

NONPROFITS

THOUGHT LEADER FORUM

THE STATE OF OREGON NONPROFITS

A PANEL OF EXPERTS ON THE TRENDS AND CHANGES IN GIVING, GOVERNANCE AND DEMAND FOR THEIR SERVICES

Oregon nonprofits deliver critical services to the state's neediest populations. They also play a larger-than-average role in the economy: employing 12.2 percent of the state's workers (No. 17 in the country). The Portland Business Journal gathered five leaders in the nonprofit community to discuss the unique challenges they face and how they can brace for change. Here's their conversation, led by moderator Maureen McGrain.

Maureen McGrain, moderator: There is a breadth of philanthropy experience on this panel across many sectors: higher ed, health care, social services and global humanitarian aid and development. What are the inherent differences?

David Rubin, Mercy Corps: Having worked across several sectors, to me, one of the most striking differences is whether the nonprofit comes with a built-in constituency or whether you have to build it through a promotional effort. Higher education and health care tend to have built-in constituencies of loyal alumni and grateful patients. With social services and global humanitarian aid, you're hoping to attract people through the power of your reputation and the alignment of your organization's mission with the donor's philanthropic intent.

Jeff Carr, Albertina Kerr: Because we're 109 years old, longevity provides a built-in constituency. If you're over 60 and you grew up in Portland, you've heard of us. I call it the Albertina Kerr pixie dust.

Beach Pace, Big Brothers Big Sisters: Similarly, Big Brothers Big Sisters is 100 years old, so there is a built-in constituency to support youth mentorship. However, there is work to be done. This leads to impact. How can we measure impact and how can we demonstrate impact and make it meaningful for everyone; old constituency or new?

McGrain: Do nonprofits have an identity crisis? Should they act more like businesses?

Pace: This is a pet peeve of mine. We should be called Social Change Organizations and put the focus on what we do, not on what we don't do.

Rubin: There's a false equivalence between frugality and worthiness. While Mercy Corps is proud of its high efficiency rating, I'd like to see the public move beyond too heavy a focus on cost-effectiveness, and more towards the real impact that an organization is generating by carrying out its mission.

Shouka Rezvani, Tonkon Torp: On many levels, nonprofits are businesses and should be treated as such. What are we asking of nonprofits by virtue of calling them this separate thing, but also expecting a lot of the same results? With startup businesses, you see venture capitalists providing funds in hope that there is going to be a certain result, but with full knowledge that there is a significant risk that there won't be. With a nonprofit, it's rare to see people throwing money at a potential social innovation in the same way, even though it might change the world. We also don't expect nonprofit leadership to be compensated in the same way as for-profits, so there can be a leadership drain.

Linette Dobbins, McGee Wealth

Management: Social change is only a portion of what you do. We believe that the boots on the ground in a local area can do a better job than the government. When the government wants to create a social safety net, there are layers of complication and limitations, whereas nonprofits fill that gap. Local organizations are able to have a better impact, find the right resources and provide customized ways to support the community. I would like to see more federal dollars to support local organizations to do that work that they do best.

Carr: It's the only sector that is known by a tax code. For-profits are separated into different sectors, but nonprofits all get lumped together into one big conglomerate. People in the nonprofit sector sometimes don't have as high expectations for themselves or their colleagues to run an organization in a way that is profitable. Our profit isn't based on how much money we make, but on a different sort of bottom line.

McGrain: Is the demand for those services going to increase as potential cutbacks from federal programs come into play? How do you prepare for that?

Pace: Yes, demand will increase. A lot of prep is training: investing in your team to make sure they're competent and can be ready for what's coming. We're worried about immigration. How do we

get trained so that we can handle that impact on our community? For example, this isn't a cut back but a possible policy change. How can we best advise mentees and mentors with the threat of deportation looming?

Rezvani: The majority of people trust nonprofit organizations. There are very few things that you can point to right now that the majority of Americans uniformly agree on. In a future-looking world, nonprofits should be collaborating with other nonprofits, for-profits, and government to ensure they are achieving mission, not just trying to keep their own boat afloat.

Rubin: We can't underestimate the importance of organizational development. When you create a culture that invests in its employees at every level of the organization, you build a sense of camaraderie that can weather pretty significant storms. Partnerships with the private sector are increasingly important as well, in the face of potential federal cutbacks.

Dobbins: In the small business world we have NFIB as a government liaison. Nonprofits need an organization that can create communicate clearly the needs of local social change organizations with government organizations.

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JEFF CARR
CHIEF EXECUTIVE OFFICER, ALBERTINA KERR

Jeff Carr joined Albertina Kerr in July 2016 as the fifth CEO in its 109-year history. Previously, Jeff served as COO of the 2015 Special Olympics World Summer Games, the largest multi-sport event held in Los Angeles since the 1984 Olympics, where over 6,500 athletes from 165 countries competed in 25 different sports over a 12-day period.

Prior to this position, Carr served four years in Los Angeles Mayor Antonio Villaraigosa's administration as chief of staff, managing all aspects of the mayor's staff operations, including direct oversight of Homeland Security & Public Safety, Gang Reduction & Youth Development, Strategic Partnerships, and Budget & Finance



BEACH PACE
CHIEF EXECUTIVE OFFICER, BIG BROTHERS BIG SISTERS

Beach Pace has a passion for leadership and service. She loves the challenge of building teams and collaboratively overcoming obstacles with the goal to make our community stronger.

She enjoys leading a team that serves youth in the Portland/Vancouver region. Pace holds a B.S. from the United States Military Academy at West Point and an MPA from Northern Michigan University.

She served in the U.S. Army both domestically and overseas as a Bomb Squad Commander. Her corporate experience comes from the medical industry in sales and marketing. She has been back in service in the social change sector for 8 years.



LINETTE DOBBINS
PRESIDENT AND CCO, MCGEE WEALTH MANAGEMENT

Since 1988, Linette Dobbins, CFP® has been a driving force behind the success of McGee Wealth Management, helping develop the business into one of Oregon's leading wealth management firms. As president and chief compliance officer, Dobbins helps define and implement the firm's vision.

Dobbins demonstrates a talent for translating complex financial issues into simple, understandable concepts, and creating action plans to help meet clients' individual goals. She thrives on helping small businesses and multi-generational families manage and transfer their wealth.

Dobbins exemplifies the concept of contribution of time and talent to organizations such as the Circle of Giving that benefits women's health research at Oregon Health & Science University. She has been a contributing speaker for several different organizations in the area.



DAVID RUBIN
SENIOR DIRECTOR OF MAJOR GIFTS, MERCY CORPS

David Rubin brings 27 years of nonprofit development experience to Mercy Corps. He finds working alongside courageous colleagues who devote their careers to helping others — simply because it's the right thing to do — the most inspiring part of working at Mercy Corps.

One of his favorite things about fundraising is encountering donors who give because they believe philanthropy is the highest and greatest use of their financial resources. At Mercy Corps, these individuals and their gifts drive the organization's success in saving and improving millions of lives around the world.

Rubin graduated from Berklee School of Music, plays jazz piano, speaks Dutch, gardens and studies yoga.



SHOUKA REZVANI
PARTNER AND CHAIR OF THE NONPROFIT AND TAX-EXEMPT ENTITIES PRACTICE GROUP, TONKON TORP LLP

Shouka Rezvani is the chair of Tonkon Torp's Nonprofit & Tax-Exempt Entities practice group. She has served as outside counsel to operating and non-operating private foundations, as well as public charities and other tax-exempt entities.

For over 20 years, she has counseled nonprofits on their operations, governance, and compliance with the laws regulating the independent sector, from formation to dissolution.

Rezvani has advised nonprofit boards regarding their fiduciary duties, and has assisted with strategic planning to evaluate joint ventures, mergers, chapters, and other models for collaboration to expand mission. Rezvani also is a member of the firm's Estate Planning practice group.

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Carr: One of our biggest challenges at Kerr is around wages. In Oregon, there's good support for a robust social safety network, but people don't necessarily want to pay for it. You're going to have a significant group of working poor who are committed to supporting people, but who are going to need that very safety network they're providing others.

McGrain: What governance, financial or operational worries keep you up at night?

Rezvani: How to foster diversity, which increases effectiveness. Boards have been the realm of white men with white hair. They should consider the value of younger people, who will provide a different perspective and different skillsets. People of color and women bring different perspectives that enhance organizational effectiveness. I'd love to see our communities investing more in minority-run nonprofits, as well.

Carr: I'd like to expand what we mean by diversity. We serve hundreds of people with developmental disabilities. Many of those people suffer from low expectations, so they have higher unemployment rates than people of color often do here.

Dobbins: At the board level, it's easier to address diversity because you can invite specific people in the community onto your board. If you're looking to pair with another nonprofit for services, maybe you seek ones that do have that diversity you're seeking.

Carr: Similar to the last question, one of the challenges in Oregon is the desire for a robust safety net but an unwillingness to pay for it. The pressure of that, along with a huge hole in the state budget and rising health care costs, are competing pressures. Kerr is a part of the social safety net that the government relies on. There

are these pressures that have potentially big implications going forward.

Rubin: We have that same concern with foreign aid policy under a new administration because many humanitarian aid and development organizations, including Mercy Corps, rely upon a blend of government and private sector funding. One the one hand, a reduction in government funding creates job security for those who raise private funds; on the other hand, the challenge to raise significantly more private money can be daunting.

Carr: A significant amount of our funding is Medicaid dollars that come to the state to support the social safety net. There's a delta there when it comes to those Medicaid dollars. They say, you get Medicaid; the government pays for that. Yes, they do, but it doesn't pay for everything. Then every year there's some new regulation that's an unfunded mandate. You need to do this or keep track of that, but we're not going to give you any more money to actually pay for it.

Rezvani: Don't you think that's one of those areas that nonprofits are treated differently from for-profits? There's this sense that they need to be even more transparent? I think the same level of transparency and accountability isn't correspondingly asked of for-profits sometimes.

Carr: We don't have gazillions of lobbyists, so then we're stuck with trying to make a cogent argument to them that it's not a good policy. Getting them to change their mind is sometimes not as easy.

Rubin: The wonderful thing about private support is you can go to an individual with whom you've established trust at the most opportune moments—for Mercy Corps, that would mean at a moment that disasters strikes in some corner of the world. If your need is compelling,

you can secure immediate funding that enables you to get your boots on the ground until other funding sources kick in. Private donors who have a track record of supporting your work take it on faith that you do good work. That source of trusted funding, from a large pool of private donors giving at every level, is critical to our ability to be the organization that we are today. We'll need more of that if government support declines.

Rezvani: From the standpoint of counseling people on their philanthropy, we really talk about restrictions when they're drafting a will or a trust or doing a grant agreement with a public charity. Do you really need to put all of those strings on that gift? If you trust this organization, if you're willing to give to them, then it might make sense to just let them have the gift without putting too many restrictions on how they can spend it.

Rubin: Yes, the restrictions on gifts can be a challenge, particularly with bequests. It's a wonderful thing when a donor notifies us that they've included us in their estate plan. First and foremost, we want our donors to live long healthy lives. And 30-50 years down the road, a specific program that they had wished to specify in their estate plan may no longer exist. That is why we encourage donors who wish to include us in their wills to leave the gift unrestricted; this enables us to apply the resources wherever the need will be greatest at that future point in time.

Pace: The amounts go to that, too. We are always asking ourselves, is it worth it? I've had \$2,000 grants that felt like I was writing my master thesis for. Do you want an organization to be looking for the next dollar or spending your dollar very wisely? I'd rather have my team focus on the quality of the program and so would the child receiving our service. That's always a balance. Do we apply for this grant? What kind of impact is it going to make? Is it in line with our mission?

Rezvani: One of the hardest things you have to face as a nonprofit is knowing when to say no. Gift acceptance policies can be so important. There are times when the donor needs to understand, too, that something may not be the best gift for that organization.

Pace: We have an inherent tendency to say yes.

Rezvani: You don't turn away money!

Dobbins: It is key to present information that allows potential donors to connect with the purpose of the organization, or to understand that the organization might not be the best fit for their values. While most organizations really need donor funding, you're going to have greater success as an organization if your donors are dedicated to your cause.

Pace: What kind of impact excites you? I enjoy having those conversations with donors. What do you want out of this? When I see the service functioning very powerfully and I see a kid reacting to the service, that just lights up my day. But then also to see an investor who gave that money who made that possible to say "I had a part in that," is equally satisfying. I see them light up, too.

McGrain: Millennials are supporting issues rather than organizations. What are the strategies your organization is using to keep millennials engaged long-term?

Dobbins: Millennials want resources to go directly to the issue and not get stuck in a top-heavy organization. We see a lot of organizations with overlapping causes. I think millennials understand that collaboration is important — so each organization can focus on their strengths to create a greater impact on the cause itself. It's always possible to open a chapter of an organization with a shared purpose

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rather than to start another organization.

Pace: They want to see action. In their opinion, the waiting, lobbying, building relationships takes too long. I understand their angst around that piece. In response — we are very active on my platforms of social media. We focus on fun, quick impact, rich sound bites.

Rezvani: Because of social media and a more global way of thinking, millennials are more likely to have done their research. There's a lot more use of technology, and they are more likely to participate in crowdfunding and social investing.

Rubin: Millennials are less inclined to respond to an emotional appeal, as they are to the stories of impact and action. There are several ways that we try to engage millennials: the doors of our Action Center at 43 S.W. Ankeny are open every day to millennials — and to people of all ages. The creation of corporate partnerships is another way to engage millennials, as they are often employees of those corporations with whom we create partnerships. There are companies whose products and services hold specific appeal to Millennials, so cause-related marketing is another way to engage. Finally, we have an online fundraising platform that encourages people to set up their own personal fundraising pages. This type of crowdfunding seems to resonate with millennials.

Carr: Millennials are interested in inclusion. They don't want a world where people are living on the margins. We work with populations that are sort of taboo: people with developmental disabilities or mental health challenges, which have been historically hidden. We are going

to talk about those two big secrets, and we need Millennials' help to get the word out and to change the way people perceive them. Also, they are a tech-driven generation whose tools are changing all the time. Most nonprofits don't have the capital to continually invest in those tools to stay on the cutting edge.

Rezvani: Many families initially created the family foundation to get their family involved when they were old enough to take over and serve on the board. More and more I'm seeing families come to me and say "We want to involve them as young as 5." We're looking at ways to do board trainings and create committees for the younger generation that are age-appropriate, and where they can effectively serve. Children can grow up in the family foundation so that when it's time for them to be board members they have a history and an understanding of how philanthropy works.

Dobbins: You can do that even if you don't have a family foundation. They're expensive and complicated, and people can do donor advisements for as little as \$10,000. People who have no money at all, but who have passion and time, can help their children start thinking outside of themselves. I coach families to set a budget for what they want to give and what impact they want to have. It's important to focus on a cause or an organization, don't answer every \$50 request.

McGrain: What are the distinctive qualities of fundraising/philanthropy in the Pacific Northwest?

Pace: Every area is going to have its own challenges. There are 22,000 nonprofits in Oregon, so you make a choice to differentiate yourself or work together. I'm on the collaborative side. How are we

shoulder to shoulder on some areas? How are we overlapping in other areas? How can nonprofits work together? That is a big appeal to donors in Oregon. People also want to hear the story. If you don't convey it properly, you're done. If it's not a fit, I'll refer them to other nonprofits. People here are very open about how and why they want to give. I've also seen an openness with other nonprofits to meet. In every meeting I've had, we all understand how we're coming together to help the community.

Dobbins: Oregonians are pretty generous. It's not just the high-net-worth individuals. A lot of the lower-net-worth people give more than the higher-net-worth as a percentage. We are small-business people in Oregon, and the small business community understands if we give back, we have a better community, quality of life and economy.

Pace: There takes some humility to do that research. I saw that happen in 2007-08 with the recession and nonprofits closed doors or merged. Why do we have to force that? If we can sit down and figure out what our goals are, what we want to achieve and how we can do cross-training and help each other with organizational development, that's healthier for the nonprofit sector but also healthier for the community as a whole. Everyone benefits if you check your ego at the door and put community at the center of your service.

Rezvani: That's one of the trends that I'm also seeing in the local nonprofit community from the legal perspective: How do you form chapters? Instead of creating a new nonprofit, how do I replicate a model that's been successful elsewhere or share this model that is working well here?

Rubin: In the Pacific Northwest, philanthropists can be a bit more reluctant to put their name on a facility or a program they've funded. Sometimes, it can even take a little gentle encouragement to have a donor permit us to tell the story of why they choose to give, say in one of our donor newsletters. Fortunately we are usually able to identify donors who understand that by proudly telling their reasons for giving, it inspires others to follow suit.

McGrain: What are some of the recent trends in giving?

Dobbins: You've got social capital. It's either going to government or you can direct some of that to social change organizations. Donor-advised funds are starting to grow in popularity. Donors can start it now and give more to it later or have their estate planner decide how much and then have their trustee give to the organizations based on their ideals. Families are more aware of giving and

responsibility for our community. We try to drive people to look at their social capital, whether it's paying taxes or shaving some of that off and being more philanthropic.

Rubin: We're definitely noticing an uptick in donor-advised funds. It's wonderful, but there are some disadvantages. As a fundraiser, you don't always get to build direct rapport with donors who choose to give through donor-advised funds. The other trend we've seen in the past two years are gifts of real estate. People who don't want the headache or tax burden of selling properties that have appreciated significantly are starting to recognize that they can make the gift of their lifetime. We handle much of the process, and there are often tax benefits, particularly for donors who transfer property that has appreciated in value over time.

Dobbins: You can now gift out of your IRA and it counts toward your required minimum distribution. That's a great way for wealthier individuals to give and ease their tax burden.

McGrain: What does board governance mean?

Dobbins: When we talk about board governance, it usually revolves around the financial aspect. We look at their investment policy statement: Do they have one? Does it meet requirements? Does it fit all of the objectives? Board members are stewards of the investments of an organization, and it's important for them to understand the responsibilities of their role.

Rezvani: Part of having any strong organization is to make sure the board understands the mission and their role, which is not simply fundraising. In terms of the board, you have clearly laid out fiduciary duties: duty of care, duty of loyalty to the organization, duty of obedience, and other basic responsibilities.

Pace: We are grateful for the fundraising and influence. The expertise and skills provides peace of mind. I can save just as much money as a major investment of time and talent.

Rubin: Influence is important. When you have someone who is prominent in the community who gets behind the organization, that has tremendous impact.

Carr: I always think of board members as a Rolodex in my mind. Who can I call upon to help me solve that problem or capitalize on an opportunity?



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