



INDEPENDENT SECTOR

A vital voice for us all



Strengthening Democracy

**Building a More Effective, More
Accountable Charitable Sector**

Front cover:

Independent Sector serves as the “meeting ground” for the leadership of the entire charitable community, most notably through our Annual Conference. The 2005 conference, held October 23-25 in Washington, D.C., featured the theme, “Reshaping the Social Compact,” and also celebrated IS’s 25th anniversary. Those attending included (*from left*):

- Deanna Dunkan-Grand, director of foundation relations, America’s Promise;
- Iqbal Noor Ali, chief executive officer, Aga Khan Foundation;
- Wade Henderson, executive director, Leadership Conference on Civil Rights;
- John E. Morton (*left*), officer, planning & evaluation, The Pew Charitable Trusts, and Cinthia Schuman, associate director, Aspen Institute’s Nonprofit Sector and Philanthropy Program.



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Table of Contents

About Independent Sector	4
Message from the Chair and the President	5
Board of Directors and Leadership	6-7
Highlights from 2005.	8-17
Contributors	18-21
Financial Summary	22-23
Strengthening the Voice of the Charitable Community	24
Independent Sector Members.	25-33
Staff	34

About Independent Sector

The United States is now home to an estimated 1.4 million public charities, private foundations, and religious congregations that work to improve the lives of individuals and communities. Collectively, we refer to these organizations as the “independent sector,” which underscores their unique role in society, distinct from business and government.

Independent Sector is the leadership forum for charities, foundations, and corporate giving programs committed to advancing the common good in America and worldwide. Our nonpartisan coalition of approximately 550 organizations leads, strengthens, and mobilizes the charitable community in order to fulfill our vision of a just and inclusive society of active citizens, vibrant communities, effective institutions, and a healthy democracy.

Our Vision

A just and inclusive society of active citizens, vibrant communities, effective institutions, and a healthy democracy.

Our Mission

To advance the common good by leading, strengthening, and mobilizing the independent sector.

Our Values

Independence

- The freedom to be creative and uplift the human spirit
- The right to advocacy and freedom of speech
- A commitment to promoting and protecting the independence of the sector
- An obligation to serve as a leading voice for the common good

Interdependence

- Productive cooperation between the public, private, and nonprofit sectors
- Effective collaboration between funders and grant recipients

Inclusiveness and Diversity

- Embracing a variety of perspectives and people
- Respect for the views of others

Social Justice

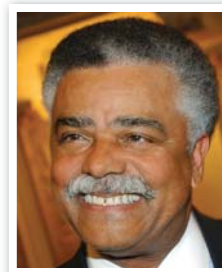
- Full and fair opportunities for all
- Appreciating the worth and dignity of each person

Transparency, Integrity, and Accountability

- A commitment to the highest possible ethical standards
- Open and timely sharing of financial, governance, and program information
- Responsiveness to society, members, and stakeholders

Operational Excellence

- Effective programs and activities that meet meaningful needs
- Efficiency in the use of resources



Message from the Chair and the President

We are pleased to present the highlights of Independent Sector's work during our 25th anniversary year. Our achievements in 2005 resonate with a theme that has long been at the center of the charitable community: our ability to improve lives is even greater when we join our voices.

The past year saw the implementation of the strategic business plan our membership approved late in 2004. Our expanded membership criteria have enabled us to encourage leading organizations on the local, regional, and state levels that share our values to join IS. As these groups increasingly become part of the IS coalition, we better reflect the growing strength and diversity of the sector.

We are also fulfilling the second main element of the business plan. Present and former members said that the charitable community needed a stronger voice on the pressing issues of the day, and they called on Independent Sector to embrace that role. We have, as our work over the past year demonstrates.

We have been a leader in strengthening ethics and accountability, particularly with the Panel on the Nonprofit Sector. As convener of the Panel, IS brought together thousands of people from across our sector to strengthen the transparency, governance, and accountability of charitable organizations. The results of this effort, particularly the Final Report the Panel issued in June, have already improved the operations of charities and foundations and shaped the views of government officials.

The IS coalition brings together all elements of the sector—charities, foundations, and corporate giving programs—in many other ways. The staff from member organizations who make up our committees, task forces, and other networks have helped the charitable sector develop better approaches in key areas such as public policy, civic engagement, and international issues. Our Annual Conference increasingly serves as one of the foremost meeting grounds for leaders from across the sector.

Running through the enormous variety in our work and in that of our members are two main themes: strengthening democracy and building more effective, more accountable organizations. We could not do this work without the vital voices of our members, and we look forward to continuing this chorus in the future.

William E. Trueheart
Chair

Diana Aviv
President and CEO

Vital Voices

The staff and volunteers of Independent Sector's members are vital voices in the work to advance the common good. Their efforts, both for their organizations and as part of the IS coalition, are crucial to our ability to improve the lives of individuals and communities around the world. The following pages profile a few of the millions of people in the charitable community whose contributions strengthen democracy and build a more effective, more accountable sector.

Board of Directors

Officers

Chair

William E. Trueheart
President and CEO
The Pittsburgh Foundation

Treasurer

Paula Van Ness
Chief Executive Officer
Starlight Starbright Children's Foundation

Vice Chair

Gary L. Yates
President and CEO
The California Wellness Foundation

Secretary

Hilary Pennington
Vice Chair and Co-Founder
Jobs for the Future

Diana Aviv *

President and CEO
Independent Sector

* *ex officio*

Board Members

Special thanks to these dedicated leaders who retired from the IS board during 2005.

Angela Glover Blackwell
Chief Executive Officer
PolicyLink

Hodding Carter III
President and CEO
John S. & James L. Knight Foundation

Christopher T. Gates
President
National Civic League

Kathleen D. McCarthy
Director
Center on Philanthropy and Civil Society, City University of New York

Karen Narasaki
President and Executive Director
Asian American Justice Center

Mary Beth Salerno
President
American Express Foundation
Vice President, Philanthropy
American Express Company

Edward H. Able, Jr.
President and CEO
American Association of Museums

Kathleen W. Buechel
Former President
Alcoa Foundation

Robert W. Edgar
General Secretary
National Council of Churches of Christ in the USA

Lewis M. Feldstein
President
New Hampshire Charitable Foundation

David S. Ford
Chief Executive Officer
Richard and Susan Smith Family Foundation

Barry D. Gaberman
Senior Vice President
The Ford Foundation

Brian A. Gallagher
President and CEO
United Way of America

Darell Hammond
CEO and Co-Founder
KaBOOM! Inc.

J. Bryan Hehir
President
Catholic Charities, Archdiocese of Boston

J.D. Hokoyama
President and CEO
Leadership Education for Asian Pacifics

Kevin Klose
President and CEO
National Public Radio

Stanley S. Litow
President
IBM Foundation
Vice President
Global Community Relations
IBM Corporation

Janet Murguía
President and CEO
National Council of La Raza

William D. Novelli
Chief Executive Officer
AARP

John R. Seffrin
Chief Executive Officer
American Cancer Society

Edward Skloot
Executive Director
Surdna Foundation

Donald M. Stewart
Visiting Professor
Harris School of Public Policy Studies, University of Chicago

Arturo Vargas
Executive Director
National Association of Latino Elected and Appointed Officials Educational Fund

Luz A. Vega-Marquis
President and CEO
Marguerite Casey Foundation

M. Cass Wheeler
Chief Executive Officer
American Heart Association

William S. White
President and CEO
Charles Stewart Mott Foundation

Ruth Wooden
President
Public Agenda

Committee Chairs

Executive Committee

William E. Trueheart

President and CEO

The Pittsburgh Foundation

Investment Subcommittee

Robert E. Swaney, Jr.

Vice President and Chief

Investment Officer (Retired)

Charles Stewart Mott

Foundation

Audit Committee

Arturo Vargas

Executive Director

National Association of Latino

Elected and Appointed Officials

Educational Fund

Board Development Committee

J. D. Hokoyama

President and CEO

Leadership Education for Asian

Pacifics

Public Policy Committee

Gary L. Yates

President and CEO

The California Wellness

Foundation

Ethics and Accountability Committee

M. Cass Wheeler

Chief Executive Officer

American Heart Association

Civic Engagement Committee

Edward Skloot

Executive Director

Surdna Foundation

International Program Advisory Committee

Barry D. Gaberman

Senior Vice President

The Ford Foundation

Building Value Together Steering Committee

Paul Brest (co-chair)

President and CEO

The William and Flora Hewlett

Foundation

Hilary Pennington (co-chair)

Vice Chair and Co-Founder

Jobs for the Future

Communications and Marketing Advisory Task Force

Lewis M. Feldstein

President

New Hampshire Charitable

Foundation

2006 Annual Conference Program Committee

Brian A. Gallagher

President and CEO

United Way of America

2006 Annual Conference Host Committee

Jon Pratt (co-chair)

Executive Director

Minnesota Council on

Nonprofits

Karl Stauber (co-chair)

President and CEO

Northwest Area Foundation

Membership Committee

Kathleen W. Buechel

Former President

Alcoa Foundation

Resource Development Committee

David S. Ford

Chief Executive Officer

Richard and Susan Smith

Family Foundation

John W. Gardner Leadership Award Committee

William S. White

President and CEO

Charles Stewart Mott

Foundation

Leadership IS Award Committee

Janet Murguía

President and CEO

National Council of La Raza

Virginia A. Hodgkinson Research Prize Committee

Steven Rathgeb Smith

President-Elect

Association for Research on

Nonprofit Organizations and

Voluntary Action

Thank you to the following leaders who served as committee chairs in 2005.

Audit Committee

Mary Beth Salerno

President

American Express Foundation

Vice President, Philanthropy

American Express Company

Civic Engagement Task Force

Brian A. Gallagher

President and CEO

United Way of America

2005 Annual Conference Program Committee

Karen Narasaki

President and Executive Director

Asian American Justice Center

2005 Annual Conference Host Committee

Terri Lee Freeman

President

The Community Foundation

for the National Capital Region

Membership Committee

Darell Hammond

CEO and Co-Founder

KaBOOM! Inc.

John W. Gardner Leadership Award Committee

Kathleen W. Buechel

President

Alcoa Foundation

Leadership IS Award Committee

Arturo Vargas

Executive Director

National Association of

Latino Elected and Appointed

Officials Educational Fund

25th Anniversary Committee

Robert M. Frehse, Jr.

Executive Director

William Randolph Hearst

Foundations

James Canales (vice chair)

President and CEO

The James Irvine Foundation

Judy Vredenburg (vice chair)

President and CEO

Big Brothers Big Sisters of

America

Highlights from 2005

2005 brought together Independent Sector's past, present, and future. We celebrated our 25th anniversary with a series of events that culminated at the Annual Conference...

...where a gala highlighted our achievements and the remarkable growth of the entire sector since 1980. Throughout the year we continued our tradition of convening the charitable community, helping our organizations address ongoing issues such as ethics and accountability, civic engagement, and funding for vital programs. And we set out in new directions so that in the future, our sector remains a vital part of society.

As we have throughout our history, IS in 2005 pursued our mission of advancing the common good by leading, strengthening, and mobilizing the charitable sector. Increasingly, we concentrate on two distinct yet related areas: building a more effective, more accountable charitable sector and strengthening democracy. This report describes how IS pursued these goals over the past year; it also documents how we have improved our operations so we address these two areas more effectively.

Building a More Effective, More Accountable Charitable Sector

Because charitable organizations depend on the support and confidence of the public, Independent Sector has been dedicated throughout our history to ensuring charities and foundations operate ethically and effectively. Our commitment has never been more obvious than during 2005, when IS worked in a range of areas to help the sector meet the highest possible standards.



« Charles Grassley, chairman of the Senate Finance Committee (*front*), accepts the Panel on the Nonprofit Sector's Interim Report, from Panel co-convenor Paul Brest, president of the William and Flora Hewlett Foundation; IS President and CEO Diana Aviv; and co-convenor Cass Wheeler, CEO of the American Heart Association. "I appreciate all your hard work and ask that you convey my appreciation to the enormous number of individuals who were involved in this effort," Chairman Grassley said.



« Nonprofit leaders speak out at the Panel on the Nonprofit Sector field hearing held in Denver. More than 2,500 people participated in 15 hearings held in the following cities:

- | | | |
|--------------------|---------------------|--------------------|
| • Atlanta | • Detroit | • Philadelphia |
| • Chicago | • Duluth, Minnesota | • San Diego |
| • Dallas | • Helena, Montana | • San Francisco |
| • Denver | • Minneapolis | • Seattle |
| • Des Moines, Iowa | • New York | • Washington, D.C. |

Our most visible work with the charitable community was the **Panel on the Nonprofit Sector**. Convened by IS in the fall of 2004 at the encouragement of the leaders of the U.S. Senate Finance Committee, the Panel has involved thousands of members of the charitable community—through work groups, conference calls, emails, and field hearings—in its development of recommendations on how to strengthen ethics and accountability. The final report it presented to Congress and the sector in June laid out a carefully integrated package of more than 120 actions to be taken by charitable organizations, by Congress, and by the Internal Revenue Service. The Panel continued its work after June, studying areas such as international grantmaking, self-regulation, and financial reporting.

The Panel has become a landmark for our sector. The most significant examination of **ethics and accountability** in 30 years, it created unprecedented collaboration across organizations. The interest in the issues it has examined was clear from the response to the Final Report: the online version has been downloaded more than 40,000 times, and more than 15,000 printed copies have been distributed. More importantly, charitable organizations have begun to adjust their practices in areas such as travel policies and board compensation, and professionals working with the sector, such as accountants and attorneys, have advised clients to adopt the Final Report's recommendations. The Panel's work was favorably received by government officials: IRS Commissioner Mark Everson called the Panel, "an impressive effort to move the tax-exempt community to a better place," and the recommendations in the Final Report helped shape the package of charitable reforms the Senate passed in November 2005, which is still under consideration by House-Senate tax conferees.

IS's work on ethics and accountability during 2005 extended far beyond the Panel. We carefully monitored **regulatory changes**, helping block burdensome governance standards that a federal program intended to impose on nonprofit agencies awarded contracts to serve people with disabilities. We have been **helping charities and foundations institute better practices**, with our "Checklist for Accountability" released last summer, recommending nine steps charitable organizations can take to improve their governance and transparency. It is downloaded from the IS website more than 200 times in a typical week.

The work of the Panel on the Nonprofit Sector reflected another of Independent Sector's strengths: our ability to create **a meeting ground for charitable organizations**. During 2005, more than 200 staff from nearly 150 IS member organizations served on our committees, whose

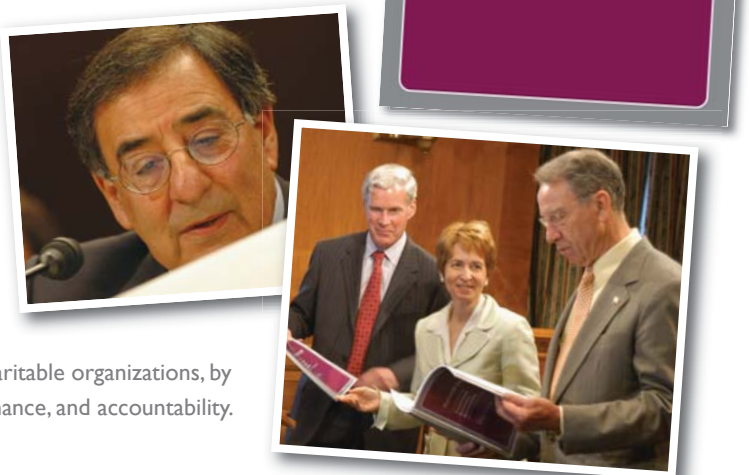


IS's "Checklist for Accountability" recommends nine steps charitable organizations can take to improve their governance and transparency.

➤ Leon Panetta, a member of the Panel's Citizen Advisory Group, testifies before the Senate Finance Committee on methods for improving the accountability of the charitable community.

➤ IRS Commissioner Mark Everson (left) and Senator Charles Grassley (right) participate in a press conference with Diana Aviv as the Panel releases its Final Report.

➤ The Panel on the Nonprofit Sector's Final Report lays out a carefully integrated package of more than 120 actions to be taken by charitable organizations, by Congress, and by the IRS to strengthen the sector's transparency, governance, and accountability.



Highlights from 2005



^ Michael Dahl, director, planning and evaluation at the Pew Charitable Trusts, gathers with approximately 50 other nonprofit leaders for advocacy training and sessions with congressional and administration staff as part of the annual Public Policy Action Institute.

➤ Among the speakers were Senator Rick Santorum of Pennsylvania (pictured) and James Towey, director of the White House Office of Faith-Based and Community Initiatives.

discussions contribute to the leadership Independent Sector provides for the sector on such key issues as public policy, civic engagement, and international activity. We also developed new methods for engaging our members, such as our Policy Action Network, which encourages cooperation among charitable organizations on key, broad-based issues at the federal, state, and local levels. Our ability to bring members and non-members together for a shared purpose was clear in September, when IS and the Foundation for the Mid South convened meetings among Gulf Coast funders and charitable organizations and their national counterparts in order to improve the sector's response to Hurricane Katrina. Those discussions helped shape the testimony IS President and CEO Diana Aviv gave during a Senate Finance Committee hearing on rebuilding the region, during which she shared seven recommendations nonprofits had developed from previous disaster recovery experiences.

We also continue to advocate for public policies that **encourage charitable giving** and help organizations obtain the financial resources they need to serve their communities. IS continues to work to enhance and protect tax incentives for charitable giving, in particular a series of

Vital Voice: Arturo Vargas



Arturo Vargas, executive director of the National Association of Latino Elected and Appointed Officials Educational Fund, with Congresswoman Hilda Solis (D-CA) at the NALEO annual conference.

Cake and presents remind Arturo Vargas how his work is benefiting Americans.

Since 1994 Arturo has been executive director of the National Association of Latino Elected and Appointed Officials Educational Fund that works to strengthen American democracy by empowering Latinos to participate. NALEO helps integrate Latinos into political society as active citizens, provides professional development opportunities and other assistance to the country's 5,000 Latino elected and appointed officials, and advocates on issues important to the Latino community.

Pursuing the American dream is an idea that has run throughout Arturo's life. His parents moved from Chihuahua, Mexico, to El Paso to start their family, and then on to Los Angeles to provide their five sons and one daughter better opportunities. "Raising a family, encouraging education, making sacrifices for your children—that's a central part of being an American."

Nonprofits are central to his approach to strengthening the country's diverse Latino community. NALEO

helps its constituency in areas such as naturalization, voter engagement, and effective governing. More generally, Arturo believes that the sector is the most effective vehicle for training leaders.

Collaborating with other nonprofits also helps NALEO be more effective. By exchanging ideas with a variety of organizations, it improves its operations in areas such as financial management and board oversight. "We strive to be a good organization, period—not just a good Latino organization."

Coalitions offer benefits that extend far beyond operational issues. "They bring together the great diversity of America—Asians, blacks, Latinos, Jews, whites, and others," he notes. "We get to join with people who share a vision for our country"—a vision focused on opportunity for everyone.

Helping provide that opportunity is what brings cakes and presents to the NALEO offices. "People want to thank us after they've taken their naturalization oaths," he explains. "It's exciting to know that we're helping them become part of the American community."

Learn more at www.naleo.org.

charitable giving incentives that were passed by the Senate and are under consideration by House-Senate tax conferees. We participated in a coalition focusing on protecting deductions for non-cash gifts, a vital source of support for many organizations, and have been active in coalitions to support passage of the IRA charitable rollover and the non-itemizer charitable deduction. IS remains committed to reform of the estate tax: educating our community and the public about the issue, participating in meetings with Senate staffers, and writing to all senators to express concern that full repeal of the tax could seriously damage philanthropic giving. We have urged support for reasonable reform that will preserve incentives for giving and retain significant revenue for the federal treasury.

Independent Sector is developing other methods for **increasing the effectiveness of charitable organizations**. The Building Value Together initiative explored ways in which foundations and charities can work together to increase their individual and collective impact, including through the increased use of general operating support grants. IS continues to examine how the sector can **enhance public understanding** of its central place in society. Through research conducted by Harris Interactive and Public Agenda, IS has developed a deeper understanding of attitudes towards charitable organizations among policymakers, influential citizens, >>



▲ Alvenia Rhea Albright, president and CEO, Alvenia Rhea Albright and Associates, L.L.C. and board chair of Leadership Education for Asian Pacifics (center), speaks on the challenges of board leadership, with fellow panelists Peter Karoff, founder and chairman, The Philanthropic Initiative, and Deborah S. Hechinger, president and CEO, BoardSource, at the Annual Conference.

Vital Voice: Karen Kennelly

Nineteen years as an accountant have shown Karen Kennelly that it's a lot easier to succeed in business if you look the part. Over the last seven years, her volunteer service has helped give thousands of women that step up.

During her career, Karen has been employed in both the private and nonprofit sectors. Currently director of nonprofit services at Katz, Sapper & Miller, LLP in Indianapolis and an experienced volunteer for a number of charitable causes, she decided in the mid-1990s that she needed to do more to help the local community.

She pursued that goal by becoming a founding board member of Dress for Success Indianapolis. Today she is the board chair of the organization, after serving as treasurer, as chair of almost every committee, and as a hands-on volunteer in virtually every capacity. Like all the affiliates of Dress for Success Worldwide, the Indianapolis chapter helps economically disadvantaged women enter and stay in the workforce by providing suits and other employment services.

Karen explains that their typical client is "caught in that trap: she needs the clothes to get the job,

and needs the job to get the clothes. By providing suiting, we instill the confidence that she needs to look good and feel good." Since its founding in 1999, Dress for Success Indianapolis has helped more than 2,000 women.

Through her work as an accountant and as a board member, Karen understands that a nonprofit needs more than a worthwhile goal to succeed. She notes that when Dress for Success Indianapolis recently won a three-year grant for \$50,000 a year, "part of the reason was that we were able to show our accountability....If you don't address the larger issues, you can't address the issues on the ground."

What matters most to Karen is helping the individual. "One woman wrote us a note afterward that said, 'When I left I felt loved and looked professional, ready for my interview.' It's that one on one, it's all about her."


Learn more at www.dressforsuccess.org.



Karen Kennelly, a founding board member of Dress for Success Indianapolis, which has provided suits and employment services to over 2,000 women since its founding.

Highlights from 2005



 William Trueheart, president and CEO of The Pittsburgh Foundation and chair of Independent Sector, at the Annual Conference.

and engaged members of the public. The IS Communications and Marketing Advisory Task Force is developing a series of messages that will help elected officials and other opinion leaders more fully understand the value of the charitable community.

Strengthening Democracy

Strengthening charitable organizations is crucial to Independent Sector's ability to fulfill our mission of advancing the common good. During 2005, we took on that broader goal by focusing on ways to increase civic participation across the country and around the world.

Throughout the year, IS fought in many arenas to ensure that individuals and organizations keep their fundamental **right to advocate**.

- We joined with other nonprofits to fight a provision in legislation passed by the House of Representatives that disqualifies organizations that engage in nonpartisan election-related activities, such as voter registration, from applying for grants from a new affordable housing fund. The provision is not included in the companion legislation passed by the Senate, and efforts are continuing to ensure that it is not included in the bill when it is sent to the President.

- We joined other nonprofit organizations on two amicus briefs. In *Velazquez v. Legal Services Corporation*, we opposed a 1996 law that, if allowed to go into effect, would interfere with the fundamental right of nonprofits to



Cheryl Dorsey (center, left) with Echoing Green Fellow Adam Green (center, right) of New York City's Rocking the Boat, which uses boat building to promote youth leadership.

Photo: Robert Adam Mayer.

Vital Voice: Cheryl Dorsey

Failure is a regular part of Cheryl Dorsey's work. An even bigger part is success.

Since 2002, Cheryl has been president of Echoing Green, which offers multi-year fellowships to emerging leaders so they can develop innovative solutions to difficult problems.

Over the past 20 years, Echoing Green has awarded over \$23 million to more than 400 social entrepreneurs, who use their grants as "start-up capital" for programs in areas such as education, civil rights, the arts, and community development. Cheryl sees supporting new ideas as one of the strengths of the nonprofit sector—the best place to "champion and nurture social innovation."

That view comes from experience. In the early 1990s, she took a break from medical school and used an Echoing Green Fellowship to help start the Family Van, a mobile health clinic that to this day serves

some of Boston's poorest residents. The experience helped her recognize that while caring for individuals was important, her greatest interest was "working with entire populations, since that was a more effective route to social change."

Risks—and the failures that invariably accompany them—are central to the success of Echoing Green. In order to find innovative people and ideas, it thinks like venture capitalists, standing "on the edge to see what's coming down the pike." While not all the fellows succeed, careful risk management means that most do, and even those who don't provide opportunities to learn.

Echoing Green, which takes its name from a William Blake poem, highlights another key for nonprofit organizations: sharing knowledge. The organization is committed to circulating the case studies of its fellows as a way to inspire groundbreaking leaders and, she notes, "We're always looking for like-minded organizations."

Learn more at www.echoinggreen.org.

use private funds to advance their goals. In *Wisconsin Right to Life v. the Federal Election Commission*, we supported a challenge to FEC restrictions on issue-related communications, airing during the 60-day window before an election, that mention a public official who is also a candidate for federal office.

- We commented on proposed regulations that had the potential to threaten free speech. We argued to the Federal Election Commission that it should continue to exempt 501(c)(3) organizations from its electioneering communications rules based on the current tax law prohibitions on participation in partisan political activities by charitable organizations. IS submitted comments to the Federal Trade Commission concerning a proposed rule to further regulate commercial email under the CAN-SPAM Act of 2003 that could impede the work of charitable organizations.

Though IS has long worked to increase participation in civil society, in September the IS board approved the establishment of a formal **civic engagement program**. It will >>



▲ Marc Morial, president and CEO of the National Urban League and former mayor of New Orleans (center), speaks at the Annual Conference on lessons learned in the wake of Hurricane Katrina. Joining him are Melissa Flournoy, president and CEO, Louisiana Association of Nonprofit Organizations, and Alberto Ibargüen, president and CEO, John S. and James L. Knight Foundation.

➤ With the Foundation for the Mid South, IS convenes national and local leaders involved in Hurricane Katrina relief efforts. Tom Jones, head of Habitat for Humanity's Washington, D.C., office, urges fellow participants to pursue a shared agenda in rebuilding the region.

Vital Voice: Michael Piraino

Michael Piraino has two goals when he gets on an airplane.

"I want the people next to me to understand what we do," explains Mike, CEO of the National CASA Association, which promotes court-appointed volunteer advocacy for 225,000 abused and neglected children across the country. "I hope they'll become one of our advocates or a board member of one of our local groups."

Because maltreated children are not everyone's foremost issue, Mike tries to make a broader point to his seatmates. "We all have some need to make a difference," he continues. "I want them to see that they don't have to change their lives completely to change their communities."

CASA volunteers (sometimes called guardians ad litem) also illustrate how the charitable sector can collaborate with government. Court and government officials—often skeptical initially of the value of non-attorney volunteers—find that community-based advocates are valuable partners, helping everyone better understand the children and getting them more

quickly into safe, permanent homes.

The importance of serving these children well helps explain why Mike participates in broad efforts such as the Panel on the Nonprofit Sector. His greatest interest is in accountability—"Are we doing things in a smart way?"—and joining sector-wide discussions enables National CASA and its 940 member organizations to contribute to and to learn from the successes of other organizations.

The importance of being effective is clear from the story of a CASA volunteer who took his child to the beach. "I've waited all my life for this day," explained the boy: not only had he never seen the ocean, but "no one else has ever really listened to me."

"I would have been happy to do that for one child in my life," concludes Mike. "I'm floored that I can help others do it for 225,000 children a year."

Learn more at www.nationalcasa.org.



Michael Piraino with foster child David Stephens at a CASA art event in Atlanta.

Highlights from 2005



^ Diana Aviv opens the 25th Anniversary Conference by suggesting ways to strengthen the social compact. Her address, available on the IS website, focused on the need for a national conversation that would replace today's shrill, divisive exchanges with public discussions among all Americans that would define the social compact.

focus on two goals: helping charitable organizations find effective, sustainable civic engagement strategies that enable them to achieve their missions; and advancing the examination of the changing social compact, primarily by highlighting new and innovative ways that individuals, business, government, and the charitable sector are working together to address important public problems.

Our commitment to strengthening civil society does not stop at our borders. With more than 40 percent of our members engaging in work outside of the United States, the IS board created a task force to examine whether we should establish **an international program**. At the end of the year, the board agreed with the task force's recommendation that Independent Sector should, over the next two years, pursue a series of goals that include increasing the effectiveness of the international activity of IS members and strengthening international civil society by working with global and national infrastructure organizations already pursuing that goal.

IS has been committed to **other international issues**, most notably finding approaches that prevent the diversion of charitable assets to terrorist groups without compromising the ability of charitable organizations to fulfill their missions. IS filed comments with the Office of Personnel Management on its proposed new anti-terrorism certification language for the Combined Federal Campaign, a workplace giving campaign for federal employees. IS opposed certain provisions, such as a requirement that charitable organizations check potential employees against a list of suspected terrorists, as unworkable because of flaws in the lists; this change

Vital Voice: Edward Skloot



Edward Skloot,
executive director
of the Surdna
Foundation.

"Our money will have far more resonance if we find our voice."

Since 1989 Edward Skloot has been executive director of the \$850 million Surdna Foundation, which makes grants to programs in the environment, urban revitalization, youth organizing, arts, and philanthropy and the nonprofit sector. His experiences at the foundation, as well as in earlier positions in charitable organizations and government, have convinced him that foundations should not simply fund the issues they care about—they must also advocate for them.

"We pay nonprofits to advocate for us. That's not good enough," Ed explains. "We need to help governments and the public understand both policy and operational issues from philanthropy's perspective, and to put our thumb on the scale."

These beliefs explain why Ed sees the Panel on the Nonprofit Sector, of which he is a member, as such an important step for the charitable community. "The

Panel worked proactively and positively with Congress on issues crucial to the sector. That effort has increased our standing in Washington—and with our members around the country too."

The Panel highlights another element crucial to the sector's ability to change society: collaboration. Surdna has been committed to bringing together grantmakers and grant seekers and to creating broad coalitions. In the 1990s, for example, Surdna sparked and led a broad group of nearly a dozen funders, a half-dozen community development corporations, and numerous government agencies to revitalize a large part of the South Bronx. "We 'leveraged' each other's money and expertise. None of us could have achieved our collective impact had we free-lanced."

Speaking out and working together are methods for fulfilling what Ed sees as the primary roles of the nonprofit sector: "protecting the social compact, advancing equality and opportunity and, ultimately, holding American culture together."

Learn more at www.surdna.org.

was adopted in the final rule. We have also taken a key role in the Treasury Guidelines Working Group, a collaboration among a wide range of charitable organizations formed to respond to the Department of the Treasury's "Anti-Terrorist Financing Guidelines, *Voluntary Best Practices for U.S.-based Charities.*" After identifying many weaknesses in the guidelines, the Working Group submitted its own "Principles of International Charity" to the Treasury early in 2005. Late in the year, the Treasury released revised guidelines, but the Working Group concluded that even those have significant problems and agreed to ask the Treasury to withdraw them.

Our 25th Anniversary Conference, held October 23-25 in Washington, D.C., provided a snapshot of the issues at the center of our work. The conference, based on the theme Reshaping the Social Compact, attracted 800 people, including nearly 250 chief executives. Its three days of sessions examined what the social compact is now and how it should be strengthened, with a particular focus on the charitable community's role in its definition and fulfillment; methods for strengthening accountability; approaches to increase civic engagement; and techniques for creating more effective organizations.

One of the highlights of the Annual Conference is the presentation of annual awards, which further emphasizes themes important to our work. Receiving the 2005 **John W. Gardner Leadership Award** was Ronald Grzywinski, chairman and CEO of ShoreBank Corporation. Over nearly forty years, his work has helped transform underserved neighborhoods into vibrant communities and inspired a community development banking movement worldwide. The **Leadership IS Award** went to the National Hispana Leadership Institute, which uses leadership courses, breakfasts and conferences, >>



Deepak Bhargava, executive director, Center for Community Change (right), shares his view at the Annual Conference on how and why the nonprofit sector should promote civic engagement. Terri Lee Freeman, president, The Community Foundation for the National Capital Region (left), and Eleanor M. Josaitis, chief executive officer of Focus: HOPE, look on.

Vital Voice: Irene Hirano

The history of Japanese Americans is not dominated by the protection of democratic rights, but Irene Hirano is doing her part to change that for the future.

As president and CEO of the Japanese American National Museum in Los Angeles, Irene heads the only museum in the country dedicated to sharing the experience of Americans of Japanese ancestry. JANM serves about 250,000 people onsite each year through its exhibits, collections, and programs, and reaches more than 500,000 additional people online through its three websites. One of the museum's newest programs, the National Center for the Preservation of Democracy, works with children and educators to connect diverse cultural and ethnic experiences in order to motivate young people to shape and strengthen democracy.

"One of the most rewarding aspects of the work of the Japanese American National Museum has been to develop collaborative projects with other ethnic

and cultural organizations, locally and nationally," says Irene.

Beginning in 2000, JANM worked with the then-newly created Arab American National Museum in Dearborn, Michigan. Following the September 11 terrorist attacks, the museum was being developed in a climate hostile towards Arab Americans. JANM wanted to ensure that the World War II experiences of Japanese Americans were not repeated in a different community.

"Through educational programs that linked the lessons of the past to the challenges of the present, we were able to develop collaborative programs that connected different yet similar community experiences," concludes Irene.

Learn more at www.janm.org.



Irene Hirano (center) with U.S. Senator Daniel K. Inouye (second from left) and former Secretary of the Army Louis Caldera (second from right) at the October 2005 opening of the National Center for the Preservation of Democracy.

Highlights from 2005



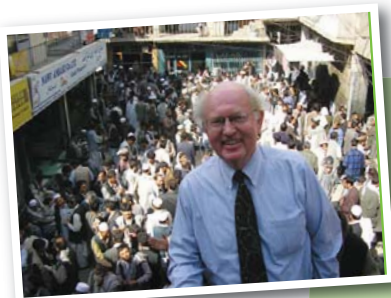
▲ National Hispana Leadership Institute receives the Leadership IS Award in recognition of its work to nurture leadership among Latina women.

and mentoring programs to train, motivate, and build a network to influence decision making and inspire Latinas to reach more influential positions in society. The **Virginia A. Hodgkinson Research Prize** for outstanding work on our sector went to Pippa Norris and Ronald Inglehart for their book, *Sacred and Secular: Religion and Politics Worldwide*.

Strengthening Independent Sector

Fulfilling our goals of building stronger charitable organizations and strengthening democracy will be possible only if IS remains an effective, responsive organization. During the past year, IS took a number of important steps that enable us to pursue these goals.

We have continued to diversify and expand the resources we have to do our work. By the end of 2005 **our membership had grown to nearly 540**, an increase of more than 10 percent from the beginning of the year. Included in that number were more than 100 new or rejoining members. Following the decision of our members in November 2004 to encourage leading organizations on the local, regional, and state levels that share our values to join IS, we reached out to a wide range of groups so that the IS coalition would more fully represent the sector's incredible diversity. Our fundraising also continues to be successful, particularly considering the exceptional needs created by the Panel on the Nonprofit Sector. During 2005, IS received a series of multi-year grants that are helping us to meet our needs both this year and in the future.



Ron Grzywinski in Afghanistan. IS named Ron the recipient of the 2005 John W. Gardner Leadership Award recognizing a career that has transformed underserved neighborhoods into vibrant communities and inspired a worldwide community development banking movement.

Vital Voice: Ronald Grzywinski

A neighborhood bank for low-income people. It sounds like a great idea, but in 1973, this effort seemed radical and likely to fail.

Ron Grzywinski and his colleagues wanted to provide African Americans, low-income residents, and inner city businesses with access to financial resources unavailable elsewhere. Over the last 30 years, ShoreBank's efforts have transformed Chicago's disinvested South and West Side neighborhoods and communities around the world.

"There is greater understanding and appreciation than ever for what banks and other private institutions can accomplish by increasing the availability of capital, credit and financial services to low-income individuals and nonprofits in underserved communities," explains Ron, chairman and CEO of ShoreBank Corporation. "By providing these groups with access to resources, more private institutions are transforming urban and rural areas into new whole, healthy communities of choice—places where people are, once again, wanting to live and work."

Take Samuel Zapeda, Jr., the founder and president of Vistas Construction of Illinois. Born in Jalisco, Mexico, and raised in the Roseland community of Chicago, Samuel started his general contracting business in 2000 with only \$6,000 in start-up capital and one employee. Today, thanks to a complete financing package from ShoreBank, Samuel is able to hire 150 employees and serves public and private clients, specializing in reinforced concrete structures, building construction services, excavation, and grounds maintenance. The company is now valued at over \$4 million. In 2005, the Small Business Administration named Samuel the Illinois Small Business Champion of the Year.

"Now is an exciting time because more people are recognizing that the impossible dream of thirty-three years ago is indeed possible," says Ron. "Financial institutions and other private firms can operate profitable self-sustaining business while doing good, building stronger communities and creating a healthier environment."

Learn more at www.shorebankcorp.com.

This growth in resources was a key part of our ability to implement the strategic business plan the Board of Directors adopted in the fall of 2004. The plan responded to the call from the sector that IS focus on two areas: providing greater leadership for America's charities and foundations, and expanding our membership so it reflects the increasing diversity of our charitable community. We have improved our methods for identifying and responding to emerging issues; we have created several new staff positions to help us serve our members and the sector, including director of membership and policy associate for civic engagement; and we have facilitated internal communication to support cross-departmental projects such as strengthening accountability within the sector.

Increasingly, **media turn to Independent Sector** to serve as a voice on major issues affecting the nonprofit world. In 2004, we responded to approximately 80 calls from the nation's 100 largest newspapers and from leading trade journals, including *The Washington Post*, *The New York Times*, *The Wall Street Journal*, *USA Today*, *The Chronicle of Philanthropy*, and *Congressional Quarterly*. That number grew nearly 50 percent during 2005, including multiple inquiries on the Panel on the Nonprofit Sector, potential legislation on charitable reform, and the estate tax.

By the end of the year, Independent Sector even looked different. After an extensive development process shaped by pro bono branding consultants, we introduced at the Annual Conference **a new logo and tagline** that provides a fresh and energized perspective. Our visual symbol reflects several ideas—at first glance it might be an eye, or two people reaching out to each other, or a person with hands clasped over head in victory. Our new color—green—reflects energy, growth, and vibrancy. And our new tagline “A Vital Voice For Us All” highlights how our organization

and our sector give voice to people across the country and around the world. The logo and tagline reflect our role as a dynamic convener of and communicator with the charitable community and with the broader society.

The constructive work of the past year has provided us with a platform from which we can **reach even higher in 2006**. With the continued support of our member organizations, which are at the center of all our work, we will continue to improve our own operations, build more effective, more accountable charitable organizations, and strengthen democracy. We look forward to continuing to demonstrate the enormous value the charitable sector provides to communities across the country and around the world.



▲ President Bush meets with nonprofit leaders, including several from IS members, to highlight the role of human service and faith-based organizations in society.



▲ Happy Birthday, IS! IS leaders past and present celebrate the 25th anniversary. (Front, from left) Founding President Brian O'Connell, current President Diana Aviv, and former Chair Raul Yzaguirre. (Back, from left) Past Chairs John Seffrin and Peter Goldberg, and current Chair William Trueheart.

2005 Contributors

IS wishes to recognize these individuals and organizations whose contributions to Independent Sector have played a critical role in furthering IS's mission and vision.

General Support Funders

The American Express Foundation
The Ford Foundation
Bill & Melinda Gates Foundation
William Caspar Graustein Memorial Fund
Evelyn and Walter Haas, Jr. Fund
The William and Flora Hewlett Foundation
John S. and James L. Knight Foundation
Charles Stewart Mott Foundation
Open Society Institute
The Pew Charitable Trusts
Surdna Foundation
Wallace Foundation

Awards

John W. Gardner Leadership Award

The Cleveland Foundation
The William Randolph Hearst
Foundations

Leadership IS Award

Chevron Corporation

Virginia A. Hodgkinson Research Prize

National Association of Service &
Conservation Corps (NASCC)
Nehemiah Corporation of America

Restricted Grant Funders

Building Value Together

The William and Flora Hewlett Foundation

Civic Engagement

The American Express Foundation
MetLife Foundation

Ethics and Accountability

Bill & Melinda Gates Foundation
GE Foundation
The Rockefeller Foundation

International Program

Alcoa Foundation
Chevron Corporation
The Ford Foundation
The Global Fund for Children
The Global Fund for Women
Merrill Lynch & Co. Foundation, Inc.

Public Policy

Carnegie Corporation of New York

Research

The Center for Information and Research on
Civic Engagement (CIRCLE), University
of Maryland School of Public Affairs
The Coca-Cola Company
The Levi Strauss Foundation
Lilly Endowment Inc.
MetLife Foundation

Sector-Wide Communications Initiative

W.K. Kellogg Foundation
The David and Lucile Packard Foundation

Social Justice Study

The Ford Foundation

Sustainability

W.K. Kellogg Foundation

25th Anniversary Partners

IS's 25th Anniversary Partners provided special gifts in 2005 to recognize Independent Sector's contributions to the vitality and effectiveness of our nation's nonprofit and philanthropic community over the past 25 years.

AARP	Islamic Society of North America	McGregor Fund
American Cancer Society	JCPenney Company Fund	NALEO Educational Fund
American Heart Association	F. Martin & Dorothy A. Johnson	Pierre and Pamela Omidyar
Big Brothers Big Sisters	Family Fund, Grand Haven	Fund, an Advised Fund
Maurice Falk Fund	Area Community	at Peninsula Community
Girl Scouts of the USA	Foundation	Foundation
The George Gund Foundation	Kansas Health Foundation	Sid W. Richardson Foundation
The William Randolph Hearst	The Samuel H. Kress Foundation	The Skoll Fund
Foundations	Lumina Foundation for	The Spencer Foundation
	Education	

25th Anniversary Conference Partners

The following organizations and individuals generously supported the 2005 Annual Conference in Washington, DC.

AARP	The Coca-Cola Company	Kaiser Permanente
Aetna Foundation	Community Counselling Service	The Kerr Foundation, Inc.
America Online	The Community Foundation for	Kimsey Foundation
American Association of	the National Capital Region	Leader to Leader Institute
Museums	The Conservation Fund	The Ludwig Family Foundation
American Express Foundation	The Council on Foundations	and Promontory Financial
American Legacy Foundation	Deltek	Group
Americans for the Arts	Enterprise Community	McCormick Tribune Foundation
Anonymous	Partners, Inc.	Merrill Lynch & Co.
Bank of America Charitable	Fannie Mae Foundation	Foundation, Inc.
Foundation	Forum One Communications	Meyer Foundation
Diane and Norman Bernstein	Freddie Mac Foundation	Morino Institute
Fund of The Community	Goodwill Industries	Nellie Mae Education
Foundation for the	International, Inc.	Foundation
National Capital Region	Philip L. Graham Fund	Peninsula Community
CAFAmerica	Grant Thornton LLP	Foundation
The California Wellness	The William Randolph Hearst	The Summit Fund of
Foundation	Foundations	Washington
The Annie E. Casey Foundation	The Home Depot	United Nations Foundation
Chevron Corporation	Idealist.org	Volunteers of America
The Chronicle of Philanthropy	The James Irvine Foundation	Women & Philanthropy
The Cleveland Foundation	The Jovid Foundation	

Matching Gift Organizations

Aetna Foundation	The Kresge Foundation	Richard and Susan Smith Family
The Ford Foundation	Hershey Trust Company	Foundation

2005 Contributors

25th Anniversary Distinguished Leaders Circle of Associates

The Associates form a leadership circle of individuals investing in the future of philanthropy and citizen action through personal gifts of \$1,000 or more to Independent Sector.

Edward H. Able, Jr.	David S. Ford	Patricia Read	Donald M. Stewart
Diana Aviv	Barry D. Gaberman	Bill Reese	Eric Thurman
Susan Berresford	Brian Gallagher	Sharene Rekow	William E. Trueheart
Jeffrey L. Bradach	Peter B. Goldberg	Skip Rhodes	Paula Van Ness
Debra Cabral	Dahna Goldstein	Scott Ridge	Luz Vega-Marquis
Hodding Carter III	Darell Hammond	Sherry Rockey	Claire Wellington
Patricia Nash Christel	Malvina Rollins Kay	Mary Beth Salerno	William S. White
Jennifer Dunlap	Kevin Klose	John Seffrin	John C. Whitehead
Wayne and Leslee Feinstein	Lynn Lyss	Ruth Shack	James Williams
Barbara D. Finberg †	Jan Masaoka	Edward Skloot	Matthew Yale
Allison Fine and Scott Freiman	Peggy Sanchez Mills	Lorie Slutsky	Gary L. Yates
Julie Floch	William D. Novelli	Jonathan Small	
	Hilary Pennington	Iain Sommerville	† deceased

Annual Fund

The following individuals and organizations supported Independent Sector in 2005.

Anne L. Bryant	J.D. Hokoyama	Combined Federal	• Peninsula
Kathleen W. Buechel	Lee, Julian, Stacey, and	Campaign:	• North East Pennsylvania Area
Ellis Carter	Debbie Lichter	• Action for Boston	• Pikes Peak Region
Linda Hawes Clever	Gabriella Morris	Community Development,	• San Bernardino
Copilevitz & Canter, LLC	Adam Sonfield	Inc.	• South Puget Sound
Eugene C. Dorsey	Scott Strumello	• Community Health	• Southern Arizona
Robert W. Edgar	Russy Sumariwalla	Charities of North Carolina	• United Way of El Paso
Lewis M. Feldstein	Alfred Taylor	• Fort Sill-Lawton	• United Way of Southeastern Connecticut
Marilda Gandara	Arturo Vargas	• Gateway	• National Capitol Area: Global Impact
Christopher Gates	Marcia Wheatley	• Greater Southwest Texas	
Mary Grimm	M. Cass Wheeler	• Midlands Area	
J. Bryan Hehir	Ruth Wooden	• National Capitol Area	

Additional Thanks

These individuals and organizations generously gave their time and expertise to IS.

Robert Boisture and members of the Exempt Organizations Practice Group, Caplin & Drysdale	Marion R. Fremont-Smith, Senior Research Fellow, Hauser Center for Nonprofit Organizations, Harvard University	Ron and Kim Vandenberg, Berkeley Merchant David Clayton, Harris Interactive, Inc.	Robert J. Gould, Porter Novelli Public Agenda in collaboration with the Kettering Foundation
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Funders of the Panel on the Nonprofit Sector

The Panel's work to strengthen the nonprofit sector would not be possible without the support of a broad array of organizations, including foundations and charities, and of individuals.

AARP	Evangelical Council for Financial Accountability	McKesson Foundation
The Ahmanson Foundation	The Ford Foundation	The Meadows Foundation
American Cancer Society	Bill & Melinda Gates Foundation	The Andrew W. Mellon Foundation
Alcoa Foundation	GE Foundation	Merrill Lynch & Co., Inc.
American Diabetes Association	Georgia Power	Meyer Memorial Trust
American Express Foundation	The Wallace Alexander Gerbode Foundation	Charles Stewart Mott Foundation
American Heart Association	Goodwill Industries International	National Alopecia Areata Foundation
American Red Cross	Miriam and Peter Haas Fund	The Nature Conservancy
The Associated Jewish Community Federation of Baltimore	Evelyn and Walter Haas, Jr. Fund	New Hampshire Charitable Foundation
The Atlantic Philanthropies	The William and Flora Hewlett Foundation	The New York Community Trust
Berks County Community Foundation	The James Irvine Foundation	The Samuel Roberts Noble Foundation
The Boston Foundation	JCPenney Company Fund, Inc.	North Carolina Community Foundation
Boy Scouts of America	Jewish Community Federation of Cleveland	David and Lucile Packard Foundation
Otto Bremer Foundation	Jewish Federation of Greater Los Angeles	Partnership for Prevention
The California Wellness Foundation	Jewish United Fund/Jewish Federation of Metropolitan Chicago	Peninsula Community Foundation
The Annie E. Casey Foundation	F. Martin & Dorothy A. Johnson Family Fund at the Grand Haven Area Community Foundation	The Pew Charitable Trusts *
Central New York Community Foundation, Inc.	The Robert Wood Johnson Foundation	The Pittsburgh Foundation
Chevron Corporation	The Joyce Foundation	Rochester Area Community Foundation
The Chicago Community Foundation	Kalamazoo Community Foundation	Rockefeller Brothers Fund
The Edna McConnell Clark Foundation	W.K. Kellogg Foundation	The Rockefeller Foundation
The Cleveland Foundation	John S. and James L. Knight Foundation	The Seattle Foundation
Robert S. Collier	The Susan G. Komen Breast Cancer Foundation	Skoll Foundation
The Community Foundation for Greater Atlanta	The Kresge Foundation	Sonora Area Foundation
Community Foundation for Monterey County	The Lucent Technologies Foundation	Stark Community Foundation
The Community Foundation of Santa Cruz County	Lumina Foundation for Education	Surdna Foundation
Board Discretionary Grants of the Community Foundation Serving Richmond & Central Virginia	The John D. and Catherine T. MacArthur Foundation	Take Charge America
The Nathan Cummings Foundation	A.L. Mailman Family Foundation, Inc.	Herman Art Taylor
Cystic Fibrosis Foundation	March of Dimes Birth Defects Foundation	Triangle Community Foundation
Doris Duke Charitable Foundation		UJA Federation of Jewish Philanthropies of New York
The Dyson Foundation		United Cerebral Palsy
Eastman Kodak Company		United Jewish Communities
		United Nations Foundation
		United Way of America
		Verizon Communications
		The Wallace Foundation
		Weingart Foundation
		YMCA of the USA

* Portion of a grant made to Independent Sector includes work to support the Panel

2005 Financial Summary

Independent Sector completed 2005 in strong financial condition due to the continued support and dedication of member organizations and funders.

Revenue from membership dues grew by 21 percent in 2005 over 2004, and grants and contributions increased 24 percent during the same period. Some grants were given for multi-year projects and are reflected as temporarily restricted in the financial statements.

Independent Sector continued to serve as the convener of the Panel on the Nonprofit Sector as the Panel published its Final Report to Congress and the nonprofit community. As with all restricted funds, grants in support of the Panel, along with the staff time and other expenses dedicated to the project, are recorded, tracked, and monitored separately from other program operations.

IS continues to strengthen its internal controls, concentrating on transparency and accountability as well as adhering to the generally accepted accounting principles required for nonprofit organizations.

The financial statements on the following pages provide an overview of IS's fiscal position at the close of 2005.

Statement of Financial Position as of December 31, 2005

ASSETS

Cash and cash equivalents	\$1,917,497
Investments	12,548,139
Grants and accounts receivable	2,091,869
Accrued interest receivable	9,946
Property and equipment, net	382,314
Supplemental executive retirement plan	157,581
Other assets	107,900
TOTAL ASSETS	<u>\$17,215,246</u>

LIABILITIES

Accounts payable and accrued expenses	\$553,620
Deferred revenue	12,200
Deferred compensation	157,581
TOTAL LIABILITIES	<u>\$723,401</u>

NET ASSETS

Undesignated	\$1,337,758
Designated	8,697,259
Temporarily restricted	6,456,828
TOTAL NET ASSETS	<u>\$16,491,845</u>

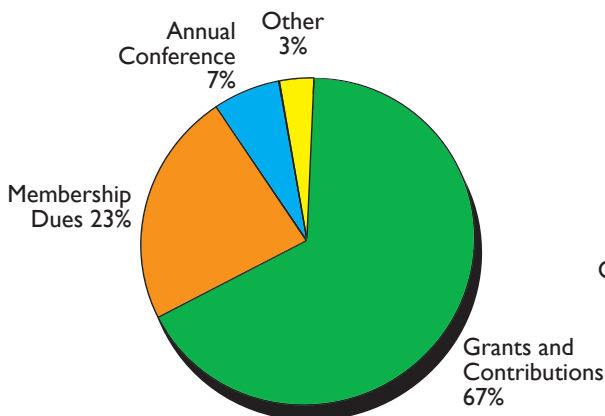
TOTAL LIABILITIES AND NET ASSETS	<u>\$17,215,246</u>
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Statement of Activities and Changes in Net Assets for Year Ending December 31, 2005

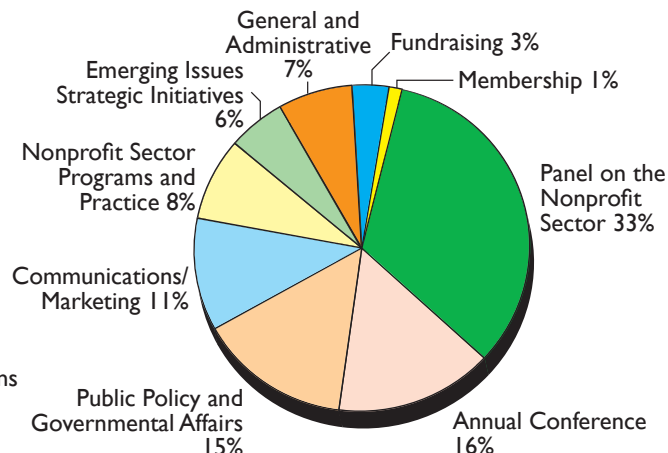
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Grants and contributions	\$300,338	\$7,388,623	\$7,688,961
Membership dues	2,629,578	-	2,629,578
Conference fees and sponsorships	817,402	-	817,402
Interest and dividend income	283,167	-	283,167
Publications sales and other	51,770	-	51,770
Net assets released from restrictions	5,382,117	(5,382,117)	-
TOTAL REVENUE	\$9,464,372	\$2,006,506	\$11,470,878
EXPENSES			
<u>Program services:</u>			
Panel on the Nonprofit Sector	\$2,426,068	-	\$2,426,068
Annual Conference	1,131,347	-	1,131,347
Public Policy and Government Affairs	1,077,869	-	1,077,869
Communications/Marketing	802,892	-	802,892
Nonprofit Sector Programs and Practice	615,816	-	615,816
Emerging Issues and Strategic Initiatives	416,452	-	416,452
Total program services	\$6,470,444	-	\$6,470,444
<u>Supporting services:</u>			
General and administrative	\$522,600	-	\$522,600
Fundraising	243,821	-	243,821
Membership development	102,637	-	102,637
Total support services	\$869,058	-	\$869,058
TOTAL EXPENSES	\$7,339,502	-	\$7,339,502
Change in net assets before net gain on investments	\$2,124,870	\$2,006,506	\$4,131,376
Unrealized gain on investments	222,375	-	222,375
Total change in net assets	\$2,347,245	\$2,006,506	\$4,353,751
Net assets, beginning of year	7,687,772	4,450,322	12,138,094
Net assets, end of year	\$10,035,017	\$6,456,828	\$16,491,845

Each year, independent accountants conduct an examination of IS's books, records, and fiscal policies and procedures, and present audited financial statements to the IS Board of Directors. The audited statements and the Form 990 are available on the IS website at www.independentsector.org.

Revenue



Expenses





INDEPENDENT SECTOR

A vital voice for us all

Strengthening the Voice of the Charitable Community

Every day, Independent Sector's members improve lives in communities across the country and around the world. This remarkably varied group—approximately 550 charities, foundations, and corporate giving programs—pursues missions in virtually every field, from the environment to the arts, from education to health care, from human services to religion.

Joining Independent Sector makes the voices of these organizations even stronger. IS provides leadership for America's charitable community, bringing nonprofits together to strengthen democracy and to build a more ethical, more accountable sector. By drawing on the knowledge and commitment of its members, IS promotes higher standards, addresses common concerns, and protects the independence that our sector needs to remain a vital part of society.

Becoming part of the Independent Sector coalition gives our members invaluable opportunities to:

- Magnify their influence on public policies affecting the entire charitable community.
- Join with other leaders to take collective action on major issues affecting the nonprofit sector, such as effectiveness and funding.
- Improve practices in key areas such as accountability and transparency.
- Build connections with leaders from diverse organizations to exchange ideas and best practices.
- Develop collaborative strategies to build a vibrant democracy and advance the common good.

By joining IS, members become part of a group of nonprofit leaders working together to strengthen the sector today and shape its future. Learn more about membership in Independent Sector by visiting www.independentsector.org, or by contacting Director of Membership Michael Connor at michaelc@independentsector.org or phone 202-467-6100.



www.independentsector.org • 202-467-6100

Independent Sector Members

AARP

Washington, DC

The Academy for Leadership and Governance, (JCLA)

Columbus, OH

Arab Community Center for Economic & Social Services**

Dearborn, MI

Actknowledge Inc.

New York, NY

Aetna Foundation, Inc.*

Hartford, CT

Aga Khan Foundation U.S.A.

Washington, DC

Agency Certification Initiative**

Boynton Beach, FL

Alcoa Foundation*

Pittsburgh, PA

The Alford Group Inc.**

Evanston, IL

Consuelo Zobel Alger Foundation

Honolulu, HI

Alliance for Children and Families*

Milwaukee, WI

Alliance for Excellent Education

Washington, DC

Alliance of Nonprofit Mailers

Washington, DC

Altria Group, Inc.

New York, NY

American Arts Alliance*

Washington, DC

American Association of

Community Colleges

Washington, DC

American Association of Museums

Washington, DC

American Cancer Society*

Atlanta, GA

American Civil Liberties Union

Foundation**

New York, NY

American Council on Education

Washington, DC

American Diabetes Association

Alexandria, VA

American Express Company

New York, NY

American Foundation for the Blind

New York, NY

American Health Quality

Association**

Washington, DC

American Heart Association

Dallas, TX

American Hospital Association**

Washington, DC

American Humanics

Kansas City, MO

American Institute of Philanthropy

Chicago, IL

American Jewish Committee Long Island Chapter**

Jericho, NY

American Jewish Joint Distribution

Committee †

New York, NY

American Legacy Foundation

Washington, DC

American Lung Association**

Washington, DC

American Museum of Natural

History

New York, NY

American Red Cross*

Washington, DC

American Society of Association

Executives

Washington, DC

American Symphony Orchestra

League

New York, NY

Americans for Indian Opportunity

Albuquerque, NM

Americans for the Arts*

Washington, DC

Americans for UNFPA, Inc.**

New York, NY

America's Promise - The Alliance for Youth**

Alexandria, VA

America's Second Harvest

Chicago, IL

AmericaSpeaks**

Washington, DC

Amigos de las Americas

Houston, TX

Anti-Defamation League (ADL)

New York, NY

Appalachian College Association**

Berea, KY

Lance Armstrong Foundation

Austin, TX

Asian American Justice Center

Washington, DC

Asian Pacific American Institute for Congressional Studies (APAICS)

Washington, DC

The Aspen Institute

Washington, DC

The ASPIRA Association*

Washington, DC

Associated Grant Makers (AGM)**

Boston, MA

Associated Press Managing Editors

Association Foundation Inc †

New York, NY

Association for Healthcare

Philanthropy*

Falls Church, VA

Association for Research on

Nonprofit Organizations &

Voluntary Action (ARNOVA)

Indianapolis, IN

Association of Advanced Rabbinical & Talmudic Schools (AARTS)

New York, NY

Association of American Medical

Colleges**

Washington, DC

Association of Art Museum

Directors

New York, NY

* Charter member

** New member in 2005

† New member in 2006 through May.



Members

Association of Baltimore Area Grantmakers
Baltimore, MD

Association of Direct Response Fundraising Counsel**
Washington, DC

Association of Governing Boards of Universities and Colleges*
Washington, DC

Association of Jewish Family and Children's Agencies
East Brunswick, NJ

Association of Junior Leagues International*
New York, NY

Association of Lutheran Development Executives
Madison, WI

Association of Public Television Stations (APTS)
Washington, DC

Association of PVO Financial Managers**
Westport, CT

Association of Small Foundations
Bethesda, MD

The Atlantic Philanthropies
New York, NY

Mary Reynolds Babcock Foundation*
Winston Salem, NC

Bank of America Foundation
Charlotte, NC

Bayer Center for Nonprofit Management, Robert Morris University**
Pittsburgh, PA

BBB Wise Giving Alliance
Arlington, VA

S.D. Bechtel, Jr. Foundation
San Francisco, CA

BellSouth Corporation
Atlanta, GA

Benton Foundation
Washington, DC

Big Brothers Big Sisters of America
Philadelphia, PA

Blackbaud, Inc.
Charleston, SC

Blue Shield of California Foundation**
San Francisco, CA

BoardSource
Washington, DC

The Boston Foundation**
Boston, MA

Otto Bremer Foundation
Saint Paul, MN

The Bridgespan Group
Boston, MA

Bridging, Inc. †
Minneapolis, MN

The Andrea and Charles Bronfman Foundation, Inc. †
New York, NY

The Bruderhof Foundation, Inc**
Rifton, NY

Burr, Pilger & Mayer**
San Francisco, CA

The Bush Foundation
Saint Paul, MN

C.E. and S. Foundation**
Louisville, KY

CAFAmerica
Alexandria, VA

California Association of Nonprofits
Los Angeles, CA

The California Endowment
Los Angeles, CA

California HealthCare Foundation
Oakland, CA

The California Wellness Foundation
Woodland Hills, CA

Camp Fire USA*
Kansas City, MO

Campaign for Tobacco-Free Kids
Washington, DC

CANBE: Community Association of Nonprofit Business Executives
Blue Springs, MO

Cancer Care, Inc.
New York, NY

Carnegie Corporation of New York*
New York, NY

The Case Foundation**
Washington, DC

The Annie E. Casey Foundation
Baltimore, MD

Marguerite Casey Foundation
Seattle, WA

Catholic Charities USA*
Alexandria, VA

Catholic Health Association of the United States †
Washington, DC

Catholic Network of Volunteer Service
Takoma Park, MD

CBM Credit Education Foundation, Inc.
Madison, WI

CDC Foundation
Atlanta, GA

The Center for Effective Philanthropy
Cambridge, MA

Center for Lobbying in the Public Interest
Washington, DC

Center for Non-Profit Corporations
North Brunswick, NJ

Center for Nonprofit Excellence
Akron, OH

Center for Nonprofit Excellence
Albuquerque, NM

Center for Nonprofit Excellence**
Colorado Springs, CO

Center on Budget and Policy Priorities †
Washington, DC

The Center on Philanthropy and Public Policy, University of Southern California
Los Angeles, CA

Center on Philanthropy and Civil Society, The Graduate Center, The City University of New York
New York, NY

The Center on Philanthropy At Indiana University
Indianapolis, IN

Center on Wealth and Philanthropy, Boston College
Chestnut Hill, MA

Centre for Management & Technology
Baltimore, MD



Charities Review Council †
Saint Paul, MN

Chevron Corporation*
San Ramon, CA

The Chicago Community Trust
Chicago, IL

Chicago Tribune Foundation
Chicago, IL

Cisco Systems, Inc.
San Jose, CA

City Connect Detroit
Detroit, MI

City Year, Inc.
Boston, MA

Civic Ventures †
San Francisco, CA

**CLAL - The National Jewish Center
for Learning and Leadership**
New York, NY

Edna McConnell Clark Foundation
New York, NY

The Cleveland Foundation*
Cleveland, OH

Close Up Foundation
Alexandria, VA

The Coca-Cola Company*
Atlanta, GA

College Foundation of UVA**
Charlottesville, VA

College Summit**
Washington, DC

**Colorado Association of Nonprofit
Organizations**
Denver, CO

Columbia Foundation
San Francisco, CA

The Columbus Foundation
Columbus, OH

**Committee To Encourage Corporate
Philanthropy****
New York, NY

Commonfund Institute**
Wilton, CT

Commonwealth Fund**
New York, NY

The Communications Network, Inc.
Silver Spring, MD

**Community Counselling Service
Co. Inc.**

New York, NY

**The Community Foundation for
Greater Atlanta**
Atlanta, GA

**Community Foundation for
Southeastern Michigan**
Detroit, MI

**The Community Foundation for the
National Capital Region**
Washington, DC

**Community Foundations of
America, Inc.**
Louisville, KY

Community Human Services Inc.**
Chicago, IL

Community Partners**
Los Angeles, CA

**Congressional Hispanic Caucus
Institute, Inc.**
Washington, DC

**The Congressional Hispanic
Leadership Institute, Inc. (CHLI)**
Washington, DC

**Connecticut Council for
Philanthropy**
Hartford, CT

Connelly Foundation
Conshohocken, PA

The Conservation Fund
Arlington, VA

Consistent Computer Bargains
Racine, WI

**Consumer Consortium on Assisted
Living**

Falls Church, VA

Consumers Union of the U.S.
Yonkers, NY

Jack Kent Cooke Foundation**
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Kansas City, MO

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Snyder, NY

**Council for Advancement and
Support of Education (CASE)***
Washington, DC

**Council for American Private
Education***

Germantown, MD

Council of Michigan Foundations
Grand Haven, MI

Council on Foundations*
Washington, DC

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Bethesda, MD

DaimlerChrysler Corporation Fund
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Daniels Fund †
Denver, CO

**Day, Berry & Howard Foundation,
Inc.**
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Delaware Valley Grantmakers
Philadelphia, PA

DMA Nonprofit Federation
Washington, DC

**Demos: A Network for Ideas and
Action**
New York, NY

**Gaylord and Dorothy Donnelley
Foundation**
Chicago, IL

Donors Forum of Chicago
Chicago, IL

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Foundation**
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**Dress for Success,
Indianapolis** †

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Leadership Institute**
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** New member
in 2005

† New member
in 2006
through May.



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Educap Inc

McLean, VA

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Elderworks

Scarsdale, NY

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New York, NY

Maurice Falk Fund

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Florida Earth Foundation

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American Foundation for AIDS Research (AMFAR)

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Foundation for Chiropractic Education & Research**

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The Foundation for Community Empowerment

Dallas, TX

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Washington, DC

Foundation for the Mid South

Jackson, MS

Foundation of the National Student Nurses' Association, Inc.

Brooklyn, NY

FoundationWorks

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Franklin McKinley Education Foundation

San Jose, CA

Freeborn Foundation

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Fairfield, CT

General Conference of Seventh-day Adventists*

Silver Spring, MD

General Mills Foundation

Minneapolis, MN

Georgia Center for Nonprofits

Atlanta, GA

The Wallace Alexander Gerbode Foundation

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German Marshall Fund of the United States**

Washington, DC

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Girls Incorporated*

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Memphis, TN

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Grantmakers Forum of New York

Rochester, NY

Grantmakers In Health

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Hamden, CT

Great Lakes Colleges Association**

Ann Arbor, MI



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GuideStar-Philanthropic Research, Inc.
Williamsburg, VA

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H. John Heinz III Center for Science, Economics and the Environment
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Atlanta, GA

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The Hospital for Special Surgery, New York City
New York, NY

Houston Endowment Inc.
Houston, TX

Hudson-Webber Foundation
Detroit, MI

Humanity First, USA
Silver Spring, MD

IBM International Foundation*
Armonk, NY

Idaho Nonprofit Development Center †
Boise, ID

Idealist.Org
New York, NY

ImportantGifts †
New York, NY

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Institute for Global Ethics
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InterAction-American Council for Voluntary International Action
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The Interfaith Alliance Foundation
Washington, DC

International Aid**
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International Association of Jewish Vocational Services (IAJVS)
Philadelphia, PA

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Summerville, SC

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INTIMAN Theater**
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Iowa City, IA

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JA Worldwide
Colorado Springs, CO

Japanese American National Museum
Los Angeles, CA

JCPenney Company Fund*
Dallas, TX

Jewish Agency for Israel**
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Jewish Funders Network
New York, NY

JM Foundation
New York, NY

Jobs for the Future
Boston, MA

Johnson & Johnson*
New Brunswick, NJ

The Robert Wood Johnson Foundation
Princeton, NJ

The Johnson Foundation, Inc.
Racine, WI

Joint Action in Community Service, Inc. (JACS)
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* Charter member
** New member in 2005
† New member in 2006 through May.



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Leadership Education for Asian Pacifics (LEAP) Los Angeles, CA	McGregor Fund Detroit, MI	Alan Minskoff & Royanne Minskoff Foundation Boise, ID
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		Mitsubishi Electric America Foundation** Arlington, VA
		David and Yetta Moeser Fund** Boston, MA



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Washington, DC

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Washington, DC

National Assembly of State Arts Agencies (NASAA)*

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National Association of Independent Colleges and Universities

Washington, DC

National Association of Independent Schools

Washington, DC

National Association of Latino Elected & Appointed Officials Educational Fund

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Boulder, CO

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Seattle, WA

National Catholic Development Conference, Inc.*

Hempstead, NY

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Washington, DC

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Washington, DC

National Council of Churches USA

New York, NY

National Council of La Raza (NCLR)*

Washington, DC

National Council of Nonprofit Associations

Washington, DC

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Saint Louis, MO

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Washington, DC

National FFA

Indianapolis, IN

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Washington, DC

National Health Foundation

Los Angeles, CA

The National Health Museum

Washington, DC

National Human Services Assembly

Washington, DC

National Humanities Alliance

Washington, DC

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Helena, MT

National Multiple Sclerosis Society

Washington, DC

National Network for Youth

Washington, DC

National Ovarian Cancer Coalition**

Boca Raton, FL

National Press Foundation

Washington, DC

National Public Radio

Washington, DC

The National Society of Collegiate Scholars

Washington, DC

National Urban Fellows, Inc.*

New York, NY

National Wildlife Federation*

Reston, VA

National Youth Leadership Council

Saint Paul, MN

Native American Rights Fund

Boulder, CO

Natural Resources Defense Council

New York, NY

The Nature Conservancy

Arlington, VA

NCSL Foundation for State Legislatures

Denver, CO

NEC Foundation of America

Islandia, NY

Nehemiah Community Foundation

Sacramento, CA

NeighborWorks America

Washington, DC

Nellie Mae Education Foundation

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Network for Good**

Bethesda, MD

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New York, NY

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New York, NY

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Saint Paul, MN

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Columbus, OH

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Port Washington, NY

Park Foundation

Ithaca, NY

Partnership for Prevention

Washington, DC

PBS Foundation

Alexandria, VA

Peninsula Community Foundation

San Mateo, CA

Pennsylvania Association of Nonprofit Organizations

Harrisburg, PA

People Acting For Community Together, Inc. **

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Philadelphia Health Management Services Corporation

Philadelphia, PA

The Virginia G. Piper Charitable Trust **

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The Pittsburgh Foundation

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Milwaukee, WI

Public Conversations Project

Watertown, MA

Public Radio International

Minneapolis, MN

Raising More Money

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Waltham, MA

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RGK Foundation **

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Fort Worth, TX

Fannie E. Rippel Foundation

Basking Ridge, NJ

Rochester Area Community Foundation

Rochester, NY

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New York, NY

Rockefeller Foundation *

New York, NY

Rockefeller Philanthropy Advisors **

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Denver, CO

Rosenberg Foundation *

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Kensington, MD

RR Donnelley

Chicago, IL

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The Salk Institute for Biological Studies **

San Diego, CA

The Salvation Army National Headquarters *

Alexandria, VA

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San Francisco, CA

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Chicago, IL

Dr. Scholl Foundation *

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The Seattle Foundation

Seattle, WA

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ShoreBank

Chicago, IL

The Sierra Club Foundation

San Francisco, CA

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Skillman Foundation

Detroit, MI

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Canton, MI

Sojourners**

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Columbia, SC

Southern California Grantmakers

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Szekely Family Foundation

San Diego, CA

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San Francisco, CA

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Bethesda, MD

Trust for Public Land**

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Philanthropies of New York, Inc.

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Union Institute & University

Cincinnati, OH

United Cerebral Palsy**

Washington, DC

United Jewish Communities

New York, NY

United Leukodystrophy Foundation

Sycamore, IL

United Nations Foundation

Washington, DC

United Negro College Fund*

Fairfax, VA

United States Conference of

Catholic Bishops*

Washington, DC

United Way of America*

Alexandria, VA

UniversalGiving

San Francisco, CA

Utah Nonprofits Association

Salt Lake City, UT

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Director, Information Technology (consultant)

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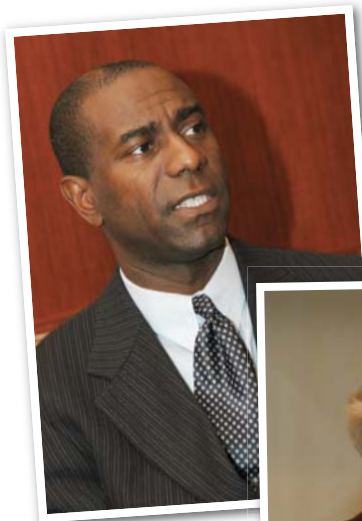
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Office Assistant

Tameka Baylor
Administrative Assistant

Back cover:

Among those joining the “meeting ground” at the Independent Sector 25th Anniversary Conference in Washington (*from left*):

- Herman Art Taylor, president and CEO, BBB Wise Giving Alliance;
- Susan Berresford, president, The Ford Foundation;
- Ronald Haskins (*left*), senior fellow at the Brookings Institution and an architect of welfare reform, and Robert Greenstein, founder and executive director of the Center on Budget and Policy Priorities; and
- Charles Kamasaki (*right*), senior vice president, National Council of La Raza, and Kathleen McCarthy, director, Center on Philanthropy and Civil Society, City University of New York.



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A vital voice for us all

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