SB2 – The Business of Philanthropy—Effective Practices and Oversight

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WES ROBERTS: Good morning, everyone. I’m Wes Roberts, I’m the publisher with SRQ Magazine. Thank you so much for being here. This is SRQ SB2, and today our discussion is the Business of Philanthropy. This is our exciting monthly discussion, it has been a tremendous ride for us, and I think we’re going into year three of having these monthly panel discussions. We have two people to welcome for opening remarks. They’re from our sponsoring organizations, IMG Academy and Seaside Bank. Jason Puckett with IMG Academy is going to come up.

JASON PUCKETT: I just wanted to thank everyone for coming out here today. I wanted to share some information about the Academy. I’m Jason Puckett, I’m the Manager for Business Development for the Academy. First and foremost, we are an academic institution that is helping prepare kids for college. We’re just unique in that all of our students are athletes. We have a 500 acre campus that is continuing to grow, and right now we’re in the middle of a $197 million expansion. We have created 2600 jobs in the local community, and have generated over $700 million in economic impact. We have over eight different sports. We are continuing to expand that student base on a daily basis. We are also an event venue. We have over 120 soccer teams on campus right now. We’d love to have you on campus, like I said it’s 500 acres. We currently have a new school under construction, a new residence hall. We completed our stadium and our field house recently this past year. It’s just a fascinating place, not only cultivating young minds but also generating interesting people. Welcome to the country club, and I hope you enjoy your lunch.

WES ROBERTS: Thank you Jason. It’s been an honor working with IMG, and an honor introducing their fantastic facilities to people who perhaps haven’t been here before. Next I’d like to bring up Mike McMullen from Seaside Bank. Mike is a Florida banker through and through. He was the Managing Director of the SC Bank, he was the CEO and president of Bank of Florida, he was a senior executive in Bank of America leading corporate and capital interests in Florida. Mike, if you would like to come up and speak for a little while, we’d love to hear what you have to say.

MIKE McMULLEN: Thank you so much. I had such a heartwarming, enlightening journey getting to know Bradenton-Sarasota area. I had an office here in the 90’s, and now I’m back here, doing what I was born to do. And that is to connect with our communities, be a bank that is connected in a deep way to what is going on. What impresses me about the vitality and the core vision and passion of the Bradenton-Sarasota community is, it’s here for a reason. We’ve spent a lot of time with a lot of non-profit groups in the last few years, and the recognition of what it takes to get things done at the end of the day is incredible. The most important thing is that people come in every day and give their heart and soul. That goes the same for the business of philanthropy. I think my operations manager would shoot me if he knew I was saying this, but we have
attackers every day that try to compromise our assets, and we’ve spent so much money to stay ahead of it, as all financial institutions have. Enterprise risk management is a 360-game every day. If you don’t have control of your business, in terms of where your risks are, in terms of accountability, in terms of transparency, you’re going to have a “gotcha!” moment in a way you couldn’t anticipate that is going to be incredibly deflating. But the folks we talked to have their A game every day. I just wanted to compliment the leadership in this community because it is fearless, it absolutely has a vision, and a reason for being here. That’s why I love being here, participating, being a cheerleader for everything that you do. Thank you very much.

WES ROBERTS: Okay, I’m going to bring Jacob Ogles of SRQ Magazine up to the front.

JACOB OGLES: Thank you, and welcome everybody to SB2. I’m Jacob Ogles, senior editor of SRQ Magazine. I edit SRQ Daily and other SRQ products that we put out. We encourage audience participation during the symposium, and I wanted to point out that we’ve got these question cards on all of your desks. As you listen to the panelists today, if you have any questions, please write them down. We’ll have people running around in the latter half of the symposium, gathering the questions, and we’ll present the best ones to our panelists here. I also wanted to take a moment to thank the panelists that have joined us today. We have Bob Blalock, the principal of Blalock-Walters; we have Veronica Brady, Senior Manager of Philanthropy at the Gulf Coast Community Foundation; of course, we have Jay Clark from CSNL, than you so much; we’ve got Julie Lyman, Vice President of Development and Donor Relations at the Community Foundation of Sarasota; and of course we have Jeff Troiano, of Williams Parker Harrison Deitz and Getzen. Thank you all.

WES ROBERTS: Thank you Jacob, thank you everybody. What I wanted to do next was to get to know a little bit about our panelists on an individual level, get to know the “human” element. Since we know who everyone is, and their bios are provided in the pamphlets, I think we’ll start with a personal experience in philanthropy. And I’ll start with Jeff, so we can go down the table. So, where in your life, or in the lives of people close to you, have you seen the positive impact of philanthropy?

JEFF TROIANO: Didn’t know what to expect up here, but a question about personal things is something I can answer easily. As far as personal view on philanthropy goes, I can tell you I’ve got two daughters who are in school right now, so a lot of my time, energy and philanthropic dollars go to that school. I feel strongly about education in general. Our education system is sorely under-supported, and to think about what that can do is something near and dear to me. Other ways I’ve been impacted by philanthropy: I think everyone in this room has had someone impacted by cancer. I feel strongly about cancer research. It’s another area that’s under-supported, and I think it can have a long-range impact and help a lot of people. I’d say two areas for me are education and healthcare.

JULIE LYMAN: A personal impact for me was starting my career in various organizations, and one was where I taught Title 1 kids how to read. The impact of that, still to this day, I can see the little girl’s face when I said, “Good job.” That went a long
way to start me in the philanthropic world. Now, in the Community Foundation, some of the programs that we have, we have the third-grade level reading, and going from 53 percent to 74 percent on those kids that are ready to go on to the third grade, still is near and dear to my heart. It’s just lovely that we have these programs to make sure our kids are going to succeed in life.

JAY CLARKSON: My first personal effort in philanthropy was in volunteering, so we’re probably all glad that I did not continue that. They used to take us from grade school to sing at the nursing home. That was not my strength. As part of getting ready to be a parent, my wife got us involved in the Big Brothers and Big Sisters. We volunteered our time, and had a Little Brother. That got us onto the path of understanding that there are a lot of youth kids that don’t have all the opportunities that our children have. That’s what’s nearest and dearest, the causes that are providing the opportunities for the children who might not have the opportunities that we can provide for our children.

BOB BLALOCK: Philanthropy is such a broad topic. I’ve got foundations that I work with animals, and a lot of people ask, “There is so much need for humans these days, why do you contribute to animals?” If you read the papers, it is the hottest topic. And it affects people, too, with the animals. One of my pet subjects is how you administer these charities. You don’t get board members by saying, “It’s only an hour once a month.” If any leader of my charities tells me that’s how they get board members, I cut them off. Board members need to be actively involved, use their grey matter. Let the administrators run it. But let them have your input and experience.

VERONICA BRADY: Where do I start? My grandmother was born in China to medical missionaries, and I think some of that philanthropy traveled down the generations. I can remember being a Girl Scout and doing volunteer efforts, that kind of thing. When we moved to Florida, high school was filled with volunteering, as was college, and then we moved back here. We have friends that say, “How do you choose between all the human services needs, and all of the arts?” My standard answer is, “You need to follow what makes your heart sing.” There are needs in every quadrant. If we stopped funding the arts, we would have a totally different Sarasota. And we should never have that different Sarasota-Bradenton area. If we didn’t take care of animals, we’re not doing our job as a community. So it’s all of those sectors that come together that make Sarasota-Bradenton just amazing.

MIKE McMULLEN: I think I shared with the group, my mother was the most incredible philanthropist. She would take us down the river, and we would deliver turkeys and canned food, and we didn’t know where we were going, and eventually we got to a place where it was just stunning, the raw poverty. We came out of the woods, and my mom hopped out of the car. She started handing out canned goods and such. When we were driving out of the woods, my brother, who was about 12, asked my mom, “Promise me one thing?” And she said, “What?” He said, “Promise me we’ll never have to do that again.” Flash forward 40 years, my brother was walking his dogs three days after 9/11, and there were firefighters just sitting outside the fire station, and the dogs jumped up in the firefighters’ laps. Here we are, years later, and Good Dog Foundation is a national dog therapy foundation. It was started right there. What it showed me about
philanthropy is that it’s really about kindness. Taking pause at what’s going on in your community.

**WES ROBERTS:** My first question is the number one question for nonprofits: how do we raise money? That’s not the question I want to ask. I think it rolls right into: how is it changed? How are the demographics of who is donating changed?

**VERONICA BRADY:** It has been a huge change, and it’s interesting to watch this transition as technology comes into play. Let’s argue that before the recession, people of means gave, people who were interested gave, everyone gave at some level. The recession comes, lots of money sits on the sidelines. We worked on ways to get people comfortable giving again. We also started thinking about how you make philanthropy accessible to everyone. From that we developed a online philanthropy site: Gulf Coast Give where non-profits post their projects. Onto that we added a volunteer site, because not everyone can give money, but they can give time. Young people are doing a lot of their philanthropy electronically. I remember the feeding the hungry program here in Sarasota last year. All Faiths Food Bank used the same techniques, all to bring people together. Ultimately, it resulted in over a million dollars raised for feeding kids this past summer.

**WES ROBERTS:** I suppose it might not be possible to do it, but in terms of very discrete changes, very specific changes; are there categories? Are there people above a certain age, below a certain age, do they give differently?

**VERONICA BRADY:** Not everyone realizes that they can be a philanthropist. Everyone has the opportunity to make a difference. In this community, it’s very obvious who can afford to be philanthropic, because they’re asked at the opera. There are lots of people who say, “Oh, I can’t do it.” Well, there are ways you can. Those five or twenty-five dollar gifts add up very quickly.

**WES ROBERTS:** Julie: I’ve heard affluent members of the community express worry about the charities. That the charities might not be on the up-and-up. Is that a real problem, and is that something you’re trying to change?

**JULIE LYMAN:** I think the changes there have been phenomenal. We do the due diligence with the non-profits to make sure they’re secure with their financials, that they have strategies in place, and that our donors have a place to look and see how they are doing.

**VERONICA BRADY:** And that’s for the whole community to access.

**JULIE LYMAN:** We can work with our donors one-on-one to make sure their dollars are going to be spent appropriately. We have gone a long way to make sure that our donor dollars are going where they should be going.

**WES ROBERTS:** What is an evolution that you have seen in what people are trying to achieve?
JEFF CLARKSON: I started practicing law right about the time the recession started. The thing with philanthropy is that people feel very strongly about it, but they want to make sure that their families are taken care of. People feel more comfortable now, so they can focus on philanthropy. People don’t give to charities because of the benefits; sure, you get a benefit, but you’re often not getting as much a benefit as you’re getting away. The most challenging part is that we still do not know how Congress is going to affect the planning of rollovers and such. Congress has been such a mess that it’s been hard for us to get an overall plan for our clients.

WES ROBERTS: Suppose someone is building a donor base for a not-for-profit, and they’re asking for large donations. What are some of the mechanisms of an affluent person’s CPA that might change how they are asked for a donation?

JAY CLARKSON: There is a lot of pressure on not-for-profits in several areas. One of them is to have and be able to measure their outcomes. That is becoming more and more prevalent as more and more donors want a not-for-profit to be able to express what was the cost of an outcome. You’re seeing a lot more pressure for the not-for-profits to document the money and to see that it arrives at what the donor would expect to be the outcome.

WES ROBERTS: Family business have a moderate income level with an enormous value of assets. Are there mechanisms of philanthropy that help mitigate those impacts?

BOB BLALOCK: Yes, it’s known as careful planning. Most of philanthropy comes from interest in being philanthropic as opposed to tax planning. It’s the people with the larger estates that are the hardest to convince of the techniques of philanthropy. We are lucky enough in this community that there are three or four organizations that can help with that.

WES ROBERTS: Is there a financial reason why a very affluent person can leave enormous amounts of money to, say, the university they went to sixty years ago, versus a large but much smaller amount of money to a local charity?

BOB BLALOCK: It’s not just taxes, it has to be something they’re attached to. You just don’t know what is going to float somebody’s boat. Careful planning is the key to it.

WES ROBERTS: That’s a very kind answer, but I want them to donate their money here. How do we encourage that to happen?

VERONICA BRADY: We believe it is our job at the charitable foundations to introduce the retirees here to what it is that makes Sarasota so great. Engagement is what makes people feel part of a community. Really what it is to get retirees to engage is philanthropy. To me what matters is now that people live here, how we can get them to invest.

WES ROBERTS: What processes are your organizations putting together to protect the money that’s bequeathed?
VERONICA BRADY: That depends on the organization in question. With a smaller organization that isn’t used to large gifts, they should probably be coordinating that gift with a community organization that is used to such large funds. Now, the larger organization that is more equipped to handle that donation, it is more important to be transparent to the individual about what their capacity is. I think in general it’s better for the organization and the individual to go through a community organization.

WES ROBERTS: A common phenomenon is that an individual gains a great deal of assets, and by the third or fourth generation, those assets are dissipated. Are people worried about that? Are they worried that they’ll create an environment where their kids are not the highest achievers they could be?

JEFF TROIANO: Absolutely. That’s one of the most common conversations I have with high-net-worth clients. They want to leave a nest egg, but don’t want to take away their incentive to find a job. Some things I see are they set up trusts where the trust makes distributions to the child equal to what the child distributes to charity. There’s things you can do in planning that incentivize children to do what the parents want. People want to make sure their child is taken care of, but only to a certain point. Once that’s taken care of, they focus on other things.

WES: Is that multi-generational engagement in a fund something you often see?

JULIE LYMAN: It depends on the donor and what kind of legacy they want to leave. We do often talk to the donors, the kids, and grandkids, to establish what kind of legacy they want to leave, so it’s not just a one-and-done.

WES ROBERTS: I’ve noticed that people with very high net worth will set up a trust of some sort, and then the child will end up in a position where their job is to give those funds out. Is that some kind of compensated position?

JULIE LYMAN: That does happen pretty often, when a family foundation is set up.

JEFF TROIANO: The compensation piece is a part of it. I think the focus is primarily to fill that child with a charitable intent. The compensation piece is a part of it, but often times there’s a more benevolent part as well.

JULIE LYMAN: When I was a banker, I did handle a number of those types of foundations. Most of the foundations I worked with, those positions were not compensated. They were set up to have the children look at the grant applications. Even the grandchildren got involved, as early as eight and nine years old, looking at the grant applications.

JEFF TROIANO: There’s been a change in the residents here. They used to have homes up north, and only come down here three months or so. Now, they’re downsizing in a big way, and establishing a beach head here in Sarasota. That sense of connectivity is just an investment that’s made continually, and once you start hitting that nerve, there’s a big transition, and the giving becomes more local.
WES ROBERTS: In terms of businesses, what kind of methods are you seeing businesses use to engage in philanthropy?

BOB BLALOCK: I think there are too many with wonderful philanthropic intent that don’t apply good business principles. I think it is very important that the donors stay involved.

WES ROBERTS: I think what I want to explore is at what point in the process does that person decide who the recipient is? Is there a point where their advisor says for them to put such money in some place, or do they go to their advisor and say they want to put their money in a specific place?

BOB BLALOCK: They should be in touch with their CPAs as soon as they know they are going to have an estate, and the earlier they do that the better. I advise people to come in every three or four years to make sure they know how they want the control of the business to lay out, what kind of philanthropy to engage in.

WES ROBERTS: What are some of the landmines your clients run into as far as avoiding estate squabbles?

BOB BLALOCK: I would say the number one problem in my experience is the family divides itself, through dissolution or divorce. Another problem is a “dynasty trust,” a trust that can go on for a very long time. By the time the trust reaches the fifth or six generation, there is very little relation to the original founder. It’s important to designate who you want to receive the trust. A good portion can go to philanthropy.

WES ROBERTS: Very interesting. I don’t mind straying for the core because people who typically ask for money don’t think about the giving side. If we can educate a donor-seeking individual, that’s a good goal.

BOB BLALOCK: We are very luck in this area to have bankers, CPAs, and attorneys that deal with these issues. The key is to not wait until you are on your deathbed, and know where you want these things to end up.

WES ROBERTS: Do you often have to tell a client that a partner is not on the up-and-up? Do you find yourself giving that kind of advice, asking for more advice? How does the foundation protect their donors? Are you able to protect donors from their own bad decisions?

JULIE LYMAN: It goes back to doing the due diligence for the non-profits. We have to make sure that those funds are going to the right place. That’s the protection our donors get for using a community foundation.

WES ROBERTS: What has helped motivate people make a gift?

JEFF TROIANO: I think it comes down to the relationships. People have just moved down from the north, they’ve had a 40 or 50 year relationship with an organization up there, and they’re spending their last 15 years down here. I think the biggest thing I see
with people is that they like to spend their dollars where they spend their time. People want to feel connected to the organization. Anything the charitable organization can do to get people in the door, maybe not even initially asking for a monetary donation.

**JULIE LYMAN:** It’s all about those relationships that you build over time. Being involved in organizations down here is what is going to bring donations down here.

**JAY CLARKSON:** Sticking with the theme of relationship, large gifts don’t happen with a cold collar. The donor wants to know what the organization does and how they act. A lot of time is spent understanding what the mission is and how they can accomplish it.

**WES ROBERTS:** There’s a new transparency in the internet. There was a time where an organization was just a building. Is there now this new expectation of transparency?

**JULIE LYMAN:** Absolutely. Our donors used to just write a check to whatever organization. Now, they’re investors. They’re looking at the whole structure. They do expect that transparency. They want to see where the funds are going.

**JAY CLARKSON:** All donors are different. Not-for-profits spend a lot of time trying to understand what is important to each donor. One other thing is the foundations have seen this change where they tend to help the organizations with strategic planning.

**BOB BLALOCK:** I think it is incumbent on the professional advisor to understand the done and the donor. What the client really wants.

**VERONICA BRADY:** It’s about listening. Listening to the donor is really what you want. And not being afraid to make suggestions. We come with a lot of knowledge experience. Donors don’t know the intricacies of not-for-profits. It’s our job to ask them the questions they don’t know, thinking differently and finding out what they really want.

**WES ROBERTS:** Well, thank you for your answers. I’m going to turn it over to Jacob for questions from the audience.

**JACOB OGLES:** Thank you, Wes. Folks, if you have questions, please raise your questions. We’ll get to as many as we can, and any we don’t we will email to our panelists. All right. This is a question from Sara Hahn from Spark Growth: We see more efforts from our foundations working together. Can you speak on how that is increasing investments and return in the area?

**VERONICA BRADY:** It has to. More heads thinking together makes our community stronger. It’s a lot of work to get the non-profits keyed in, but once you do, boy, what a difference it makes.

**JULIE LYMAN:** We are in the middle of sharing funds to keep our families in their homes and keep them from being homeless. It’s all collaboration to make sure we’re working together for this community.
JACOB OGLES: A question from Mary-Anne Barnaby: can you talk to us more about the unintentional consequences of [unintelligible] on the local non-profit community?

JAY CLARKSON: There has been more attention to the governance. I think it has to with the documentation of boards, of having more structure. There is some question about whether or not you need to rotate your auditor. To clarify: [unintelligible] does not require you to rotate your auditor. There’s been a lot of development in terms of improving boards, making sure the boards govern responsibly.

JACOB OGLES: Are there any guidelines to the ratio of donations to operating expenses that you would advise you clients and investors? Is there an acceptable ratio?

JAY CLARKSON: There’s a magic number that seems to float around out there: 15 percent. Programs should be 85 percent, and fundraising and administration should be no more than 15 percent. I would caution, however, that is relative.

VERONICA BRADY: If you see something like 50/50 going on, clearly there is something special going on. Sometimes a higher investment creates better results. Don’t be afraid of talking to your donors about thinking differently.

JACOB OGLES: We have a question here from [unintelligible] about the ice bucket challenge and Giving Tuesday. Are these things more helpful or detrimental?

JULIE LYMAN: That was just a fluke that happened. I don’t think that could be repeated. Because it can’t be repeated, you have to think about how to invest those dollars long-term. You really have to think long-term.

VERONICA BRADY: ALS is better for the ice bucket challenge. It raised awareness for philanthropy in a big way. What it meant for us is that we really need to take those opportunities to engage people.

JACOB OGLES: This is about the transparency of charities. How do you judge the transparency of an organization?

BOB BLALOCK: You didn’t use to have an audit on charities. Don’t ever forget that the people that steal from you are the people close to you. Make sure the rules are being followed.

VERONICA BRADY: Technology has changed everything for non-profits. Donors will look up an organization online. We won’t do a grant until we’ve verified that it is a 501-3C in good standing. If I don’t see enough information, I’ll share it with a donor.

JEFF TROIANO: I always think it’s good to make a site visit. Find out how things work.

JULIE LYMAN: Site visits and looking at everything the nonprofit, the transparency is there.
JACOB OGLES: What do you do when you get a gift to a donor, but it’s much less than previously stated?

JULIE LYMAN: With the Community Foundation, we want to make sure everyone can be philanthropic. Whatever that number is, we’re going to work with them and continue to build that relationship. If it were a larger number, that means we haven’t done our job to make sure they were informed.

VERONICA BRADY: For the nonprofits in the room: that will happen. This is a time to communicate respectively. Ask what it takes to make them feel that confident investing. Sometimes donors forget.

JACOB OGLES: Do you hear nonprofits that budget for these gifts?

VERONICA BRADY: Yes, especially when there are legal pledges. There are certain expectations, and the expectation gets built in. The key is communication and follow-up.

JACOB OGLES: I’m going to hand the microphone back to Wes. Thank you all.

WES ROBERTS: There are a few questions left behind, we’ll email you all later. A thank you to our panelists, our sponsors.