

# PERSONAL WEALTH

PHILANTHROPY

SPECIAL SECTION

## COMING FULL CIRCLE

A new trend in philanthropy encourages group giving

BY ANN MONROE

AOL TIME WARNER HAS found a new way to help its employees get to know each other better while doing something meaningful: It's bringing them together in small groups to pool their money—anywhere from \$25 each and up—and then give it away. The groups are called giving circles, and in helping to form them, AOL has jumped aboard one of the hottest new trends in philanthropy.

In the broadest sense, giving circles operate a lot like investment clubs. Each member of the group contributes a set amount, then the group works together to research the market, choose a strategy, and make decisions on how to invest the money. But the market a giving circle studies and invests in is not the stock market; it's the needs of the local community and the organizations that are trying to meet those needs. And in most cases, members invest not just their money, but their time and energy, to help ensure the success of the organizations to which they make grants.

It's the personal involvement that made giving circles appealing to AOL, says Kathy Bushkin, president of the AOL Time Warner Foundation, which as the AOL Foundation started working on giving circles in 1999, before the merger. "Our employees told us they wanted to do something with their colleagues, and to do philanthropy in a way that made them feel they were really making a difference."

To start the giving circles, the foundation asked for volunteers among employees it knew were interested in philanthropy. It now has half a dozen efforts under way; one group, focusing on child welfare, is looking beyond established charities to find an unmet need and create an organization or program to tackle it. "They're trying to find an area where they could do something new," Bushkin says. AOL plans to match its circles' grants and may also help out with technology equipment and expertise.

The high-tech world, which prides itself on innovation, has embraced giving circles in a big way. One of the best-established and largest groups, Social Venture Partners, was

founded by employees and alumni from a variety of Seattle-area high-tech firms who wanted not just to give to charity but to learn, and teach others, to donate creatively and effectively. The group has spread to other cities, including Dallas, Denver, and New York City. "Our mission in the long term is about catalyzing and inspiring philanthropy among individuals," says Paul Shoemaker, SVP's executive director. The Seattle circle, whose 290 partners (some of whom are couples) each commit to contributing \$5,000 annually for at least two years, offers an extensive program of philanthropy education. The group's grant committees, which decide where the money will go, spend almost half their six months together learning about the area in which they will be making gifts.

"They brought in a series of panels—teachers and superintendents and other experts—to talk about trends and current issues in education," says Molly Hanlon, who joined SVP because she liked the organization's philosophy of sticking with a grantee to help it grow, and wound up on the education grant committee. "It was a very positive experience."

Hanlon became lead partner on a grant to an organization that sets up tutoring centers in low-income housing units, helping to define the grant's objectives and organizing the squads of volunteers it needed. Volunteers (herself included) not only tutored at the centers but rustled up computers and worked to create a marketing plan and the materials to accompany it, so they could attract more donations and support. "I had been looking to get more involved in the community," Hanlon says, "but I hadn't found an organization able to plug me in. SVP is very good at managing its partners and making sure things are going well for them."

"It's a group process," says Shoemaker, "and the challenge is always to make sure that the whole is greater than the sum of its parts. We try to facilitate people's getting to know each other on a personal basis. We meet in someone's home, we eat together before the meeting, and we actively encourage them to get to know each other. It strengthens the organization."

SVP, which is well known in the Seattle region, chooses its grants from among the proposals it receives. Other giving circles are more proactive. "I have a hard time envisioning a day when we'd put out a request for proposals," says Catherine Gunsbury, a co-founder and co-chairwoman of Community Capital Alliance in the Minneapolis area. Members of the four-year-old circle contribute just \$250 a year, but they are expected to dig up grant recipients themselves. "We go spelunking," she explains. "We get on the Web, we talk to people, we read the newspaper. A lot of our members haven't had

ILLUSTRATIONS BY KATHERINE STREETER

any experience in the nonprofit sector, and it's a black box to them. This is a way to jump-start that. And when you have money to give away, people like to talk to you."

Members decide what issues CCA will focus on: During the past year, it's been housing, community development, and education. The housing team, to which Gunsbury belongs, narrowed it down to emergency and interim housing. "We felt the \$5,000 we had to give away would have the biggest impact in those areas," she says. "Because we are talking about such small dollars, we are very thoughtful about where we put the money." Ordinarily, the group chooses either a small organization or a small project within a large one; this year, for instance, the housing team funded the renovation of the community room in an apartment building for low-income residents. And at the end of the year, the group throws a big party for all its grantees. Despite its relatively low investment requirements (many giving circles ask members for \$1,000 to \$5,000 a year), CCA has given away \$75,000—about one-third from members and two-thirds raised from foundations.

Giving circles can take as many different forms as there are people to organize and join them, says Leslie Pine, vice president for program at The Philanthropic Initiative, the Boston-based consulting organization that helped AOL start its giving circles. "If it's truly a giving circle," she explains, "members are the ones that make the key decisions."

An unusual giving circle that TPI has worked with is The Lenny Fund, a group formed after a well-loved Boston philanthropist, Leonard P. Zakim, was stricken with cancer. "He had developed very strong bonds with a lot of people, and they wanted this to be a legacy, so he had a lot of say in how the mission was shaped and what kind of things they'd fund," says Pine. The group decided to focus on very small grassroots organizations. One of its grantees: Soldiers for Health, led by a woman who has mobilized low-income peo-

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ple to get good health care and has worked to provide them with health insurance and access to services. "That's not a group that's equipped to get big grants from a large organization," Pine comments.

Being a member of a giving circle is a lot more work than writing a check. "The best giving circles go through a real planning process," Pine says, "figuring out where they can have the greatest impact." Because of that, most circles focus on a particular issue—or, in some cases, a particular organization. The year-old Three Generations Circle of Women Givers, in Traverse City, Michigan, intends each year to donate half of its grant money to the domestic violence house of the local Women's Resource Center.

That affiliation has made it easier to recruit members from among the existing supporters of the center, says Sondra Shaw-Hardy, one of its founders and the author of a book on women's giving circles. It has also solved one of the major problems of a giving circle: how to get a tax exemption for the money you've collected but haven't yet given away. Large giving circles, like SVP, generally become tax-exempt foundations themselves. But smaller ones need to find a tax-exempt, IRS-qualified 501(c)(3) sponsor to hold the money. A number of nonprofits are capitalizing on that by setting up giving circles themselves. Many colleges, such as Oklahoma State University or the University of New Mexico, for instance, sponsor groups whose members help decide how the school will spend their money, Shaw-Hardy observes. Other giving circles put their money in a donor-advised fund at either a finan-

If you are interested in forming your own giving circle, here are some points to keep in mind, many of them taken from Sondra Shaw-Hardy's book, *Creating a Women's Giving Circle: A Handbook* (Women's Philanthropy Institute; 608-270-5205; [www.womenphilanthropy.org](http://www.womenphilanthropy.org)):

- ◆ Keep the organizing group small—perhaps 8 to 10 members—and expand once you know where you're headed.
- ◆ If you have a sponsoring organization, make sure both you and they have the same understanding of who does what.
- ◆ Investigate potential sources of matching funding and other assistance like local employers and foundations.
- ◆ To make recruiting easier, target a pool of potential members, and figure out how to enlist them.

## Social Service

◆ Asking for a large donation gives the circle more philanthropic clout but may discourage potential members with little experience in philanthropy. "It's hard to jump from zero to \$5,000 and volunteering all in one shot," says Julie Weed, a member of Social Venture Partners. Splitting the contribution into four quarterly installments might be a good compromise.

◆ If you'd like to collect money from people who don't care to volunteer, consider separate classes of membership.

◆ Get scheduling settled early; SVP grant committees plan meetings six months ahead.

◆ Good small-group leaders are crucial, Paul Shoemaker says. "They have to be directive in terms of process but open and collaborative in terms of content." —AM

cial institution or a community foundation that invests and administers the contributions. Another, less formal, solution is to have each member contribute individually to the organizations the group has chosen.

The Traverse City group had a hard time deciding where the other half of its first year's \$16,000 would go, Shaw-Hardy reports. "We initially said let's just give it to women to help with child-care costs. But at our second meeting, a woman who had been head of a foundation said that was a feel-good solution and was not going to leverage our money or teach anyone to be a philanthropist."

So the group issued a request for proposals, set its grant criteria, and started evaluating projects. Members visited organizations that had submitted the top-rated proposals, but when they came back together to vote, each person cast her ballot for the group she'd visited. "In the end," Shaw-Hardy says, "we gave money to all of them."

How can you get involved? Finding a local giving circle can be a challenge; there is no central registry. A good place to start is your local community foundation, which may well be sponsoring one or two. The closest thing to a directory is a report called "Venture Philanthropy 2001: The Changing Landscape" sponsored by Venture Philanthropy Partners and two other groups. While it doesn't break out this category, its descriptions of donor organizations are detailed enough that the giving circles among them can be identified. The report is available in pdf format at <http://venturephilanthropypartners.org>. A Web search for the phrase "giving circle" and the name of your community could also prove fruitful, as many circles are written up in local papers.

As with any charitable contribution, do some research be-

fore you write your check; if scam artists haven't already noticed the growing popularity of giving circles, they soon will. Make sure your money's going to a tax-deductible organization (see "The Other Reward for Good Works," p. 94). Find out what steps the circle takes to match you with a grant group you're comfortable with. Giving circles vary in the kinds of education and volunteer opportunities they offer, so make sure the circle you're joining has what you're looking for.

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