



THE FOUNDATION FOR A HEALTHY PLANET.

Organizational Effectiveness Assessment 2016-2018

October 2018

- **Background**

In 2010, the Sierra Club Foundation Board of Directors adopted a policy to examine the Foundation's performance and effectiveness in achieving its mission. The policy was designed to meet the Better Business Bureau's Standards for Charity Accountability (Standard 6), which requires charities to "have a board policy of assessing, no less than every two years, the organization's performance and effectiveness and of determining future actions required to achieve its mission." The assessment identifies measurable goals and objectives for the Foundation and evaluates activities the Foundation undertook in the past two years to address them. The assessment concludes with recommendations for future actions based on findings.

- **Fundraising**

The Sierra Club Foundation contracts with the Sierra Club's Advancement Department through a fundraising cost-sharing agreement to raise charitable 501(c)(3) funds. Raising unrestricted support was a high priority for the Foundation each year of this assessment, recognizing that large-sum donations continue to be highly restricted. In 2016, the Clean Energy for All Campaign was established as a framework for unifying all of Sierra Club's national charitable work on clean energy solutions and as a fundraising strategy to raise broadly restricted funds that provide greater flexibility. In 2017, the Foundation initiated the initial research stages of a potential capital campaign that could drive significant unrestricted resources to the Foundation. As of Q4 2018, development of a case statement for a prospective campaign is underway.

In 2016, the Foundation set a fundraising goal to exceed the 2015 contributions and bequests budget of \$50.2 million. The total fundraising (contributions and bequests) for 2016 was \$71.9 million, easily surpassing this target, due in part to increased levels of support following the 2016 presidential election results. In 2017, the Foundation again set a goal to exceed the budget of \$50.7 million, and established a fundraising goal of \$71.2 million. While the final total for 2017 of contributions and bequests was just short of this target at \$68.5 million, this mark again easily met the budget goal, despite tapering off of support from levels experienced after the 2016

election. In 2018, the fundraising budget was raised to \$60.6 million and a target goal of \$62.7 million in total fundraising was established.

These updated targets best reflect our view of the current economic and philanthropic giving landscape. Notably, the current outlook since passage of the 2017 tax “reform” bill tightened deduction benefits due to the increase to the standard deduction and other changes to charitable giving protocols is more uncertain. We, as do many in the nonprofit sector, foresee potential giving reductions, especially in the mid-size donor range (~\$10,000 annual giving) to public charities due to these changes and potentially higher non-tax deductible giving to social welfare organizations like Sierra Club in light of these changes.

- **Board Governance**

Following the successful onboarding of Executive Director Dan Chu in late 2016 through 2017, outlined in the previous organizational assessment, the Foundation Board of Directors received notice in 2017 that Chief Financial Officer Ginny Quick would retire the following year. A search committee, consisting of the Executive Director; the Chairs of the Grants, Finance, and Investment Committees; and an outside consultant was formed. This committee successfully hired new Chief Financial Officer Simba Ndemera, who has significant experience in the nonprofit and for-profit financial management sectors, in May 2018.

A comprehensive review and update (as needed) of all existing board policies was completed in 2016. Major updates to the Investment Policy Statement and new High Impact Fund Investment Guidelines were developed and approved by the board in May 2018. The Foundation’s Employee Handbook is currently under review by pro bono counsel to ensure all employment and benefits policies are up-to-date and comply with any changes in the law. An updated handbook is expected to be completed with board review and approval by year-end 2018.

Overall, the Foundation Board of Directors continues to be a high-functioning entity governing the professional staff and direction of the Sierra Club Foundation. As fiduciaries, directors are committed to adopting policies and best practices to ensure sound financial management, strategic decision-making, robust fiscal sponsorship and compliance oversight, and efficient and effective organizational functioning.

- **Board Development**

The Board of Directors continues to have strong representation across a varied skillset, including legal, investment, financial management, and compliance expertise. Directors Donnel Baird and Flavia de la Fuente offer a younger perspective to the Board alongside entrepreneurial and financial experience since their onboarding in 2016. Director Baird, a former community organizer and the founder of solar and energy efficiency startup BlocPower, helps small businesses, multifamily housing, and other small organizations reduce energy costs while greening the grid. Director de la Fuente, previously a field organizer for the Sierra Club, currently is an investments analyst at the Employees Retirement System of Texas.

Director Joel Sanders, new to the Board in 2017, has taken on significant responsibilities as chair of the Audit Committee. He also provides his legal knowledge on the Risk Management Committee, strengthening our skills there. An Oakland resident, Director Sanders is a retired partner of Gibson, Dunn & Crutcher LLP and a lecturer at the University of California, Berkeley School of Law. He also serves on the boards of the Berkeley Center for Law and Business and the East Bay Community Law Center.

In 2018, new Directors Jill Soffer and Stephanie Stuckey offer new geographic perspectives to the board, representing the Mountain West (Colorado) and Southern United States (Georgia) respectively, as well as offering new experience in government and philanthropy. Director Stuckey has 14 years of experience as a Georgia State Representative and most recently worked as the Director of Sustainability and Chief Resilience Officer for the City of Atlanta. Director Soffer, a philanthropist and formerly a LEED AP green developer, now also serves on the boards of the Wilderness Workshop in the White River National Forest and the NRDC Action Fund.

The board continues to undertake biannual performance assessments to gather important feedback on board experience and to inform organizational goal setting and priorities. As we look toward future years, our 2018 - 2019 Organizational Goals outline further commitments to equity, inclusion, and justice as key components of the board makeup and selection process.

- **Fiscal Sponsorship, Grantmaking, and Legal Compliance**

Throughout the review period, the Foundation maintained its core goal of effective fiscal sponsorship, grantmaking, and compliance oversight to both protect the Foundation's charitable status and support the Sierra Club's charitable environmental programs. The Foundation continues to provide compliance trainings for new Foundation staff and board members and new Sierra Club staff hired as gift officers with major donor and fundraising roles in the Sierra Club's Advancement Department.

In 2018, the Foundation agreed to a goal of establishing a granting fund to support community groups working to accelerate solutions that not only solve the climate crisis, but also do so in a way that advances social justice and equity. Thus far in 2018, the Foundation has supported organizations such as 100% Solutions Network and its partnership with PUSH Buffalo, an affordable energy and housing collective that embodies this type of climate solution work with a lens on community organizing and equity. With the establishment of the Forward Faster Fund in 2017, the Foundation anticipates more grantmaking in this area as it deepens its commitment to and practice of equity, inclusion, and justice.

In 2017 and 2018, the Sierra Club Foundation worked with outside counsel, the Risk Management Committee, and Sierra Club stakeholders to review and update compliance guidelines, policies, and procedures regarding activities that may be funded with 501(c)(3) funds.

In both 2016 and 2018, the Foundation implemented our Election Year Compliance Review Process, to ensure that any Sierra Club materials funded in part or entirely with 501(c)(3) funds are compliant with IRS regulations. We continue to maintain high standards of review for Foundation-funded materials and activities during election years to ensure the Sierra Club Foundation meets its charitable compliance oversight requirements.

- **Financial Management and Investment**

The Finance, Audit, and Investment Committees continue to provide oversight over the Foundation's financial management and investment portfolios. Finance Department staff provide regular monthly financial reporting and budget monitoring, with particular attention to liquidity and unrestricted reserves balances. Currently, reserves balances meet our policy of a six-month minimum for operating and administrative costs. The Finance Team will lead the transition to a new accounting and financial system beginning in 2018 and continuing through 2019.

In 2017 and 2018, directors and staff conducted a major update to the Foundation's Investment Policy Statement, a key document solidifying the standards the Foundation will use going forward when balancing portfolios and considering future investments. The Foundation maintains its commitment to fossil fuel-free investing and is increasingly investing in climate and clean energy solutions. Notable sections of the document include the Foundation's philosophy and approach to selecting opportunities in all asset classes and portfolios, a more explicit description of investment fiduciary responsibility taking into account a new focus on high impact investing that prioritizes mission impact over financial return, strategies for investment monitoring and reporting, and risk tolerance.

- **High Impact Fund**

New for the Foundation in 2017 is the introduction of the High Impact Investing Working Group, facilitated by Director Gail Greenwald. The purpose of this working group, along with senior foundation management, is to steward the High Impact Fund, a new program-related initiative of the Foundation by identifying, vetting, and recommending strategic high impact investment opportunities to either the Grants or Investment Committees, depending on the type of investment opportunity, deal structure, and investment vehicle. The objectives of the Fund are to provide catalytic philanthropic capital to enable efforts to mitigate climate change, increase community resiliency, and deploy and scale equitable clean energy solutions that create good, family-sustaining jobs in the transition to a low-carbon economy. These objectives are mission-aligned with the Sierra Club charitable projects that the Foundation funds as fiscal sponsor and are meant to be complementary and strategic to the outcomes of Sierra Club charitable programs.

The High Impact Fund is an impact-first investment vehicle; the primary intent of the Fund is to accomplish the charitable purposes and programmatic goals of the Foundation first rather than the production of income or appreciation of property. However, to meet fiduciary obligations and to redeploy funds into future opportunities, we still hope to achieve a portfolio-wide positive return on capital.

The High Impact Investment Working Group intentionally bridges two areas of expertise that the Foundation and the Board of Directors hold in grantmaking and investments. By pulling from both the Grants Committee and the Investment Committee of the Board of Directors to form the working group, we hope to more cohesively engage our directors' diverse skillsets towards even greater mission impact in addition to our regular investing, project fiscal sponsorship, and grantmaking. We believe that this approach will result in wider recognition of the High Impact Fund that leverages our brand and supports other partners and stakeholders in maximizing the programmatic benefits of their investments using similar approaches and strategies.

- **Marketing and Public Relations**

Over the past three years, the Foundation continued its commitment to achieving the highest standards of accountability and transparency in the nonprofit and philanthropic sectors. 2018 marked the ninth consecutive four-star rating for the Foundation from Charity Navigator¹, the highest possible score. Only 2% of U.S. public charities have achieved this score for as many consecutive years. We continue to meet all 20 standards of the Better Business Bureau's Wise

¹ <https://www.charitynavigator.org/index.cfm?bay=search.summary&orgid=5838>

Giving Alliance² and are an “A” rated organization by Charity Watch³. These ratings not only acknowledge the Foundation board and staff’s dedication to accountability, they also increase our ability to fundraise as donors know their funds are being put to good use and managed responsibly.

We continue to work with the Sierra Club’s Advancement Department (the Advancement Communications Team in particular) to put out regular reports on our work and progress. The most significant of these is our annual report, which is our most comprehensive document highlighting achievements and growth each year. The 2016 Annual Report, entitled *All In*, covered the just climate solutions we supported through various energy and public lands campaigns. The recently released 2017 Annual Report, entitled *Partnering for Progress*, highlighted our growing focus on supporting grassroots movements to advance environmental equity and social justice. These reports are key public relations resources for donors, reporters, and more.

As we continue to grow and evolve as an organization, we are adding capacity to our marketing and editorial capacities through our own staff. Notably, the hire of an Administrative Coordinator has allowed us to more regularly publish news and blog posts on our website and reintroduce our alumni newsletter on a quarterly basis. These communications are keeping our community of directors, donors, and stakeholders more engaged in our work and ensuring that the Foundation maintains its own brand and identity. This added capacity also resulted in a 2017 overhaul of the content on our website, in which we reviewed and updated each page to match the current Sierra Club Foundation policies and the programmatic efforts of the Sierra Club funded by the Foundation.

- **Innovative Approaches to Achieving Mission**

More so than ever before, the Foundation is considering its stance at the nexus of environmental advocacy, social justice, and philanthropy as an opportunity to demonstrate what is possible for the next generation of foundations and nonprofit organizations. Many of the advances in this report are related to this goal, notably our high impact investing and partnership-based work. In addition, our Forward Fund has transitioned into the Forward Faster Fund, and this new fund specifically focuses on supporting community-led organizations working to realize a clean energy vision that is both affordable and equitable to the groups most affected by climate change.

² <http://www.give.org/charity-reviews/national/environment/sierra-club-foundation-in-oakland-ca-175>

³ <https://www.charitywatch.org/ratings-and-metrics/sierra-club-foundation/277>

In addition to the Forward Faster Fund, in 2018 we advanced our focus on new granting vehicles that can create impact in areas overlooked by traditional grantmaking. In May, our Grants Committee approved a recoverable grant to the Seventh Generation Fund for Indigenous Peoples, Inc., fiscal sponsor for a new utility-scale wind farm project planned on the Standing Rock Sioux reservation, the same land threatened by the Dakota Access Pipeline. We believe we can support projects advancing clean energy and environmental justice through recoverable grants and other hybrid investment vehicles in corners of the country that are often overlooked by traditional investments and investors.

Critically, doing this type of work involves a commitment to working in partnership. For too long, philanthropy has operated as a top-down sector, where wealthy foundations offered funding with too many restrictions and without consideration to community needs on the ground. We are particularly excited about alternative investment vehicles like recoverable grants because they require close partnerships with the investees and investor partners, and the funding can more flexibly fit the needs of the projects while keeping the needs of the community (as opposed to just investors) at the center. We hope to model a more flexible and equitable approach to grantmaking and high impact investing in this way and are excited at the prospect of encouraging other foundations to join us.

- **Management and Administration**

The Foundation remains chiefly committed to the staff that supports its daily operation. At the beginning of this assessment period, the Sierra Club Foundation relocated to Oakland alongside the Sierra Club, and the office change better connected the Foundation's office with the rest of the Sierra Club. While remaining a separate organization with its own identity, this has allowed greater collaboration and connectivity with the Sierra Club.

The Foundation's Finance Team underwent multiple staffing changes in this assessment period. Senior Accountant Agana Moreno was hired and onboarded in early 2016, bringing a wealth of nonprofit accounting experience. In 2017, Administrative Assistant Christina Monroe was promoted to Finance Coordinator after the hire of Eric Lombardo to fill the new Administrative Coordinator role. And in 2018, the retirement of Chief Financial Officer Ginny Quick brought the hiring of new Chief Financial Officer Simba Ndemera after an extensive search process.

After the onboarding in late-2016 of new Executive Director Dan Chu, Jennie Palmer was promoted to Director of Administration and Board Relations. With the support of the new Administrative Coordinator role, this team grew its capacity and is able to fully support our board of directors and the entire staff with office logistics and event management skills.



Apart from staffing changes, this assessment period also had numerous platform and software overhauls to improve the Foundation's reporting, donor management, and accounting services. The Sierra Club and the Foundation unveiled the Salesforce-based Constituent Online Record Engine, or CORE, as part of a long-term project to bring all of the various donor and constituent platforms into one central location. This new system vastly improved our gift acknowledgement process. Additionally, the Sierra Club's Finance Department, in coordination with the Foundation's Finance Team, is undergoing an accounting overhaul with the introduction of Oracle's NetSuite. This enterprise software will streamline our financial and accounting processes and reduce inefficiencies.

Overall, the Sierra Club Foundation in 2018 is operating efficiently, cooperatively, and with increased capacity due to these staff and technology platform changes. Our commitments to innovative mission-aligned strategies, compliance accountability, sound financial management, and growing our fundraising are well supported by our staff and board, and we are excited to continue these commitments in the coming years.

- **Recommendations for Future Actions**

This report outlined major successes and outcomes for the Sierra Club Foundation for the past two years. In alignment with our annual organizational goalsetting document, these future actions are suggested to continue the growth and success of the organization:

- **Fundraising:** Consider capital campaign prospects as a way to increase fundraising (especially unrestricted revenues) in an increasingly challenging political and regulatory environment;
- **Board Governance:** Continue the successful collaboration of the Board and search committees when key staff spots open up and continue to look for opportunities to streamline Board tasks and processes where appropriate;
- **Board Development:** Work to further diversify the board in age, race, geographic location, identity, and subject matter expertise to better meet the needs of a movement and equity-based organization;
- **Fiscal Sponsorship, Grantmaking, and Legal Compliance:** Maintain critical protocols and compliance guidance to inform complex decisions as fiscal sponsor for the charitable programs of the Sierra Club and as an independent grant-maker and impact investor;
- **Financial Management and Investment:** Monitor the outcomes of initial high impact investments and continue commitment to a fossil fuel-free portfolio while encouraging other foundations and peers to enter the impact investing space; ensure successful transition to a new accounting and financial management system for the Foundation;
- **Marketing and Public Relations:** Invest in the continued development of an independent voice and brand for the Foundation and retain highest ratings on charity watchdog reviews;
- **Innovative Approaches to Achieving Mission:** Grow the Forward Faster Fund and continue commitment to alternative vehicles such as recoverable grants, other mission-aligned high impact investments, and monitor, track, and report on efforts in these new endeavors; and
- **Management and Administration:** Accelerate wherever possible the transition to modern platforms for donor management, accounting, and grantmaking while continuing to support staff needs as fully as possible.