Tying the Knot:
The Founding of
Silicon Valley Community Foundation

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By Janet Rae-Dupree

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Preface

Silicon Valley Community Foundation is pleased to share "Tying the Knot: The Founding of Silicon Valley Community Foundation," the story of our first five years. To tell our story, we commissioned Janet Rae-Dupree, an award-winning journalist for national magazines and regional newspapers. Consistent with our strong values of accountability and transparency, we have chosen to present an unusually open and candid account of our merger experience. We have done this in the hope that it provides lessons for other organizations about the inevitable ups and downs of undertaking a merger, the size and complexity of which was unprecedented among community foundations.

We fully recognize that our success is the result of the hard work, commitment, energy, support and critiques of many people. To recount the complete history of the years before and during the merger would result in an infinitely longer document and require interviews with the countless number of people who made important contributions, large and small, to our success.

As we look forward to the next five years and beyond, we know that we stand on the shoulders of our parent foundations - Peninsula Community Foundation and Community Foundation Silicon Valley - and that their DNA and commitment to serving San Mateo and Santa Clara counties have been passed on to us. We want to thank those who worked to bring the two organizations together and those who continue to build Silicon Valley Community Foundation. Our organization owes a debt of gratitude to each and every staff member, board member, funder, donor, nonprofit organization and corporate partner affiliated with our parent organizations and with today's community foundation.

We remain committed to the vision for a comprehensive center for philanthropy that inspires greater civic participation throughout San Mateo and Santa Clara counties.

Introduction

> *"The proposed merger will bring together the knowledge, talent, networks and best practices of both foundations in one philanthropic center serving the Peninsula and Silicon Valley. The new foundation will provide world-class services and support to donors and nonprofits, and inspire greater civic participation in the region."*
>
> ***– Memorandum of Understanding, July 12, 2006***

From the moment Silicon Valley Community Foundation was first conceived in quiet chats dating back nearly two decades, it was envisioned as a potent force for change. Over the course of its five-year history, the community foundation has mushroomed from $1.5 billion to $2 billion in assets managed, becoming one of the largest American community foundations and handing out nearly 11,000 grants totaling $197 million last year alone.

And yet this philanthropic powerhouse, the offspring of two organizations that had been locked in spirited competition for decades, seemed unlikely to be born as recently as 2004. But in a whirlwind of effort and change through 2005 and 2006, the Community Foundation Silicon Valley and Peninsula Community Foundation managed to overcome their differences, to come together as one – and to thrive.

It began in 1954 with the birth of the southern parent organization, originally the Community Trust of Santa Clara County, which was created with $55,000 from a defunct World War II charitable fund. Ten years later, the parent organization to the north, initially called the San Mateo Foundation, was created by Ted and Frances Lilienthal and got its first sizable check – $35,000 – from a fund originally set up to find a cure for polio.

Over time, each foundation developed a distinct culture. With its far larger endowment of unrestricted funds, Peninsula Community Foundation began a tradition of program-based giving directed primarily by its board. With an ever-increasing clientele of newly-wealthy young philanthropists, Community Foundation Silicon Valley's giving was influenced by hundreds of philanthropists through donor-advised funds.

At first, neither organization put much effort into its counterpart's geographical territory. The San Mateo Peninsula, long a San Francisco bedroom community, often was not considered part of Silicon Valley. And San Jose, with its agricultural background and scrappy entrepreneurial spirit, seemed to have little in common with its more genteel northern neighbor.

But as the high-tech economy swelled in the early 1990s at the dawn of the Internet Age, boundaries between north and south became increasingly blurred. Grants from both foundations frequently reached across the county boundary that lies between Palo Alto and Menlo Park. Charitable organizations with similar programs in each county rarely communicated with one another, while each drew grants from both foundations. Fundraising efforts, too, increasingly flowed fluidly between the two counties.

"The borders are stronger in people's minds than they are in reality," notes Caretha Coleman, who had been serving on Peninsula Community Foundation's board less than two years before work on a merger began.

"Both foundations were working in East Palo Alto, but there wasn't any coordination," explains Bernadine Chuck Fong, who was on Community Foundation Silicon Valley's board in the late 1980s and later joined Peninsula Community Foundation's board just before the merger. An early proponent of the merger, she believed that "consolidating our efforts in a unified initiative would have more meaning and impact."

Each of the parent foundations had been growing under dynamic leaders. Peninsula Community Foundation, which had $60 million when Sterling Speirn became CEO in 1992, had grown ten-fold to $612 million before the 2006 merger. Community Foundation Silicon Valley, which had $10 million when CEO Peter Hero arrived in 1989, had exploded to $919 million by the time of the merger.

In the end, it was the vibrant strength of both leaders and their foundations that initially prevented – and later fueled – the merger talks. Preliminary overtures fell flat whenever talk would turn to which of the men, if either of them, would run the merged foundation.

In 2005, however, Speirn left to run the W.K. Kellogg Foundation. Hero, who was 62 at the time, was on the verge of retirement. A merged foundation, the reasoning went, could be led by a new CEO, and Hero could serve in a senior advisory role while the new leader settled into the role.

So the Hatfields and McCoys got engaged. But no one knew what the couple's post-marital name would be, where they would live or who would dictate the rules of the house. For the first time in community foundation history, a merger of equals was about to take place that would create an organization of unprecedented size and scope.

"Our objective never was to be the biggest foundation. It's not size for size's sake, but size for the credibility and advocacy strength it can give you."

– John M. Sobrato

Getting to the Altar

First, however, they needed to persuade communities on both sides of the border to support the idea and figure out how to pay for the wedding. Neither task was simple.

Despite repeated overtures over the years, no one had conducted a full study of what a merger might entail. But several private foundations, including The Skoll Foundation, the David and Lucile Packard Foundation, the Omidyar Network, the James Irvine Foundation and the William and Flora Hewlett Foundation, were intrigued by the possibilities of a unified community foundation.

"While we embraced the notion of increased effectiveness, we were clear that the Packard Foundation's ongoing support and interest in the two community foundations was not dependent on the decision to merge," explains Packard Foundation President Carol Larson. "Our belief that a community foundation is a key part of the fabric of any local community would remain constant."

Retired Superior Court Commissioner Patricia Bresee, who had served on Peninsula Community Foundation's board for nearly a decade, says the foundations believed the growing rivalry was unhealthy for the region. Long supportive of the community foundation concept, the private foundations suspected that bringing two successful organizations together could create a new community foundation far stronger than the simple sum of the parts.

So in late 2005, they offered a solution: If an outside consultant agreed that the merger was a sound proposal, the private foundations would foot a major portion of the bill to make it happen. "Conceptually, they thought it was a great idea," says Caretha Coleman, who was serving on Peninsula Community Foundation's selection committee to replace the recently-departed Speirn.

Then-CFSV board chair Greg Avis expresses surprise now about how smoothly initial conversations went. "On paper, it looked very good. My initial impressions were very favorable and everyone seemed to agree that this was the right thing to do," he says. "It is amazing how civil it was as we were negotiating. The conversation never broke down."

Venture capitalist Gordon Russell, a former Peninsula Community Foundation board member who was part of the committee focused on the search for a new CEO, says the focus throughout the conversation remained on what would be best for the overall community.

"We both were trying to compete with commercial charitable funds like (those available through) Fidelity or Vanguard, so we focused on what a community foundation can provide that they can't," explains Russell, who is a Silicon Valley Community Foundation donor advisor. "Program officers at a community foundation know a hell of a lot more about what's going on in the region than you do, so they can lead you to needs that you otherwise wouldn't know about. If you just want a money manager, go to Fidelity or Vanguard, but if you want someone who knows the territory as they say in 'The Music Man,' you've got to go to a community foundation."

It helped, too, that there was an easy familiarity between some members of the selection committee. Two members, in particular: Debra Engel had served on the board of CFSV since the late 1990s, and Caretha Coleman had begun serving on the board of Peninsula Community Foundation less than two years before the merger. Colleagues and close friends for a quarter century, the pair laid all cards on the table from the get-go.

"We had this long and trusting relationship, so we could just do straight talk," Engel says. "We could tell each other, 'This is working, that's not working, this person's behavior is getting in the way.' It can sound manipulative, but it really was about the objective: How can we get people to talk about the facts and what best serves the community as opposed to getting caught up in the emotion?"

The idea, says Coleman, was to ensure that no one was taking the merger talks personally. "We could talk openly and ask each other, 'Can you help that person understand really what was being said in the room?'" she says. "It's so easy to say and so hard to do, because you like to think you're not taking it personally. But people invest a lot of themselves in the community."

Following the merger steering committee's initial negotiations, the private foundations brought in consultants McKinsey & Co. in early 2006 for eight weeks. The funders, as they came to be known, tried not to have an agenda, Engel says.

"Even if they had a personal bias, they tried to stay objective," she says. "They were clear: we're not paying the money to get you to do something. We're paying the money so that the conversation happens in the right way."

But attorney Albert Horn, a key figure with Peninsula Community Foundation since 1970, perceived strong pro-merger pressure from the funders. "I saw no real advantage to it, but they didn't like the idea that two community foundations were competing for the same donors."

On its face, many early supporters say, the merger simply made sense.

"We have too many nonprofits in general doing very similar things," says John M. Sobrato, who was chair of the new foundation's investment committee at the time of the merger and now

by the numbers

grants awarded from all funds
January 1, 2007 - June 30, 2011

$1,101,350,878

serves as chairman of the board. "Our objective never was to be the biggest foundation. It's not size for size's sake, but size for the credibility and advocacy strength it can give you."

Mergers and acquisitions attorney Greg Gallo was one of the last new members to join Community Foundation Silicon Valley's board before the final merger talks heated up. After decades of living in Menlo Park, which is in San Mateo County, and working in Palo Alto, considered a key power base for northern Santa Clara County, Gallo had come to the conclusion that establishing community foundation borders along county lines was "the craziest thing" he had to deal with.

"I see Silicon Valley as transcending at least from Highway 92 south almost to Gilroy," he says. "That is a natural service area."

But others, including key staff members at both foundations, were more leery of a merger. Similar attempts between other Bay Area nonprofit organizations had not ended well, explains Mari Ellen Loijens, who was director of development at Community Foundation Silicon Valley prior to the merger and now serves the merged foundation as chief philanthropic development and information officer. When she had worked previously for the Second Harvest Food Bank of Santa Clara and San Mateo Counties, which had been formed by a merger a decade before she arrived, she was stunned by how much rancor and misunderstanding remained at the agency so long afterward. In addition, she and many others still remembered the slow agony of the 1999 merger failure between the teaching hospitals of UC San Francisco and Stanford University. Once the merger was approved, however, she quickly became one of Silicon Valley Community Foundation's staunchest supporters. "I didn't hang on to the past the way others did, so the transition wasn't as challenging for me. I'm not a person who struggles with change, and I think that's unusual," she said. "If you have to struggle with change, it's not going to work for you."

Kirk Hanson, who serves on an advisory board for The Skoll Fund, a supporting organization of the community foundation, is more muted in his hindsight view of the merger. It wasn't so much that he was against it per se, he says now. It's more that he perceived an unquestioning rush to judgment rather than careful analysis of the strengths and weaknesses a merged organization would have. "We had two strong and successful organizations with a bit of healthy competition going between them," says Hanson, executive director and professor of social ethics at the Markkula Center for Applied Ethics at Santa Clara University. "If it ain't broke, don't fix it."

Besides, says Hanson, community leaders were not brought into the discussions until the deal was nearly done. In an attempt to bring a more reasoned perspective to the debate, he wrote a list of questions that he believed should be answered before any deal was brokered, including whether some of the advantages being touted might be enjoyed with an affiliation short

number of grants from all funds
January 1, 2007 - June 30, 2011

46,253

of a full merger and how success would be measured five years after the deal.

While the McKinsey work went forward, Peninsula Community Foundation continued to work with executive recruiter Russell Reynolds to identify candidates to replace Speirn. But when McKinsey came back strongly in support of the merger, the search swiftly shifted toward one aimed at finding a dynamic leader to head up the proposed new foundation.

“It changed their outreach dramatically,” remembers Bresee, who was chair of PCF’s board at the time of the merger. “We were predisposed to do this. I can’t deny that we had a bias. But if McKinsey had come back and said, ‘This was the worst idea you could have come up with,’ we certainly would have reconsidered it.”

Much of the proposed new foundation’s future, board members came to believe, hinged on what kind of a leader they could find to head up the effort. Peter Hero, who had successfully overseen Community Foundation Silicon Valley’s meteoric rise, agreed that the choice would be pivotal. “A new organization needed new leadership,” he recalls. “To create a combined culture and in fairness to both sides, starting fresh with a new person would be the right way to go.”

So when it came time to start interviewing CEO candidates, rather than having Peninsula supporters conduct the search unilaterally, board members from both parent foundations sat down in Russell Reynolds’ San Francisco offices. After the first day of interviews, “no one had captured our hearts or minds,” Bresee remembers. But when Emmett D. Carson, Ph.D., walked in at the beginning of Day Two, the energy shifted immediately.

“We finished with Emmett, and then we all kind of looked around at each other as if to say, ‘How are we going to get this guy?’” Bresee says. “Emmett captured our reasons for merging. Part of this merger was impact and part of this merger was social change and part of this merger was civic engagement and part of it was having a presence in this region that hadn’t been there before. And he got it.”

In many ways, remembers Caretha Coleman, the selection committee was forming a shared vision of who and what they wanted as they talked with candidates. While Carson believed he was there to talk conceptually about what might be involved in heading up a merged organization, the committee members soon decided that he would be the right choice to run the new foundation.

Carson’s entry into the scenario, selection committee members say, added a sense of dynamic urgency to the merger discussions. And that’s when “we started leaving some people behind,” Engel acknowledges. As often occurs, the smaller group intimately involved in transition planning enjoys leaps of understanding and intent that isn’t properly translated to the larger group ultimately responsible for decisions.

by the numbers

contributions received
January 1, 2007 - June 30, 2011

$1,131,232,798

“You think you’re bringing people along, and we didn’t want to go into over-communication mode,” Coleman says. “But no matter how much you think everyone is on the same page, there will be people who say, ‘Wait, you didn’t tell me this or that, you didn’t ask me, you didn’t share that with me.’”

That’s where the community pushback first began, says Hero. “I know it’s opening a Pandora’s boxcar, and I’m not even sure how they would have done it, but I wish there had been more community input during the early stages of the process,” he says. “Many people see the foundation as a community asset, and so they believe the community needs to have a voice in what happens to this resource.”

Horn also felt that both boards waited too long to seek input from agencies receiving grants. The merger still is viewed as a Peninsula community loss in some circles, he notes.

Bresee and others acknowledge communication missteps, but say the community’s emotional response to the merger “blindsided us a little bit because we’d spent so much time reasoning it out and thinking about it amongst ourselves, we had come to trust one another. I think we could have done a better PR job.”

Part of the problem was the fundamental differences in the assets being managed by the two parent foundations. While Community Foundation Silicon Valley had more actual dollars in its coffers – $919 million at the time of the merger – virtually all of that money was held in donor-advised funds. Peninsula Community Foundation, on the other hand, had $612 million in total assets under management, but a significantly larger unrestricted endowment than CFSV.

That dichotomy, more than anything, highlighted the differences between the two regions served, Hero says. “At CFSV, there was a sense of being entrepreneurial and donor centric. Most of our money was donor advised,” he says. But Peninsula “had a big chunk of unrestricted money which came from people dying and leaving it to them. We had no dead donors, only these young, vigorous donors. We had very little unrestricted money because all our donors were alive and we had hundreds of them. We were very focused on corporations. We had 30 corporations that did all their giving through the foundation. That really affected our culture, because they had high expectations about service and giving and involving employees. (Peninsula) did some work for Yahoo, but corporations were not a focus of theirs. I could go on and on but suffice to say we were anything but the same.”

grants awarded by corporate advised funds
January 1, 2007 - June 30, 2011

$112,062,141

“In hindsight, we should have managed expectations down. We should have said openly, ‘It’s going to take a year or 18 months to get our act together. Hold on while we get our house in order.’ Philanthropy is a very personal thing, and relationships were upset by the merger.”

– Greg Avis

Newlyweds

One anticipated hurdle never materialized: concern that the two boards would be unable to agree on a new name. Having served on both boards over the years, Bernadine Chuck Fong believed PCF's board would feel subsumed if the new name included a reference to Silicon Valley but not their previous foundation. She was wrong.

"They agreed without a whole lot of handwringing what it would be," she says. "The PCF folks said it just made sense, so in the end it was a lot of worry about nothing."

With the new name accepted and an agreement that the merged foundation's headquarters would be centrally located, both boards voted unanimously in July 2006 to accept a memorandum of understanding creating Silicon Valley Community Foundation, which opened for business on January 3, 2007.

Less than three weeks later, Carson was named CEO and president of the new foundation. Although he didn't officially begin work until November 1, a series of surprises meant that the transition rapidly consumed him.

Surprise #1: Few people on either side of the equation had met, much less gotten to know one another. Not until he was moments from being introduced to the combined staffs at the Four Seasons Hotel in East Palo Alto – no other facility had a room large enough for everyone – did Carson realize that they never before had all been gathered together. Senior staff members who were now expected to work together closely had never even met. He soon realized, too, that most members of the two boards had scarcely met.

"Mergers, I have learned, are about trust," he says. "When you literally don't know the person sitting across from you, you don't know their capabilities or their thought process, when you've never even had a conversation with them – how are you going to establish that trust?"

Surprise #2: While staff members had been asked to provide copious amounts of data during the merger negotiations, they had not been asked to provide context, insights or buy-in. Nor had information been shared back to them. No one knew how many of them would still have jobs in January. As a result, many were job hunting, others were being picked off by headhunters and the remainder had simply been living in limbo since merger negotiations had re-started nearly a year before. Not only that, but open positions had been left vacant pending completion of the merger. Nearly all of Peninsula's development staff was gone, and CFSV rapidly was running out of accounting personnel.

Speirn's former executive assistant, Lianne Araki, describes the atmosphere as one of "high anxiety." Rather than a true merger of equals, she says, Peninsula staff members felt as if they were being taken over by more aggressive upstarts from the south. "We were more attuned to what was happening in the community, and they were more donor centric," she says. "People had no idea what to expect. It felt very rudderless, with no direction."

Surprise #3: "There was no integration plan. At all," Carson notes. "Anything in the McKinsey report where they'd reached an impasse, they just said, 'Well, the new CEO and the board will figure that out.'" Coming to Silicon Valley, Carson had assumed he would be surrounded by people who had all done mergers before. He wasn't.

Carson had started out thinking he could take the first six months to come up with a plan and the next six months to implement it. Instead, he and his senior team came up with a new business structure, a new plan of action and a new logo in 60 days. And things didn't slow down for nearly a year.

"In hindsight, we should have managed expectations down," says Avis, who was the first post-merger board chairman. "We should have said openly, 'It's going to take a year or 18 months to get our act together. Hold on while we get our house in order.' Philanthropy is a very personal thing, and relationships were upset by the merger."

So Carson realized from the outset that he would have to hit the ground running. Even before he officially started work, he informed Araki that she would be his new executive assistant. Vera Bennett, who had been both Peninsula's CFO and interim CEO after Speirn left, was invited to be the new foundation's CFO. At the same meeting, Carson named Mari Ellen Loijens chief of staff and chief of development and marketing, providing CFSV a voice in the new leadership structure.

"The commitment of the board and staff in those early years was incredible and inspiring," he says. "They gave their all in making the merger successful."

Early on, however, all decisions were perceived through a singular lens: if an old Peninsula operating procedure was adopted by the new foundation, then former CFSV staff would begin lobbying for adoption of one of their previous methods. An endless stream of "us" vs. "them" moments peppered every interaction.

To streamline the employment process, Carson asked all existing staff members to apply for any new jobs that they thought fit their talents. It meant, in essence, that everyone would have to compete for a job within the merged foundation.

Nancy Handel, who was the first new foundation board member without previous ties to either parent organization, describes those initial months as "well-intentioned chaos."

"You had to work through the grieving process of the old way of working and the old organization going away. You had to accept the fact that a new organization was coming in and being given birth, and then you had to become exhilarated about the potential for the new organization," she says. "Some people think that takes 30 days and some people think it takes five years. I'm closer to the

by the numbers

international grants
January 1, 2007 - June 30, 2011

$34,806,211

five years as opposed to the 30 days. The change was so massive and the transplant of new leadership from the outside was so significant, it's hard to think it could go much faster."

Yet donations and grantmaking needed to continue apace. "We were rebuilding an airplane as we were flying it, and we were trying to get it all together before we hit the ground," Carson says.

Over the next 18 months, the two staffs gradually became one, developing new ways of working together and a shared culture built on long hours and midnight emails. They developed policies for personnel, investments, information technology, accounting and grantmaking.

Debra Engel notes that Carson led forcefully through the chaotic merger process despite being a neophyte to such processes himself. "He made some bold decisions early on, like deciding that he would interview every (senior leader) himself to create the new staff," she says. "He hung in there and it had to be pretty painful." Not to mention the fact that the merged foundation continued to function out of two offices until it moved into its new Mountain View headquarters in August 2007. To encourage cross-pollination before that move could be completed, Carson required leadership team members to work three days each week from the office that was not their original home office.

In the summer of 2006, when he learned that CFSV was touting its traditional annual picnic as the group's "last" gathering, Carson announced that everyone – Peninsula personnel included – was expected to attend. "I wish I had a photo of the shock and disbelief on the faces of the CFSV staff about these PCF people coming to the party, and the PCF people's angst because they didn't want to go," he recalls.

At the party Carson handed out Silicon Valley Community Foundation t-shirts. When people started putting them on during the festivities, Carson thought that perhaps he was starting to make his point clear.

In October 2006, when he was introduced to the community, Carson gave a speech credited by many as the perceptual turning point for the entire organization.

"Think of the new foundation as the union of the merger – its offspring. Community Foundation Silicon Valley and Peninsula Community Foundation have provided the genetic material for who and what we are. However, we will be shaped by a future different than the past and will likely respond differently than either parent," he said. "Your kids will seldom act like you want them to or make the choices you would like for them to make. When this happens, it only means that the parents have succeeded in raising their children to be independent, free-thinking adults ready and able to make their own mark on the world. It is my promise and commitment to all of you that the Silicon Valley Community Foundation will always remember and celebrate the traditions and victories of both parents while we strive to make them proud and accepting of our choices."

countries receiving grants
January 1, 2007 - June 30, 2011

45

Despite the perceptual shift, however, complaints about new procedures, changing systems and unfamiliar expectations persisted through 2008. Part of the problem, Bennett notes, was that new legislation had just passed requiring stricter controls on donor advised funds. Incorrectly, donors assumed that new restrictions were the result of the merger, not the legislation.

Added to that was the nightmare of double-booking transactions on two databases, trying to merge two entirely separate investment portfolios, maintaining two grantmaking strategies while creating an entirely new set of strategies and rewriting every operations manual in the place.

"For the first 18 months we were dealing with two of everything, sometimes three," Bennett says. "There were turf wars and misunderstandings. It was a truly difficult year."

One corporate fund from CFSV chose to leave the community foundation during the upheaval, and a long-time Peninsula donor decided to go out on her own. But overall everyone tried to adapt as quickly as they could. There was at least one pleasant outcome for former CFSV donors: about 18 months after the merger, the foundation reduced the fees they were paying to bring them in line with the lower Peninsula rates. Even grantmaking continued in parallel longer than originally anticipated.

The old grantmaking strategies began to be phased out at the end of 2007, but new guidelines weren't yet fully ready for implementation. Concerned that the foundation would not issue its complete grant guidelines before the close of the year, Carson recommended and the board agreed that grantmaking would continue for one last round under the parent foundations' guidelines. "I understood the decision," says Ellen Clear, former vice president of grantmaking. "It made sense, but it was challenging. The positive, of course, was that we had a chance to take a fresh look at which challenges were the major ones facing this two-county region."

Bresee remembers that the entire merger experience was far harder in that first year than anyone had imagined it would be. "We simply didn't anticipate how wary the community would be," she says. "The nonprofits, the donors, the politicians – there was almost a hostile response from some quarters to the merger, to the new CEO, to this new kid on the block."

In the spring of 2007, it appeared Carson might not get the chance to see the challenge through when hostilities hit a crescendo, ironically enough, over his participation in a peace rally in East Palo Alto.

Following a series of gang-related shootings there, city officials had put together a protest of the violence that featured the mayor, the chief of police, the superintendent of schools and – to the officials' delight – both Carson and his wife, Jackie Copeland Carson. The next day, the San Jose Mercury News ran a large photo and headline highlighting the fact that the new head of Silicon Valley Community Foundation had taken part in a community march.

by the numbers

strategy grants awarded
Current strategies adopted in 2008 and funded since 2009

$19,238,090

Alarmed by the larger community's reaction to Carson's actions, the foundation's board called a special meeting to consider the situation. Could he explain to them why he would choose to participate in a rally without checking in with them first?

Carson was floored, but he tried to explain his actions:

"Well, young people in the community are shooting each other, killing each other, and that's a community disaster which I think we ought to be against. So I thought it would be okay to walk several blocks with the mayor and the police chief and some other folks to say that, as a community foundation, we don't think that's good," Carson says he explained to the board.

While the board's initial alarm rapidly died away, it was Carson's clearest wake-up call that he wasn't in Minneapolis anymore. "The whole thing was just shocking to me: the paper's reaction, how surprised everyone was in East Palo Alto that we showed up, and then the board's fear," he says. "I laugh about it now, but then it was very, very serious. I was in trouble. It had never occurred to me that this would be the least bit controversial."

Concern lingered after that for several months, Handel says, until the fall of 2007 when the board met to decide "if Emmett was going to be our guy." There was a growing sense among board members, she says, that Carson "just didn't get it, that he was ignoring donors, that he was coming up with an agenda, that you're telling the grantees that everything is going to change – so who are you?"

Handel, Greg Gallo and Caretha Coleman were asked to meet privately with a number of high-profile donors to hear about any ongoing merger concerns. In November 2007 the group reported back, and a second group reminded the board why they had recruited Carson in the first place. It turned out, Handel says, that his redeeming features – his activism, his ideas about a larger purpose for the community foundation – were causing the strongest reactions.

"We wanted leadership, we wanted prominence, we wanted somebody with an agenda, we wanted to be more focused and impactful. These are all written in the merger document about why we're doing the merger," Handel says she reminded them. "We have a leader who can and is doing all that. Yes, we're ruffling feathers, but are we sticking with the plan or are we punting? How big is our stomach for executing what we said we were going to do? Are we supporting Emmett or are we not?"

The vote of affirmation was unanimous.

new funds opened
January 1, 2007 - June 30, 2011

373

"Part of this merger was impact and part of this merger was social change and part of this merger was civic engagement and part of it was having a presence in this region that hadn't been there before."

– *Patricia Bresee*

Charting a New Path

The turning point for the rest of the board took place during a two-day off-site in a coastal hotel overlooking the Half Moon Bay harbor in March 2008. “After that, almost everything changed,” says Thomas Friel, the second board member with no previous ties to either parent foundation. “We put everything on the table and had open philosophical discussions about what comes next. It was a cathartic event.”

Both openly and privately, a number of board members agree that the retreat marked a critical pivot point for the foundation. Carson was open and honest, and board members responded in kind.

“He shared with us what it means to be a black man in a leadership position,” Handel says. “He came right out and said, ‘Let’s talk about the fact that I’m black and you’re not.’ And then he talked about how social justice was not playing Robin Hood, taking from one person to give to another. Social justice has to do with the system of inequities that are built in, that are ingrained in our society. It’s a bristly term, but it’s not a bristly concept.”

Advocacy, another key concept examined during the retreat, became a rallying point for how the foundation might wield its burgeoning influence. Donors made squeamish by the idea of a community foundation advocating for disenfranchised populations, board members began to say, were missing the point.

Pre-merger, “we didn’t feel we were big enough to make people angry and survive well. We tended to shy away from some of the more controversial issues,” Bennett says. “Now, as a regional organization and $2 billion in assets, that’s what we talked about when we were telling the public about the fact that we could be more influential in the community if we were larger. We’re beginning to see that. It’s still scary and there’s still a learning curve.”

So when the board and donors began to push back against Carson’s efforts to introduce advocacy and social justice concerns to the mix, he just kept taking the small steps needed to keep moving forward. “This is like cliff diving,” he says. “First you learn how to swim in the pool. You don’t start out jumping off the highest cliff.”

Revived attention to the long-term goals of the merger began to breathe new energy back into an exhausted staff. Steering clear of the merger troubles “was actually the exciting part of it,” Bennett remembers. “There were bigger and better things coming. We had a lot of new staff who came after that first flurry of merger stuff, so they came in looking forward to the things we were going to do and our real mission.”

It was time to get the community talking about what Silicon Valley Community Foundation's new grantmaking strategies should be. Before the merger, the parent organizations liberally spread around unrestricted money, writing small grants to a number of recipients across a broad range of needs.

But Carson, determined to "move the social needle," instructed staff to focus more narrowly on making larger grants to fewer needs that are more specific to Silicon Valley and its environs, says Eleanor Clement Glass, the foundation's chief donor engagement and giving officer.

The process began with a series of "strategic conversations" around nine topics: arts and culture, child and youth development, civic engagement, community economic development, education, the environment, health, housing and basic needs, and immigration.

From that smorgasbord of issues, the foundation announced in September 2008 that it would focus on five key grantmaking areas: a community opportunity fund, economic security, education (particularly algebra instruction in middle school), immigrant integration and regional planning.

Each has proved surprisingly prescient, Clement Glass says, particularly in light of the downturn that began to gain steam within weeks of the strategies' release. While some observers were scratching their heads at the foundation's decision to focus on foreclosure prevention counseling as part of its economic security emphasis, the same observers were awestruck by how pertinent that decision became within four months.

"The community input catapulted us into some very credible regional challenges that were validated right away," Clement Glass says. "We put all of these programs in place because we had listened. Soon after, anyone would see that we did address the most current problems."

Simultaneously, the recession revealed a new face of need beyond the chronic homeless and hungry, she says. Layoffs doubled and tripled the demand for services from many grantees, prompting the foundation to put an additional $1 million challenge grant into its safety-net fund, offering to make that money available by December if donors could match it 1:1. Contributors did better than that, matching the $1 million within six weeks and proceeding to offer $1 million beyond. In December 2008, the community foundation awarded $3 million in grants to 47 nonprofit organizations providing food, shelter and emergency services.

"To come out with $3 million in direct help immediately was a major piece of work that catapulted us again into the public as being incredibly responsive," Clement Glass says. The following June, the San Mateo County Office of Education entered into a joint government philanthropy partnership with the foundation, with each putting up $500,000 to make another $1 million available for food and shelter. "It was a

by the numbers

number of grants by county from all funds

San Mateo County - **6,050**
Santa Clara County - **14,924**

pretty remarkable partnership that really demonstrated our responsiveness, our ability to collaborate and that we constantly keep our finger on the pulse of what's needed."

In the end, that first full year turned into everything the board and senior staff had hoped for – and more. Donations mushroomed, and the combined foundation brought in more than both institutions ever had before.

"Even in the midst of all of the craziness, we had some performance numbers that were just incredible. There were a lot of people who stepped up," Carson says. "We won four national awards our first year out. These were for our annual report, our web site – now, remember, this was with a combined team their first time out. These were major, unheard of things that we never thought we'd do in the first year. I was used to doing it in Minneapolis with a seasoned team after 13 years. But the first year out?"

Then, last year, Silicon Valley Community Foundation stayed on top of things again by advocating for efforts to count underserved populations during the 2010 U.S. Census. "We felt it was in the best interests of the community, even though some people said it might not be something a community foundation should be doing," Friel says. "The Census is not just the source of demographic data. It's the source of the data that's used to determine federal funding of all sorts of things that are good for the community. Uncounted people, here legally or not, are a potential source of revenue for the counties that we serve that we sorely need."

The effort went so well, in fact, that the Census Bureau ended up giving the community foundation an award for increasing the count in its underserved tracts between 12% and 18%. "For every person who doesn't get counted, that's $11,000 in funding over 10 years that the local government doesn't get," Clement Glass notes. "When one of our smaller grantee organizations on the coast, Puente de la Costa Sur, told us that the Census Bureau wouldn't deliver questionnaires to post office boxes, we worked with them to make sure those questionnaires were hand delivered."

The recession also shined a poignant silver lining on the merger effort itself. Rather than cutting slowly as the downturn deepened, Carson chose to cut 14% of the foundation's staff jobs shortly after the stock market downturn. As a result, the foundation could focus outward onto the community rather than constantly looking inward at whether further cuts would be needed.

"I think the two organizations would have really had a harder time surviving the downturn if they hadn't merged," Gallo says. "As it is, we had to cut back and use some reserves, but my sense is that by themselves they would have been in even worse shape."

grant totals
by county from all funds

San Mateo County - **$113,217,564**
Santa Clara County - **$263,931,521**

Community Foundation of Silicon Valley History

1954 — Phillip Hammer Sr. spearheads the formation of the Community Trust, converting the final $55,000 from the World War II San José War Chest.

1956 — The first grants include Camp Costanoan, the Children's Health Council in Palo Alto and Wheeler Hospital in Gilroy. An anonymous donor makes the first stock gift: 100 shares of common stock which is later sold for $3,950.

1974 — Board chair Jean Kuhn Doyle launches a two-year fundraising effort and raises $71,000.

1978 — The Community Trust changes its name to Community Foundation of Santa Clara County.

The Community Foundation of Santa Clara County

1979 — Lew White is hired as the first paid executive director.

1980 — Leonard Ely sells his car dealership and becomes the 'dollar-a-year' fundraiser.

1988 — Peter Hero is appointed president.

1991 — The community foundation launches the region's first Neighborhood Grants Program.

1995 — Steven and Michèle Kirsch give $5 million to the community foundation, the single largest gift in its 41-year history. Assets rise to $64 million.

1997 — Jeff Skoll donates $100,000 in pre-IPO eBay stock. The community foundation later sells the stock, forming the $40 million eBay Foundation. The Community Foundation of Santa Clara County changes its name to Community Foundation Silicon Valley.

1998 — The Silicon Valley Social Venture Fund, one of the nation's first social venture funds, is established.

2001 — The community foundation raises $254 million and becomes the first community foundation to receive the 'Foundation of the Year' award from the Association of Fundraising Professionals.

2004 — The community foundation celebrates its 50th anniversary. Bill Gates is the keynote speaker. Serious merger discussions are held with Peninsula Community Foundation. Greg Avis becomes board chair.

2005 — The community foundation releases Familia, Fé y Comunidad, a landmark study on giving and volunteering among Latinos in Silicon Valley, in partnership with the Hispanic Foundation.

2006 — Silicon Valley Community Foundation is established by unanimous votes by the boards of the Peninsula Community Foundation and Community Foundation Silicon Valley. Emmett D. Carson, Ph.D., is named as the first CEO and president.

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Peninsula Community Foundation History

1964 — Frances Baruch Lilienthal establishes an organization that is named the San Mateo Foundation after her death. Her husband Ted Lilienthal serves as the first president. The K.O. Polio Fund gives $35,000, one of the first gifts to the community foundation.

1967 — Early grants include the College Readiness Program at the College of San Mateo, the Council on Alcoholism and the El Camino Halfway House.

1970 — Attorney Albert J. Horn begins his 35-year tenure as board member and community foundation champion.

1973 — Jean Sawyer Weaver designates a portion of her inheritance from William Cooper Proctor for the community foundation's administrative costs.

1974 — Bill Somerville is hired as the first paid executive director.

1976 — The Paul Strong Achilles Fund is created from the donation of 22,000 shares of Eastman Kodak stock. The gift provides further funding for the hiring of staff and new office space.

1981 — The San Mateo Foundation changes its name to Peninsula Community Foundation.

PENINSULA COMMUNITY FOUNDATION

1986 — The William and Flora Hewlett Foundation provides a 1:3 matching challenge grant which produces $1.5 million for arts and health.

1989 — An anonymous donor makes an unrestricted $25 million gift. Assets rise to $42 million.

1992 — Sterling Speirn is appointed as executive director.

1994 — The community foundation celebrates its 30th anniversary.

1996 — Tom Ford donates 20% of his limited partnership interest in property on Sand Hill Road and specifies that the annual distributions must be spent for community benefit.

1999 — Raising A Reader® and The Center for Venture Philanthropy launch programs that become national models.

2000 — The community foundation's donor advised fund program is the second largest in the country; $64 million in grants is distributed this year.

2004 — Serious merger discussions are held with Community Foundation Silicon Valley. Retired Judge Patricia Breese becomes board chair.

2006 — Silicon Valley Community Foundation is established by unanimous votes by the boards of the Peninsula Community Foundation and Community Foundation Silicon Valley. Emmett D. Carson, Ph.D., is named as the first CEO and president.

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Board members review the Memorandum of Understanding that will make the merger official

Merger document signing, from left to right: Peter Hero, Patricia Bresee, Emmett Carson, Vera Bennett and Greg Avis

Board members and staff of the unified community foundation

The new community foundation's guiding principles

A new home, centrally located in Mountain View

Starting a new tradition: the first Regional Meeting in 2008

“We stepped into our shoes, provided a leadership role in establishing a safety net during a time of economic distress, and after that is when things really began to hit their stride.”

– Nancy H. Handel

Hitting a Stride

With several successful experiences in social justice and advocacy, the foundation was resetting the community's concept of where its boundaries ought to lie. "Where there had been such angst with the change, we've become the new normal," Carson says. "People get us. They know we're very capable and we care." Nonetheless, some grantees remained disappointed by the decision to target fewer issues with larger and more focused unrestricted funds distributions.

"A lot of people still miss that old way. I still hear it in the community," Clear says. "These have been difficult economic times. No one predicted the depth of the recession at the time of the merger. So it's not simply the change in the community foundation that's affecting them, but a multitude of factors."

Pat Bresee, for one, understood the change would be difficult for those who wanted to see smaller unrestricted grants spread more broadly. "Peninsula Community Foundation didn't promise to fund everything in perpetuity. There was no guarantee they would continue to get that anyway," says Bresee, who went on to become Silicon Valley Community Foundation's second board chair. "Things change. That was scary for them. If a nonprofit needs $5,000 from the community foundation to survive it ought to examine its fundraising capacity and its importance in the community."

Above and beyond growing the unrestricted endowment dollars, however, the foundation's leaders want to continue to expand its role as a catalyst for civic engagement. By hosting an open arena for discussion, the foundation can serve a pivotal "town square" function that may help bridge the gap between the wealthy and the poor and, potentially, between immigrants and non-immigrants. With its myriad ties to various people, institutions and government agencies, the foundation could help form the glue that helps unify this diverse and growing region.

So, next up on the civic engagement calendar? Legal services for undocumented immigrants and advocacy for police departments who wish to opt out of federal Immigration and Customs Enforcement reporting requirements.

"We're taking a stand on immigration, and there are a lot of people who believe we shouldn't be doing that," Coleman says. "And in the next breath they're saying, 'I understand it's an important issue, I understand it needs to be resolved, I understand that parts of what is happening is unfair – but I'm not sure that these social justice issues should be community foundation issues.'"

Fear of the unknown was an expected consequence of all the changes, Avis says. “We didn’t use the words ‘social justice,’ and for the most part Emmett didn’t use them, either,” he says. “The community foundation is in a unique position to be convener and mediator and advocate, but it was an area that neither parent foundation had been involved in before. So, yes, there was pushback from the community.”

Carson believes social justice is exactly what a community foundation should be focused on. He became an advocate for social justice when, as a child, his parents moved the family 30 blocks south of their rough Chicago neighborhood – and Carson’s opportunities exploded.

“I define social justice as equality of opportunity, not equality of outcomes,” he says. “We can’t control outcomes. We should control equality of opportunity. Thirty blocks shouldn’t make a difference for why one kid makes it and another kid doesn’t.”

Donors from outside the area are getting the message, too, Gallo notes, and donor advisors now manage their funds from across the U.S. Its entrepreneurial nature means that the community foundation’s financial experts long ago learned to manage such complex donations as stock from closely-held private companies, charitable trusts being handled by outside money managers, and, once, even a sailboat slip at San Francisco’s Pier 39.

“We’re equipped to get more things done for people when they come up with some unique idea for how they want to make their donations,” says Bert Feuss, the foundation’s vice president of investment. “The mantra here is a little different. We are a comprehensive center for philanthropy. We make everybody’s giving more powerful.”

That can-do approach, combined with the foundation’s smooth handling of the economic downturn, solidified its standing in the community, says Handel, who became chair of the board in 2009.

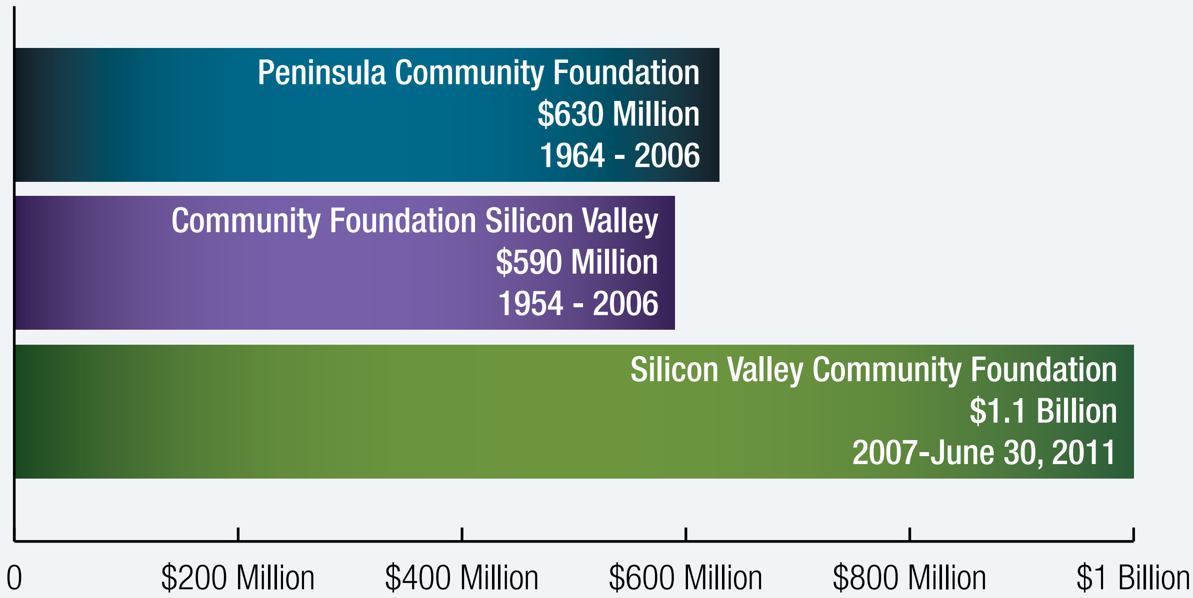
“We stepped into our shoes, provided a leadership role in establishing a safety net during a time of economic distress, and after that is when things really began to hit their stride,” she says.

Another important sign of success, agrees Loijens, is the fact that charitable organizations with similar roles but serving different counties are now talking with each other as they’ve never done before.

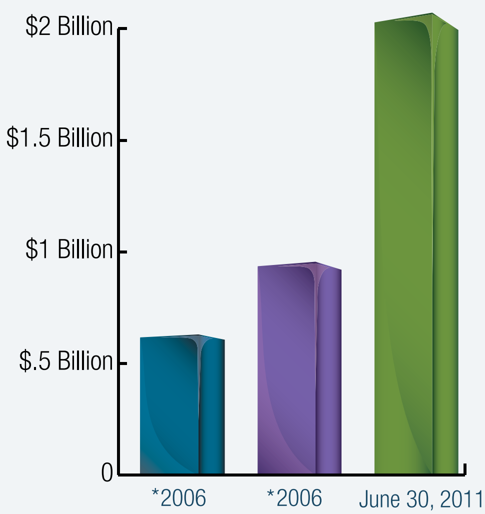
“Immigrant integration issues in Gilroy are exactly the same as those being dealt with by Half Moon Bay’s itinerant workers, but those organizations never spoke to one another until after the merger,” she says. “That has been just huge for this Valley, for this entire region.”

Comparative Analysis

Total Grantmaking

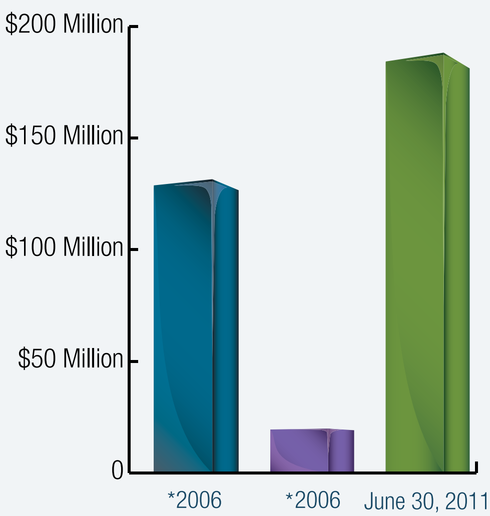


Total Assets



* At time of merger

Unrestricted Endowment



“We are just getting started in a future that looks incredibly bright – as long as we continue to do the basics extremely well. Our role is in listening to the community. We are not an independent fount of knowledge.”

– Emmett D. Carson

Focusing on Tomorrow

So, is a five-year-old Silicon Valley Community Foundation what its founders hoped it could be? The agreement is unanimous – no. It's far, far better.

"I didn't have the imagination to think that the staff could accomplish so much and we could be into so many things," Araki says. "When you're a small organization like we were, you can only do so much. But now we're working closer with the community than I thought possible, and we're getting into advocacy, which is really powerful stuff."

That newly-expanded reach rapidly is moving beyond the region to set new standards both nationally and internationally. Locally, it is the top grantmaker among all Bay Area foundations making grants to Bay Area organizations. More broadly, it is also the 13th largest U.S. foundation making international grants – and the only community foundation on the Top 25 list.

And Carson sees an even brighter future. His current prediction? Assets under management will double to $4 billion by 2017 while transactions nearly triple to between 25,000 and 30,000 each year.

"We are just getting started in a future that looks incredibly bright – as long as we continue to do the basics extremely well. Our role is in listening to the community. We are not an independent fount of knowledge."

Staff knows that well, and it's the quiet moments of clarity that keep them going strong. Leigh Stilwell, senior vice president for donor experience and engagement, says the foundation's priceless value became clear to her while watching a donor family walk into a conference room for their final planning meeting.

The husband and wife and their two children, an adolescent boy and girl, already had worked through a shared values exercise in previous gatherings and had written a family mission statement. A staff person had written that statement on a white board in preparation for the meeting that was about to begin.

As the father followed his family into the room, he came to an abrupt stop, staring at the whiteboard. Pointing at the board, he looked into his children's faces. "That. That is what our family is about, and I've never been able to say it to you. I've never been able to articulate it myself, but this is what it is."

It was a profound moment in their family life.

"For the children to see their father so moved by that, and for them finally to have a common language about what their family means – it was incredible," she says. "Everybody's life is so busy, and it's so difficult to take the time to be in a space where you can talk about what you stand for. It's a privilege to help make that possible."

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Acknowledgment

Silicon Valley Community Foundation would like to honor philanthropist Leonard W. Ely, who was the first to envision a merger between Peninsula Community Foundation and Community Foundation Silicon Valley to benefit our region. We are pleased that the late Mr. Ely saw his dream for a united community foundation realized, and we will continue to build on the promise he and so many others saw in bringing together two strong institutions with deep history and commitment.

5th year anniversary
SILICON VALLEY community foundation®

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