



## CASE STUDY

# Z. Smith Reynolds Foundation

## Advancing Racial Equity in the New South

by Lisa McGill

<b>Leadership</b>	David L. Neal, President, Board of Trustees; and Leslie Winner, Executive Director
<b>Year Founded</b>	1936
<b>Mission</b>	To improve the quality of life for all North Carolinians.
<b>Current Program Area</b>	Community Economic Development, Environment, Public Education, Social Justice and Equity and Strengthening Democracy
<b>Staff Size</b>	16
<b>Endowment Size</b>	Value of trust as of December 31, 2013 is \$429 Million.
<b>Average Grant Size</b>	\$52,500
<b>Geographic Area</b>	State of North Carolina



In 1963, North Carolina's then-Governor Terry Sanford launched a bold plan to address the entrenched and

rising poverty that was threatening to overtake the state. At the time, 37 percent of North Carolina residents had incomes below the federal poverty line, a quarter of the state's adults over age 25 were illiterate, unemployment was rampant, economic growth was stagnant, and racial tensions were flaring.<sup>1</sup>

To address these mounting problems, Sanford created a first-of-its-kind statewide anti-poverty initiative called the North Carolina Fund. The Fund, which had both Black and White leadership by design, was a massive experiment in mobilizing the poor through increased grassroots community activism, civic engagement and economic development. In its five years of operation, the Fund created a flurry of new education, health, job training, housing and community development programs designed to empower low-income communities across the state – and across class and color lines – to lift themselves out of poverty.

Some, including a few ambitious politicians running for Congress in North Carolina, opposed the work of the Fund. First, it encouraged disadvantaged citizens to become civically active and enter the decision-making processes of their communities – which was antithetical to the paternalistic views of how to treat the poor at the time. For the old conservative guard, a group of newly engaged North Carolinians portended an emerging voting bloc that might not swing its way. Second, it was the height of the civil rights struggle, and a large percentage of the North Carolinians helped by the Fund's program were African-American. Anti-poverty workers were accused of sparking civil unrest, and Fund leaders were accused of “meddling in politics.”<sup>2</sup>

Nonetheless, the initiative brought about bold new changes across the state and went on to become the model and inspiration for President Lyndon Johnson's War on Poverty.

The North Carolina Fund had several major private funders, chief among them the Ford Foundation. Also at the table, along with the Mary Reynolds Babcock Foundation, was the Z. Smith Reynolds Foundation, a small North Carolina-based family foundation that was just beginning to flex its philanthropic voice. Despite fielding warning calls from across the state urging it to cease funding a project so “radical,” ZSR did not back down. Mary Mountcastle, a current ZSR family-member trustee, recalls, “I've heard stories from family members that it was definitely controversial. But they did not back away in supporting what they believed in.” As it happened, participating in the North Carolina Fund proved a formative moment for the growing foundation, accelerating its journey down the path of understanding the complexities of race and inequality, and how to tackle these issues head-on in North Carolina.

ZSR was established in 1936 in honor of Z. Smith Reynolds – the youngest child of tobacco magnate R.J. Reynolds – who mysteriously died at his home in Winston-Salem when he was just 20 years old. Created by his siblings as a family foundation to benefit the people of North Carolina, it is now the largest general purpose foundation in the state and ranks among the 100 largest philanthropies in the country. It is also widely considered one of the most progressive funders in North Carolina.

Currently, ZSR's grantmaking has five focus areas: community economic development, strengthening democracy, environment, public education, and social justice and equity. Each includes a set of strategies around racial and ethnic issues. “Injustice is the living legacy of our

state's history of racial exclusion and segregation," explains David Neal, ZSR's president. "We cannot make progress without addressing the plain truth that opportunities and outcomes in nearly every area – be it health, education, environment or any other indicator – follow racial lines." He adds, "Foundations and nonprofits alone cannot end these disparities, but we take seriously our responsibility to make progress where we can."<sup>4</sup>

## Putting Race on the Table

ZSR's move to embrace racial equity as a core value has evolved over time. But its commitment to putting (and keeping) race on the table has remained constant.

The foundation has long been willing to name race as a priority issue that must be addressed in North Carolina. But like many other well-meaning organizations in the late 60s and 70s, it found itself advocating for the inclusion of racial minorities in decision making without leading by example. For decades, ZSR's board was made up of family members, all of them White. But around the time that the North Carolina Fund closed its doors, the board opened up to include non-family members, inviting the first African American, Dr. Joseph Gordon, to join in 1970. The board also made the proactive choice to hire Tom Lambeth, a native North Carolinian, in 1978 as its first full-time executive director. Previously a grantmaker at the Smith Richardson Foundation and assistant to Governor Sanford, Lambeth was well-respected among progressive leaders in North Carolina for his commitment to civil rights and education. Lambeth, in turn, hired ZSR's first staff, which included an African-American woman.

In the 1980s, with Lambeth at the helm, ZSR's majority-family board decided to draw in even more diverse perspectives by creating an advisory panel – a rotating group of 15 diverse individuals from regions and sectors across the state – to help expand the breadth and depth of its thinking. Over the years, the advisory panel has included journalists, legislators, industry heads and others who have brought a

broad range of social, ideological and political viewpoints to foundation discussions. While this advisory panel has no grantmaking power, it has proved a rich sounding board.

The advisory panel's influence was evident in changes to the foundation's grantmaking in the 1980s and 1990s, especially. As the philanthropic community across the country began to think more strategically about nonprofit capacity building, and public and private partnerships, ZSR, under the guidance of the advisory panel, paid special attention to grantees and partners who could help support these types of efforts in minority communities. During that time, the foundation was the first to provide seed funding for visionary projects, such as the Child Care Lending Initiative of the Self-Help Credit Union in North Carolina, a collaborative that advocates for communities of color and others left out of the banking mainstream, supporting research on financing opportunities for child care providers. Lending to home-based and center child care providers is an integral part of its portfolio today. The foundation also helped support the launch of the North Carolina Institute of Minority Economic Development (now NCIMED) with a seed grant to diversify North Carolina's business community. NCIMED remains the only organization of its kind in the country that focuses on business diversity as an economic driver for states. These types of grants were accompanied by startup support for statewide infrastructure and technical assistance groups, such as the North Carolina Center for Nonprofits, to champion the evolving and diverse needs of nonprofits in North Carolina.

"We started the advisory panel to help us think about what the foundation should be doing that we weren't doing," says Tom Lambeth.

Indeed, it was a proposal developed by the advisory panel that prompted the foundation in 2000 to launch an initiative that made its focus on race even more overt. "The Race Will Not Divide Us" initiative was a one-year, \$1 million effort to bring attention to race issues and create cross-racial dialogue throughout North Carolina.



### Goals of ZSR's "Race Will Not Divide Us" Initiative were

- ▲ to stimulate new activity and innovation, particularly among groups or in geographic areas where little has been done to improve existing tensions among people of different races;
- ▲ to support and sustain pioneering race relations models to ensure that these valuable efforts do not wane for lack of support and to ensure innovation in addressing emerging challenges;
- ▲ to identify and spread the lessons of successful models of race relations work, so that the impact of these models can be increased and these efforts receive statewide attention; and
- ▲ to create a network of leaders in improving race relations to ensure that they can continue to challenge each other and learn from one another's efforts.<sup>3</sup>

**“We needed to develop strategies to help our organizations use a racial equity lens, and examine how their organizations were relevant to the greater diversity and changing demographics of North Carolina,” says program officer James Gore. “It’s not just the responsibility of organizations in communities of color to do that. It has to be a broader engagement of many organizations and interests.”**

As part of the initiative, the foundation made grants to 23 organizations throughout North Carolina to assist them in tackling issues of race in their communities. Grantees ranged from faith-based organizations, such as Neighbors in Ministry, to cross-racial community organizing groups, such as the Southeast Regional Economic Justice Network. Grants were awarded to several youth programs, including Youth Empowerment and Big Brothers/Big Sisters, and emerging nonprofits in the growing immigrant community, such as El Pueblo Inc. Projects addressing public policy issues, such as the Community Building Initiative, were also funded.

The initiative “helped us keep race in the forefront,” observed family-member trustee Jock Tate in 2001, suggesting that it increased the foundation’s determination to explore new ways to address issues of race internally, assist grantees in confronting these issues, and elevate the conversation about racial disparities as widely and broadly across the state as possible.<sup>4</sup>

## The Shift to Racial Equity

By the early 2000s, more and more of ZSR’s grantees were starting to wrestle with racial equity and how to incorporate a racial equity lens into their work – sometimes on their own, sometimes at the prodding of the foundation.

ZSR learned a great deal from the “Race Will Not Divide Us” initiative – not least of which is how hard it can be to get other organizations and foundations across the state to talk about race directly. “I remember making pitches to some organizations about why this was important,” observes Tom Ross, who joined the foundation as executive director when the initiative was winding down. “I would hear ‘Yes, we know it’s important, but we feel like we’ve tried and never been successful.’ And I remember saying, ‘Yes, but you can’t stop trying.’”

When Ross came on board as executive director after Lambeth’s retirement, he was already known as a problem solver. A former judge in North Carolina, Ross was credited with restructuring a state sentencing system that increased community-based alternatives for nonviolent offenses and was known for systems-change leadership. Ross led ZSR from 2001 to 2007, guiding the foundation through a strategic planning process that helped establish evaluation metrics and identify clear program areas for the first time, which are still in place today. The foundation also began shifting racial equity from an embedded, implicit value to an explicit goal with which it was publicly identified.

Under Ross’s tenure, ZSR began investing more heavily in minority-led nonprofits, including asset-building groups such as the African-American-managed Generations Credit Union and the Latino Credit Union. With Ross’s encouragement, it also invested in the groundbreaking Funders’ Collaborative for Strong Latino Communities, a project of Hispanics in Philanthropy (HIP) to build the capacity of Latino nonprofits across the United States. Leveraging a challenge grant from ZSR, 22 fledgling Latino nonprofits in North Carolina were supported in the first year of HIP’s project.

The foundation’s increased focus on racial equity was also fueled by what was happening in the larger landscape of North Carolina – including major shifts in the state’s core demographics. Since 1990, the state’s Latino population has exploded by an incredible 943 percent.<sup>5</sup> Today, 63 of the state’s 100 counties are at least 5 percent Latino, whereas 20 years ago none of them were.<sup>6</sup> North Carolina has also become a haven for many other immigrant populations, now boasting the fourth largest population of Hmong in the country.<sup>7</sup> In the last decade, North Carolina’s African-American population has increased by 17.9 percent. Even more striking is the fact that for the first time in history, the majority of the state’s youth population is non-White.<sup>9</sup>

The state’s racial and gender wealth gaps are also widening. North Carolina now has the seventh largest wealth gap between White and non-White households in the country. Seventeen percent of the state’s Whites live in asset poverty, but this figure is 47.8 percent among people of color.<sup>10</sup>

The foundation was already trying to address systemic disparities in North Carolina communities through its formal diversity accountability policy, which gives the board leeway to decline to fund nonprofits whose boards do not reflect the communities they purport to serve, or to withhold grant funds until they submit diversity plans to the foundation for executive director approval. But the foundation felt that it needed to do more. “We needed to develop strategies to help our organizations use a racial equity lens, and examine how their organizations were relevant to the greater diversity and changing demographics of North Carolina,” says program officer James Gore. “It’s not just the responsibility of organizations in communities of color to do that. It has to be a broader engagement of many organizations and interests.”

## The Racial Equity Initiative

In 2011, under the leadership of current Executive Director Leslie Winner – a former state senator, civil rights lawyer and trailblazer in her own right – ZSR launched a second statewide initiative to gain traction against the structural inequities that remained prominent in the state. The Racial Equity Initiative was a pilot program designed to move the foundation’s grantees from racial representation to true inclusion in nonprofit decision-making, and to increase their capacity to address racial equity. The goals of the Racial Equity Initiative were threefold:

- ▲ Help grantees to see the relevance of racial equity and its impact on their field
- ▲ Build capacity for grantees to be more effective in their racial equity efforts
- ▲ Build a base of shared definitions and frameworks around structural racism

This effort with grantees was coupled with internal priority-setting around the goals and objectives of each program area to include specific racial equity targets.

The initiative kicked off with a series of daylong racial equity convenings, held at different locations throughout North Carolina. The foundation invited all of its grantees to the sessions. In all, 312 people representing 209 organizations participated. Afterwards, more than 90 percent expressed interest in further trainings and additional opportunities to advance their skills in these areas. “So much of what we were hearing from grantees was, ‘We share this value and want to do this work, but we don’t know how or we don’t have the capacity,’” says Joy Vermillion Heinsohn, the foundation’s director for programs.

In response, early in 2012, the foundation put out an RFP offering targeted technical assistance grants to self-selected grantees who wanted to venture deeper into racial equity work. Ultimately, the foundation awarded eight six-month grants to 11 organizations<sup>11</sup> – an investment totaling approximately \$60,000. These grantees agreed to come together with ZSR staff for two peer-cohort convenings, one during the grant period to receive a more advanced level of racial equity training, and one after the grants ended to share learnings from their work and discuss the sustainability of their new efforts.

Grantees used their funds to pursue a wide range of capacity-building activities and implementation steps. The Asheville City School Foundation held a racial equity

retreat with its board, where participants identified racial equity objectives and revamped their board recruitment strategy. The Southern Coalition for Social Justice (SCSJ) worked with three other grantees to deepen their collective understanding of systemic racism, and integrate racial equity goals into their policies and practices.

Other groups, especially mainstream organizations such as the North Carolina Wildlife Federation (NCWF), witnessed how a small grant could go a long way to build their capacity *and networks* around a racial equity agenda. With its grant, for example, NCWF gathered 20 of its chapter leaders, staff and board members for a series of facilitated meetings designed to introduce them to the concept of racial equity, and to begin figuring out how to expand its work and presence in communities of color. But with the latter task, they quickly hit a roadblock. “We realized we don’t even know what the Hispanic- or African-American communities *think* about conservation,” says NCFW’s Canavarro. They decided to contact several of the other ZSR grantees they had met at the racial equity convening, who helped them connect with African-American and Latino community leaders across the state. The resulting in-depth interviews yielded valuable information that helped NCWF launch a new action plan.

Like other grantees, NCWF felt the capacity grant helped them make real progress in a short time and with little funding. But they all seemed to agree that the work wasn’t over. “We made good strides, but we are nowhere near where we envision being,” says Canavarro.

## Continuing the Journey

It is not yet clear whether the Racial Equity Initiative will be a time-limited program, extend into further work, or get integrated into the foundation’s overall grantmaking. But many of ZSR’s grantees are endorsing the foundation’s efforts to wade further into this area. “What I’ve seen in the last three or four years is a really important change,” says Anita Earls, executive director of the Southern Coalition for Social Justice. “I think what they’ve been trying to do is courageous, and I hope they will help us figure out how to take this work to the next level.”

The foundation is the first to acknowledge that amplifying the focus on racial equity is inherently difficult work – not just because understanding the structural bases for the disparities is challenging, but also because the social and political context in North Carolina is changing. In recent years, the state’s politics and policies have shifted to the conservative right. Statewide battles over immigration reform and the controversial passage of the state’s voter ID



law – widely viewed as racially discriminatory by nature – have set off alarm bells among progressives. And dramatic cuts to public education and social services are having a disproportionate impact on low-income communities, many of them communities of color.

The current climate in the state has again led to heightened resistance that, for many, harkens back to earlier movement protests, and the controversy that often surrounds that resistance.

A powerful network of religious and grassroots leaders in North Carolina, under the umbrella of “Moral Mondays,” has gained significant momentum protesting the rising threats to safety-net programs for underresourced communities in the state. While ZSR has not funded any of the direct work behind the protests much of which is conducted by 501c4s or individual leaders, this is a moment to consider what it means for the ongoing social and racial justice efforts of the 501c3 grantees whose long-term capacity and infrastructure ZSR has supported, and their ability to seize upon such critical moments.

“How can we and the grantee community build on possible opportunities raised by this momentum to address racial disparities in our state? It’s something we are asking ourselves,” noted Vermillion Heinsohn.

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“Given the broad range of activists who have come together, the Moral Mondays movement has reflected a better intersectional lens recognizing how race, gender, economic concerns and environmental policies impact each other,” added Gore. “It has already affected some grantees to more strongly consider the connections of these factors.”

Still, both stressed that they and their predecessors recognize the racial and social justice work the foundation seeks to support “is long-term and bigger than any one moment, event or crisis. This work is generational in nature.”

Irrespective of what happens with the issue of the day, the foundation shows no signs of backing away from helping its grantees tackle structural racism – and from confronting it themselves as an organization. In that regard, board member Mary Mountcastle sees yet another connection between the work the foundation is doing now and the work it did through the North Carolina Fund 50 years ago. “Some people wanted the foundation to stop funding that work, but

we continued to fund it,” she says. “We need to continue to stand up for what we believe in and not back away.”

## Lessons

Although diversity is important to a foundation’s racial equity goals, it is not enough to drive systemic change. In the late 1990s, the foundation began to collect information on its grantees’ staff and board diversity. By 2009, it began to hold grantees more accountable to board and staff diversity as a precondition of funding. The foundation’s diversity policy had an impact – but it did not address two other problems that soon seemed rather glaring. First, a number of grantees were adding diversity to their boards but not truly including those new voices in the conversation. “There were some number of organizations that focused on token diversity but not inclusion, or inclusion but with structural deficits,” says program officer James Gore. Second, bringing in diverse perspectives did not in-and-of-itself guarantee that anything the organization actually *did* through its work would change.

“We were trying to look at it more as a change issue: How could we help change institutions and communities in a more systematic way?” says former executive director Tom Ross. For answers, the foundation, under the leadership of current Executive Director Leslie Winner, turned to its grantees, asking them two questions: How do you draw

upon racially diverse perspectives in your work? And, what challenges does your organization face in bringing racially diverse perspectives in your work? Thanks in part to these conversations, the foundation established racial equity targets across each of its program areas, launched its Racial Equity Initiative, and continues to create additional alignment across the foundation.

When you begin to implement a racial equity framework, you have to start at home. The reality is, the foundation’s wealth was generated by a once-thriving tobacco industry supported by the labor of low-income workers, especially racial minorities, who seldom reaped the full benefits of their enterprise. There is no getting around it. So, the question begs: How does a family foundation honor its heritage and acknowledge its privilege, while staying true to the evolving values of the family’s philanthropy over generations? It’s a question that has been at the forefront of ZSR’s work, irrespective of leadership changes, political trends and economic realities in the state.

At the height of the civil rights movement, the foundation's all-White board made the intentional decision to become more racially and culturally diverse. Internal changes were followed by the establishment of an advisory panel of diverse leaders to keep the foundation honest about race relations and other emerging issues facing the state.

The foundation then matured and delved into the structural barriers that limit opportunities, especially for people of color, across the state. This commitment began to include systematic efforts and dedicated resources for evaluating not only the progress of grantee organizations, but also the foundation's progress on racial equity targets across grant clusters and portfolios.

"This is not the kind of thing that can be a three-year initiative and then you expect to be done with it," says Joy Vermillion Heinsohn, director for programs. "Is it a part of your foundation's culture to want to push the envelope? Do you feel like you have trusted relationships with grantees to be able to engage in this type of conversation, and are you going to be willing to listen to what they say they need? You have to figure that out."

That willingness to "figure it out," as Vermillion Heinsohn suggests, continues to inform emerging work as the foundation intensifies its efforts to address widening disparities throughout the state.

Racial equity grantmaking takes courage – and the willingness to stand behind your investments. ZSR stood firm in its commitment to the North Carolina Fund, despite some of the controversy, because it believed it was the right thing to do. When the foundation decided to require its grantees' boards to reflect the diversity of the communities they served, it once again stepped out on principle – and didn't back down, despite some grantee pushback. Current family-member trustee Mary Mountcastle recalls one arts organization calling the foundation's diversity policy "overbearing." Mountcastle's response? "I asked, 'How are you going to market to and attract more diverse audiences with such a predominantly White board and staff?' I told them that their success will be affected if they don't think about how to work effectively in a multiracial and multicultural context like North Carolina is today."

And, the foundation is the first to admit that it has had its own internal struggles with how far to push that commitment. "There was some concern that this wasn't a good way to spend money because we weren't likely to get the kind of change for which we were driving," says former Executive Director Tom Ross. "And some people wanted to push harder and faster than others." Ultimately, the discussion came down to what an effective intervention would look like. In other words, says Ross, "What would matter?"

"Racial equity is an issue that scares people," adds board member Ilana Dubester – arguing that this reality makes the foundation's commitment to achieving it all the more important.

At a time when grants are scrutinized and program priorities are judged, the lesson is to stay the course, take risks, and believe that you will come out on the right side of history.



**Lisa McGill** is the principal of LM Strategies Consulting, a firm that works with philanthropies to help them advance relationships and sustain impact in underresourced communities. McGill has consulted on projects for a variety of foundations, including the W.K. Kellogg Foundation, the Robert Wood Johnson Foundation, the Charles S. Mott Foundation, the Jim Casey Youth Opportunities Initiative, and the Kresge Foundation. She has content expertise in youth-to-adulthood transitions. McGill is the author of *Constructing Black Selves: Caribbean American Narratives and the Second Generation* (NYU Press) and the co-author of several publications in the philanthropic sector.

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## Endnotes

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- 3 These goals are excerpted from an 7 Apr. 2000, press release distributed by the Z. Smith Reynolds Foundation.
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- 10 "Racial Wealth Disparity in North Carolina: A Report for the Z. Smith Reynolds Foundation." *UNC Chapel Hill Center on Poverty, Work, and Opportunity*, 1 Sep. 2010.
- 11 Asheville City Schools Foundation; Cape Fear River Watch; criminal justice cluster (Center for Death Penalty Litigation, Community Success Initiative, North Carolina Prison Legal Services, Southern Coalition for Social Justice); Democracy NC; NC Wildlife Federation; Student Action with Farmworkers; NC Community Development Initiative; Hispanics in Philanthropy. A number of Latino centers submitted requests to use racial equity work as an entree to deepen leadership development. The centers also highlighted a desire to build relationships with peer communities of color. To be more impactful and reach a larger audience of Latino leaders, staff decided to work with HIP to do some intensive sessions rather than providing individual technical assistance funds.

Photo Credit: "To Be Rather than to Seem: Reflections on Race in North Carolina, 2001 Annual Report." Z. Smith Reynolds Foundation, 2001. Web. 15 May 2014. <<http://www.zsr.org/sites/default/files/images/2001ZSRAnnualReport.pdf>>