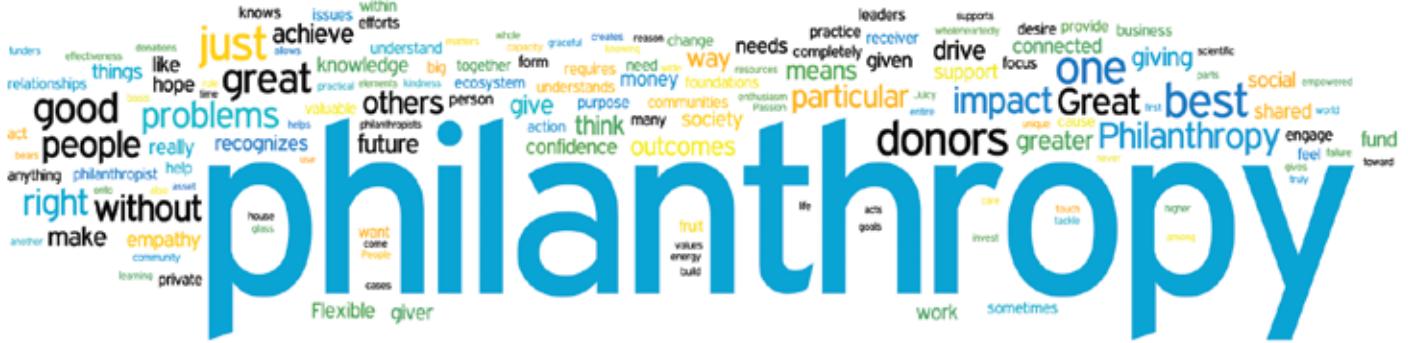
The Foundation Center's Glass Pockets project aims to increase foundation transparency and 'illuminate successes, failures, and ongoing experimentation so foundations can build on each other's ideas to increase impact.' Sean draws the inference that one of Glass Pockets' most vital functions is that it "helps set expectations around information sharing" (<http://glasspockets.org/>). While we in Australia do not work to the same set of expectations as in the States, the question of transparency is likely to be of increasing importance for foundations and nonprofits here given the financial and regulatory environment.

3 Philanthropy Search

Tony Wang, who works with Lucy Bernholz at BluePrint Research and Design for Philanthropy, has created a tool using Google's Custom Search called Philanthropy Search (www.philanthropysearch.org). It scans and indexes the websites of the 100 largest foundations, philanthropy consulting firms and university research centers in the United States, enabling users to perform a single search across all, and only, these sites, greatly improving the relevancy of their search results (but obviously limited to American sites).

Sean extracts the gold nugget for us:³

"The takeaway from all of this is that it is critical that the social sector, both nonprofits and grantmakers, embrace a cultural ethic of information sharing. That as a sector, we realize that



This 'Wordle' was created by Tactical Philanthropy on <http://www.wordle.net/>

we don't need to "own" our social impact. If we have valuable information that can help inform the activities of others, it is our duty and our biggest impact opportunity to share this information widely".

While the leading lights in the States are eager to be seen as taking this ethic on board, the vast majority of players, including those in Australia, are not yet. This is often put down, in part, to the cost of analysing, packaging and distributing knowledge – costs which the majority of organisations don't recognise or budget for. As Scott Bechtler-Levin elaborates in his response to Sean's post⁴, the costs associated with sharing information are considerable. He writes:

“to be sure the marginal cost of sharing (with one more person/organisation) is very low. But there are many very real costs (to name just a few) to having that information available to be shared:

1. putting information in a form/place that is re-usable;
2. re-purposing that knowledge to make it easier to learn from;
3. making that information easily findable;
4. curating and providing context for that knowledge; and
5. refining that knowledge based on feedback and re-sharing it.”

Certainly we have some foundations making a good job of this work – the Foundation for Young Australians springs to mind as one which dedicates resources across the spectrum from the thinking, listening and researching side to the publishing, promoting and interpreting side of their work.

In the States, the general zeitgeist is of foundations having the resources to commit to knowledge work, but not-for-profits being unable to do so, preferring to commit all their resources to their core work such as direct client services and fundraising. I would argue that many foundations here, while they acknowledge the importance of evaluating, reporting and disseminating their knowledge, aren't yet committing resources to either carrying out this work as part of their mission, or fully funding the cost of such activities for their not-for-profit partners.

I agree that a major inhibitor of knowledge sharing in our sector is cost. Just as the public wants to see 100 per cent of their donation go directly to support beneficiaries, rather than to less appealing activities like infrastructure, I suspect that trustees of foundations keep a tight rein on staffing expenses. Most want

any staffing costs to accrue to investing and grantmaking, and few allocate any resources to activities such as evaluation or knowledge sharing.

"The existing funding system prevents the sharing of valuable information, which in turn prevents improved social sector performance. Like other kinds of non-programmatic expenses that enhance the ability of nonprofits to help more people – technology, office space, professional services, etc. – the inputs cost money so that more and better outputs (in this case, information about what works) can be free."⁵

This takes us back to the gold nugget of the 'cultural ethic of information sharing'. It's a vicious cycle – we value what we pay for, but until we commit resources to actively sharing our knowledge we are unlikely to get anything of great value from our initial efforts.

But a second, and equally persuasive inhibitor of sharing is privacy, that perennial concern in Australian philanthropy. To what extent would the dissemination of knowledge accrued by a foundation threaten the privacy of the donors, and more importantly the charity receiving the funds, especially in the case where a grant live up to expectations? Add to the mix the understandable hesitation some people feel about embarking on using new technologies, where there are some very questionable or even invisible boundaries around privacy, and you have a recipe for hesitation, if not resistance.

While we do not yet have answers to these questions, the emerging conversations are a very healthy sign. We're all learning together in this space, and blogs such as Tactical Philanthropy are particularly valuable in facilitating the discussion. ■

What is your opinion?

Letters to the Editor are most welcome. Email them to larkles@philanthropy.org.au

1. <http://tacticalphilanthropy.com/2010/03/the-cost-of-information-sharing-in-philanthropy>.
2. <http://tacticalphilanthropy.com/2010/03/philanthropedia-capturing-expert-recommendations-of-nonprofits>.
3. <http://tacticalphilanthropy.com/2010/03/the-cost-of-information-sharing-in-philanthropy>.
4. <http://tacticalphilanthropy.com/2010/02/does-information-want-to-be-free-in-philanthropy>.
5. <http://tacticalphilanthropy.com/2010/02/does-information-want-to-be-free-in-philanthropy>.

Modelling a new art of delegation

By Mary Borsellino, Assistant Editor of Philanthropy Australia.



Since 2001, ANZ Trustees has been steadily redefining and remodelling its governance practices.

This ongoing process of maturation has required the organisation to approach their internal structure with an eye for the strategic, for the long term, for aligning their processes in such a way as to retain the strengths of the old systems, while phasing out the inefficiencies.

The ways in which changes to the governance of charitable grantmaking have been implemented is – intentionally – groundbreaking. They demonstrate an updated governance model to the Australian grantmaking sector, which combines existing principles of good governance with the more strategic approaches employed by larger and older grantmaking sectors than Australia's, such as that in the United States.

Separating governance from execution

In essence, the new model divides the governance of charitable grantmaking into two categories, governance and execution, with the Board's energies now focused on governance and policy, and management concentrating on the execution of these strategies.

Under the old system, the Board was involved in the execution, as well as the establishment, of strategies for effective charitable grantmaking. The new model allows the Board more time to provide leadership, in their updated role of monitoring and delegating the grantmaking from a position of greater perspective and distance. It also makes management more accountable for the quality and effectiveness of its grantmaking through periodic review processes.

Management, for their part, are now able to spend less time writing reports for the Board and more time on research

and innovation. Rather than having to go through the process of the Directors or an Advisory Panel reviewing their recommendations for grants, there is an internal management committee that considers the recommendations, comprised of philanthropic advisors whose role it is to find and make the most effective community investments.

A key inspiration behind many of these changes was found in the work of large overseas organisations. In the US, The Rockefeller Foundation, for instance, has a scope which is far too big to allow trustees to select individual grants themselves, forcing their role within the process to be one of strategy and delegation. Likewise, the Ford Foundation's Board delegates authority for approving grants to the President and senior staff, allowing the grantmaking process to be smoother and more streamlined as its complexity and number of steps are reduced.

The proof of the pudding

Teresa Zolnierkiewicz, Manager – Philanthropy at ANZ Trustees, offers these observations on the new model's introduction:

"The benefits of the model have been immediately apparent in the knowledge sharing that is occurring among staff. Because all Philanthropy staff are involved in the internal management committee, there is considerable cross-pollination of project ideas and sharing of assessments that did not occur in our previous model. Previously it was only a select group of staff who prepared assessments for the Board.

The change has also meant that our turnaround time on requests for funding has significantly reduced as we are not locked into going to quarterly meetings of the Board and we can be more responsive to the community.

The staff has been energised by this change. They feel the weight of responsibility given to them, and are focused on the quality of the research and analysis, rather than focusing on

the quality of paperwork presented to the Board. All in all, this change has streamlined process and freed up energy and resources. Our Board is to be commended for their understanding of good governance."

Bringing in the experts

ANZ Trustees now includes external experts earlier in the grantmaking process. Instead of having experts as members of an advisory panel, ANZ Trustees is establishing a virtual subject matter expert panel. These panelists are utilised as referees in the process of formulating recommendations on giving – in other words, at the development stage, rather than the approval stage. ANZ Trustees is in the process of setting up twice-yearly philanthropy forums utilising members of this panel and others to create a dialogue on issues important to their grantmaking, a plan with far-reaching possibilities in developing and maturing the grantmaking process further.

The changes to the grantmaking model at ANZ Trustees are currently at Phase 1 of the total proposed plan. The Board, for the time being, retains governance over distributions from one key trust, and also for grants over \$100,000 per annum. Future changes to the model will follow a review of the success of Phase 1.

Any significant form of expansion needs trailblazers, those who mark out a first path which others can then use as a guideline for their own movements from one model to another. ANZ Trustees recognised that, as a leading provider of philanthropic services in the community, they had to play a figurehead role in promoting effective grantmaking structures. Ultimately, the intention is that this new model will result in better outcomes for the charities which ANZ Trustees directs its funds, and for the health of our community. ■



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