Leading the Charge
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Our Vision
A just and inclusive society of active citizens, vibrant communities, effective institutions, and a healthy democracy.

Our Mission
To promote, strengthen, and advance the nonprofit and philanthropic community to foster private initiative for the public good.
Celebrating the Legacy of

John W. Gardner

Founding Chairperson and Chairperson Emeritus

INDEPENDENT SECTOR

October 8, 1912 – February 16, 2002

In the passing of John Gardner, our country has lost one of its greatest builders of ideas and institutions and a unifier of people and causes. He was a leader in many circles, from government and politics to civil rights, education, and philanthropy. As a Republican in a Democratic administration, John was a believer in the responsibility of government to create social change, as evidenced by his leadership in designing Medicare programs. He was an original in the fight for civil rights and campaign finance reform, and he was an early force in the recognition of the great power of private, nonprofit initiative and its role in shaping society.

He died within weeks of President Bush’s call for national service and just three days after the House of Representatives voted to enact campaign finance reform—two causes to which he lent his leadership and energy. In the nonprofit and philanthropic sphere in particular, his leadership and ideas have influenced thousands of leaders who are in turn applying his ideas of community building and renewal around the world. In his passing, we have lost a great friend and mentor and the nation has lost a great advocate for vibrant, healthy communities.

Sara E. Meléndez

President and CEO, INDEPENDENT SECTOR
Biography

John W. Gardner was the ultimate builder of ideas and unifier of people and causes. He was an active and distinguished participant in America's educational, philanthropic, and political life. He served as president of the Carnegie Corporation of New York and the Carnegie Foundation for the Advancement of Teaching, Secretary of Health, Education, and Welfare; chairperson of the National Urban Coalition; founding chairman of Common Cause; and founding chairperson of INDEPENDENT SECTOR. In 1964, he received the Presidential Medal of Freedom, the nation's highest civilian honor.

He was the architect of the Great Society programs, as Lyndon Johnson's Secretary of Health, Education, and Welfare, and counselor to five other presidents. He wrote on such topics as excellence, leadership, self-renewal, and organizational renewal. Mr. Gardner was considered one of our foremost thinkers and a vigorous advocate for social action and national renewal. In his remarkable career, he played an instrumental role in a vast array of enterprises, including the White House Fellows Program, public television, enforcement of the Civil Rights Act, Medicare, the Experience Corps, and many, many others. Through the sheer power of his ideas, he became one of the most influential voices of his generation.

In 1978 and 1979, Mr. Gardner chaired the Organizing Committee that founded INDEPENDENT SECTOR, a unique national coalition that today includes more than 700 nonprofit organizations, foundations, and corporate philanthropy programs. Just as Common Cause has proven to be a powerful lobby force of individual citizens, INDEPENDENT SECTOR provides a major meeting ground for organizations in the nonprofit sector and a force for advancing the nonprofit and philanthropic community's work. He served as INDEPENDENT SECTOR's founding chairperson from 1980 to 1983 and in years since was chairperson emeritus.

He authored several books and monographs on the relationship of the individual and societal improvement, On Leadership, Building Community, and National Renewal.

In 1985, INDEPENDENT SECTOR created the John W. Gardner Leadership Award in his honor, recognizing outstanding leaders in nonprofit and philanthropic work who have mirrored his exemplary efforts as a builder, mobilizer, and unifier. Twenty-four individuals have received the award since its inception.

His influence remains strong among thousands of men and women working and leading in nonprofit organizations, government, and business, and especially among many young leaders, who are the builders of tomorrow.

March 5, 1980—
The charter is signed and INDEPENDENT SECTOR is born. Above from left, Brian O’Connell, James Lipscomb, Philip Bernstein, Bayard Ewing, John W. Gardner (signing), and Kenneth Albrecht.
The Independent Sector name celebrates the vast network of voluntary organizations, foundations, religious congregations, social welfare groups, and corporate giving programs working together to improve the lives of people across the United States and around the world. These groups are collectively referred to as the “independent sector,” to emphasize their unique role in society, distinct from business and government. Most people recognize the different educational, religious, arts and cultural, and health and human services organizations that improve their lives every day. The reality is that the organizations of the independent sector—and the people who give and volunteer through them—have a tremendous and irreplaceable impact on the quality of life in the United States and beyond.
Message from the President

INDEPENDENT SECTOR began 2001 with a new strategic framework that empowered us to focus on identifying issues critical to the sector and leading efforts to set a common agenda for addressing them, while continuing to fulfill our ongoing responsibilities as a membership organization. It was a “Mandate to Lead” that we, the board and staff, embraced. We learned to work in new ways—we had to be nimble, flexible, focused, and fast in our response capability. We also reached out to a broader group of organizations than were part of our traditional membership.

It turns out that we approved our new framework just in time. The future today looks very different from the one we thought we were facing last year. The nonprofit and philanthropic community was presented with a whole new set of challenges and opportunities that tested us to our core and will continue to test us for some time. How well the sector will be able to take advantage of the opportunities and fend off the perils will depend on how well prepared we are.

INDEPENDENT SECTOR is prepared to “lead the charge” by bringing the philanthropic community together. We are on the forefront of emerging issues. We are gathering information and knowledge about these issues and, when appropriate, leading an effort to address them. And through our unique meeting ground, we are convening key partners from government and business to work with us.

We need to:
- **Focus** on and **promote** the values we espouse;
- **Hear** and **amplify** the voices of all who have a stake in the sector and its values;
- **Create** effective organizations and **cultivate** leadership at all levels within an organization;
- **Earn**, nurture, and hold on to the public trust;
- **Engage** in ongoing renewal of our organizations; and
- **Sustain** the generous spirit of giving and volunteering that is essential to the long-term health and vitality of our communities.

The one thing that is certain is that our sector has become more critical than ever to our society, to our democracy, and to our communities. Our sector, and our members, will help our nation move beyond this most challenging period in our lifetime. We have a tremendous opportunity to give life to the values of the sector. We are critical in the effort to rebuild community. And we are critical to emerging from this dark cloud into the sunshine of a better, stronger nation and sector.

Sara E. Meléndez

*President and CEO, INDEPENDENT SECTOR*
Message from the Outgoing Chairperson

Anywhere and everywhere we go in this country, we can see the unique contributions of America’s nonprofit sector and the extraordinary commitments emanating from our passion for volunteerism. I am proud of that.

And I am so proud of INDEPENDENT SECTOR—proud of what it stands for, proud of what it has accomplished. In its short but energetic 22 years, INDEPENDENT SECTOR has earned its stripes, established its legitimacy, and become a leader. We are a national resource and a recognized steward for our field.

Expectations of us, and the sector, are now very high and we are held, rightfully, to very high standards. Therefore, there is a need for concerted and collective efforts to maintain the high public appreciation and trust in our sector and rebuild it, where necessary. We have a goodwill account with the public that will go a long way in determining our future health and well-being. We must work hard to keep that account in good standing.

Of equal importance is the need for us to preserve the independence of the independent sector. While we are stronger than ever and thriving, we are also at risk of losing some of the hallmark distinctiveness that differentiates us from the public and for-profit sectors. We need to direct more attention to preserving, protecting, and strengthening the special role we play and the responsibilities we have. We need to highlight our distinctiveness, our independence, our value, and our values.

INDEPENDENT SECTOR has been given magnificent opportunities to be the conceptual and pragmatic resource to hundreds and thousands of organizations and millions of people who cherish our traditions. I cherish the opportunity to have been your chairperson these past three years.

Peter B. Goldberg
President and CEO, Alliance for Children and Families
INDEPENDENT SECTOR Chairperson, 1998-2001
Message from the Incoming Chairperson

As I begin my first year as chairperson of INDEPENDENT SECTOR, I want you to know that I appreciate what an honor and a privilege it is to lead this organization. I am cognizant of the fact that I’m the eighth chairperson, and that I have to fill shoes that are much larger than I’m capable of filling unless, of course, I can get support from you.

I also want you to know that I’m very appreciative of the proud heritage of INDEPENDENT SECTOR. I represent an organization that is indeed a charter member, and so I am in awe of all that has been accomplished and the true record of excellence we have built over these last two decades.

I also want you to know that I recognize the formidable challenges before us. Yes, in a way perhaps different from ever before, we are now faced not only with building community, but with rebuilding community. And we must do this in a world that is fast changing, more distrustful than a year ago, and filled with challenges that may redefine our sector and question our effectiveness and accountability.

INDEPENDENT SECTOR serves to bring the vast diversity of the organizations of the nonprofit and philanthropic community together so that we never lose sight of our combined vision of building an inclusive society of active citizens, vibrant communities, effective institutions, and a healthy democracy. But this is hard work and a duty that requires much perseverance. To quote from John Gardner, our founding chairperson, whom we will remember in a special way this year, “It would be a grave mistake to imagine that—in a great burst of energy—we can rebuild our communities and then turn to other tasks. That assumes a degree of stability we once knew but may never see again in our lifetime. We can never stop rebuilding.”

I want you to know that I am very sensitive to our raison d’être, the reason we exist. Yes, it’s captured in large part by last year’s conference theme, “Let Every Voice Be Heard.” The nonprofit and philanthropic community especially, different from the other sectors, listens to those special voices captured in the poetic words of Robert Frost early last century when he wrote a quatrain simply entitled “A Question.” He said, “A voice said look me in the stars and tell me truly, men and women of earth, if all the soul and body scars are not too much to pay for birth.”

Those are the voices that we must listen to as we build and rebuild community, so that fewer and fewer people have difficulty answering that question.

And finally, let me say to you that I accept this responsibility as a duty. Tagore, the Bengali poet from Calcutta who won the Nobel Prize for Literature, once wrote,

I slept and dreamt—That life was joy.
I awoke and saw—That life is duty.
I acted, and behold!—Duty was joy.

I accept this duty with joy, and I ask for your support as I attempt to provide the kind of leadership that has come before me.

John R. Seffrin
CEO, American Cancer Society
INDEPENDENT SECTOR Chairperson
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William S. White, president and CEO of the Charles Stewart Mott Foundation, at the IS Annual Conference in Atlanta: “Our goal of creating an inclusive society based on the respect, dignity, and integrity of each individual demands that we in the broadly defined nonprofit sector provide this type of leadership.”

Founding Chairperson and Chairperson Emeritus
The Honorable John W. Gardner

Founding President and President Emeritus
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Professor of Public Service
Lincoln Filene Center for Citizenship and Public Affairs
Tufts University
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Steven A. Minter  
Executive Director and President  
The Cleveland Foundation

*Term ended January 2002
INDEPENDENT SECTOR would like to thank the following funders for their support of programs in 2001. We would also like to thank our many members for their support of our work on behalf of the nonprofit sector.

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AOL Time Warner Foundation
Arca Foundation
The Assisi Foundation of Memphis, Inc.
The Atlantic Philanthropies
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Ewing Marion Kauffman Foundation
W. K. Kellogg Foundation
Kerr Foundation, Inc.
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Samuel H. Kress Foundation
Albert Kunstadter Family Foundation
Steven Minter, executive director and president of The Cleveland Foundation and co-chair of the Cleveland Annual Conference Host Committee, invites members to the 2002 Conference.

Participants enjoy a lively discussion during a breakout session at the Annual Conference.
2001 Special Funders

The following funders generously supported INDEPENDENT SECTOR's 2001 Annual Conference in Atlanta:

**Conveners**
Robert W. Woodruff Foundation, Inc.
The Coca-Cola Company
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William Randolph Hearst Foundations

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**Associates**

INDEPENDENT SECTOR Associates are a group of individuals dedicated to the vision and mission of INDEPENDENT SECTOR as the only national organization working to preserve and strengthen the entire nonprofit sector. INDEPENDENT SECTOR Associates include philanthropists, trustees, scholars teaching and writing about the sector, professionals advising nonprofit organizations, thinkers, dreamers, visionaries—everyone concerned with preserving and strengthening the great American traditions of giving and volunteering, not-for-profit initiative, and citizen action.

Kenneth L. Albrecht  
Janet Buehler  
Barbara D. Finberg  
Joel L. Fleishman  
Peter B. Goldberg  
Doug Green  
Sheeraz Haji  
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Ann Mitchell Sackey  
John R. Seffrin  
Ruth Shack  
Marcia Sharp  
The Rev. Landrum E. Shields  
John C. Whitehead
2001 IS Membership
Membership and Dues

Brian O’Connell called it “Powered by Coalition.” INDEPENDENT SECTOR members are central to the organization’s mission. We encourage each of our members to actively help us set the direction of our work, and we ask our members to serve as partners with us to help carry out our work on behalf of the sector. Jointly, we serve the needs of the nonprofit and philanthropic community.

Through membership in INDEPENDENT SECTOR, corporations, nonprofit organizations, and foundations have the opportunity to invest in a vibrant, healthy independent sector and a strong democracy for the future.

IS members:

■ **Build Their Knowledge** and understanding of the major trends and emerging issues facing the nonprofit sector.

■ **Network** with the national leaders of nonprofits, foundations, corporate giving programs, and government—giving them access to a marketplace of ideas and connections.

■ **Take Their Place at the Table** when the future of the nonprofit sector is debated—enabling their organization to have a greater impact and keep up with the pace of change.

■ **Magnify Their Influence** on tax policy and public policy affecting nonprofit organizations and philanthropy.

INDEPENDENT SECTOR membership is open to foundations, corporations with giving programs, and nonprofit voluntary organizations with national and international interests and impact in philanthropy and voluntary action. The dues structure is designed to encourage participation of the maximum number of qualifying groups and to create a level playing field for grantmakers and grantseekers, both large and small. For national voluntary organizations, dues are 1/4 of 1 percent of the organization’s salaries and benefits. For grantmaking organizations, dues are 1/8 of 1 percent of the organization’s grants. The current maximum annual dues are $12,500, and the minimum annual dues are $300.
INDEPENDENT SECTOR Members

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American Humanics
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American Library Association
American Museum of Natural History
American Red Cross
American Society of Civil Engineers Foundation
American Symphony Orchestra League
American Trauma Society
Americans for Indian Opportunity
Americans for the Arts
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Association for Volunteer Administration
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Association of Art Museum Directors
Association of Baltimore Area Grantmakers
Association of Catholic Colleges and Universities
Association of Episcopal Colleges
Association of Fundraising Professionals
Association of Governing Boards of Universities and Colleges
Association of Jewish Family and Children’s Agencies
Association of Junior Leagues International
Association of Lutheran Development Executives
Association of Partners for Public Lands
Association of Performing Arts Presenters
Association of Public Television Stations (APTS)
AT&T Foundation
The Atlantic Philanthropies
AXA Foundation

Mary Reynolds Babcock Foundation
Bank of America Foundation
Battle Creek Community Foundation
The Bauman Foundation
BBB Wise Giving Alliance
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* = joined in 2001  ** = 2002 new members to date
BellSouth Corporation
Benton Foundation
Big Brothers/Big Sisters International
Black Patriots Foundation
Blackbaud, Inc.
Blowitz-Ridgeway Foundation
BoardSource
Booz-Allen & Hamilton
The Boston Foundation
Boy Scouts of America
Boys & Girls Clubs of America
BP Foundation, Inc.
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Brave Kids
The Breast Cancer and Women's Health Ultrasound Foundation
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Greater Bridgeport Area Foundation
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Community Corrections Improvement Association
The Community Foundation
The Community Foundation for Greater Atlanta
The Community Foundation for the National Capital Region
Community Foundations for Pennsylvania
Community Health Charities
Community Impact! Inc.
The Community Leadership Association
Compton Foundation, Inc.
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Connecticut Council for Philanthropy

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The Foundation Center
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Foundation of National Student Nurses' Association, Inc.
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* = joined in 2001  ** = 2002 new members to date
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The Global Fund for Children
Global Fund for Women
Goodkids! Inc.*
Goodwill Industries International, Inc.
Edwin Gould Foundation for Children
William T. Grant Foundation
Grantmakers In Health
Grantmakers of Western Pennsylvania
Grants Management Associates
Greenwood Cultural Center*
Lucile & Robert H. Gries Charity Fund
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The George Gund Foundation
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Hudson-Webber Foundation
Humanitarian Medical Relief Inc.*
Hubert H. Humphrey Institute/Public Affairs, Philanthropy & the Nonprofit Sector

“I Have A Dream” Foundation
IBM International Foundation
IDC: Mobilizing Generations for Development
IMPACT II-The Teachers Network
Impact Online, Inc.
Indiana Grantmakers Alliance*
Institute for Democracy Studies
Institute for Global Ethics
Institute for Nonprofit Management, Portland State University*
Institute for Nonprofit Organization Management, University of San Francisco
Institute for Voluntary Organizations
Institute for Women’s Policy Research
InterAction-American Council for Voluntary International Action
Intermed International*
The International Alliance*
International Primate Protection League
International Service Agencies
International Society for Third Sector Research
International Youth Foundation
Iowa Nonprofit Resource Center, University of Iowa*
The James Irvine Foundation
Islamic Society of North America*
Ittleson Foundation

Japanese American National Museum
JCC Association of North America
JCPenney Company, Inc.
JM Foundation
Jobs for the Future
John Ben Snow Foundation
Johnson & Johnson
The Johnson Foundation
Christian A. Johnson Endeavor Foundation
Robert Wood Johnson Foundation
Joint Action in Community Service, Inc. (JACS)
Joint Center for Political and Economic Studies
The Joyce Foundation
JPMorgan Chase Foundation
JSJ Foundation
Jumpstart for Young Children, Inc.
Junior Achievement

KaBOOM! Inc.
The Henry J. Kaiser Family Foundation
The Greater Kansas City Community Foundation

* = joined in 2001  ** = 2002 new members to date
Kansas Health Foundation  
Ewing Marion Kauffman Foundation  
W. K. Kellogg Foundation  
Kellogg School of Management, Northwestern University*  
James S. Kemper Foundation  
Kerr Foundation, Inc.  
Charles F. Kettering Foundation  
Kidney Cancer Association  
Kids Voting USA*  
The Esther A. and Joseph Klingenstein Fund  
John S. and James L. Knight Foundation  
Korean Association of Retired Persons*  
The Kosciuszko Foundation, Inc.  
KPMG Foundation  
The Kresge Foundation  
Samuel H. Kress Foundation  
Albert Kunstadter Family Foundation  

Land Trust Alliance, Inc.  
Eugene M. Lang Foundation  
Laurel Foundation  
Lawyers’ Committee for Civil Rights Under Law  
LEAD—Pakistan*  
LEAD USA Member Program*  
Leadership Education for Asian Pacifics (LEAP)  
League of Women Voters of the United States  
Liberty Day  
Libraries for the Future  
Library Media Project  
Lilly Endowment, Inc.  
Lincoln Filene Center, Tufts University  
Link Research  
Literacy Volunteers of America, Inc.  
Local Initiatives Support Corporation  
Los Alamos National Laboratory Foundation  
Los Angeles Women’s Foundation  
Lucent Technologies Foundation  
Lumina Foundation for Education*  
Lutheran Brotherhood Foundation  

Maryland Association of Nonprofit Organizations  
Mattel Children’s Foundation  
Mayo Foundation  
Robert R. McCormick Tribune Foundation  
McGregor Fund  
McKesson Foundation  
The McKnight Foundation  
The Meadows Foundation  
Medical Education for South African Blacks  
Richard King Mellon Foundation  
MEM Associates, Inc.  
Memorial Sloan-Kettering Cancer Center  
The John Merck Fund  
Merrill Lynch & Co. Foundation, Inc.  
Metropolitan Association for Philanthropy  
Metropolitan Life Foundation  
The Metropolitan Museum of Art  
Mexican American Legal Defense and Educational Fund  
Eugene and Agnes E. Meyer Foundation  
Michigan Nonprofit Association  
Mid-Delta Workforce Alliance*  
Midwest Center for Nonprofit Leadership, L.P.  
Cookingham Institute of Public Affairs  
The Minneapolis Foundation  
Minnesota Council of Nonprofits  
Minnesota Office of Citizenship & Volunteer Services  
Mississippi Center for Nonprofits  
MOBI—(My Own Business, Inc.)*  
Morino Institute  
Stewart R. Mott Charitable Trust  
Charles Stewart Mott Foundation  
Museum Trustee Association  
Myositis Association of America  

National Academy of Public Administration  
National AIDS Fund  
National Alliance for Choice in Giving  
National Alliance of Breast Cancer Organizations  
National Alliance of Business  
National Alliance to End Homelessness  
National Asian Pacific American Legal Consortium  
National Assembly of Health and Human Service Organizations  
National Assembly of State Arts Agencies (NASAA)  
National Association for Bilingual Education  
National Association for Visually Handicapped  
National Association of Independent Colleges and Universities  
National Association of Independent Schools  

* = joined in 2001  ** = 2002 new members to date
National Association of Latino Elected & Appointed Officials Educational Fund
National Association of Private Schools for Exceptional Children
National Association of Schools of Art and Design
National Association of Schools of Music
National Association of Schools of Public Affairs and Administration
National Association of Schools of Dance
National Association of Schools of Theatre
National Association of Service & Conservation Corps (NASCC)
National Association of Student Personnel Administrators
National Associations in Colorado Springs
National Black College Alliance*
National Board for Professional Teaching Standards
National Catholic Development Conference
National Center for Appropriate Technology*
The National Center for Family Philanthropy
National Center for Learning Disabilities
The National Center on Nonprofit Enterprise
National Civic League
National Coalition for Homeless Veterans
National Committee for Responsive Philanthropy
The National Conference for Community and Justice
National Congress of Parents and Teachers
National Council for International Visitors
National Council for Research on Women
National Council of Churches of Christ in the USA
National Council of La Raza
National Council of Nonprofit Associations
National Council on Child Abuse & Family Violence
National Crime Prevention Council
National Down Syndrome Society
National Endowment for Financial Education (NEFE)
National Executive Service Corps
National FFA Foundation
National Health Council
National Health Foundation
National Hemophilia Foundation
National Home Library Foundation
National Hospice Foundation
National Humanities Alliance
National Medical Fellowships, Inc.
National Military Family Association
National Multiple Sclerosis Society
National Network for Youth
National Parenting Association
National Peace Corps Association
National Press Foundation
National Public Radio
National Puerto Rican Coalition, Inc.
National Puerto Rican Forum, Inc
National Tree Trust
National Trust for Historic Preservation
National Urban Fellows, Inc.
National Urban League, Inc.
National Wildlife Federation
National Wildlife Refuge Association
National Youth Leadership Council
Native American Rights Fund
Native Americans in Philanthropy
Natural Resources Defense Council
Natural Science Collections Alliance*
The Nature Conservancy
NEC Foundation of America*
Neighborhood Reinvestment Corporation
Nellie Mae Education Foundation
NetAid Foundation*
New Hampshire Charitable Foundation
The New York Community Trust
New York Life Foundation
The New York Public Library
New York Regional Association of Grantmakers
Nicaraguan Development Center
NIKE Foundation*
Nokomis Foundation
Nonprofit & Public Management Center, Ford School of Public Policy, University of Michigan
Nonprofit Academic Centers Council
Nonprofit Coordinating Committee of New York
Nonprofit Management Program, Milano Graduate School of Management & Urban Policy
Nonprofit Television Programs, Inc.
North Carolina Center for Nonprofits
The North Carolina Glaxo Smith Kline Foundation
Northern California Grantmakers
Northern Westchester Hospital Foundation
Northrop Grumman Corporation
NOW Legal Defense and Education Fund

Oakleaf Foundation
Ohio Association of Nonprofit Organizations
Ohio Grantmakers Forum
OIC of America
Olive Crest—Homes & Services for Abused Children
OMNI Youth Services
Open Society Institute—New York

* = joined in 2001  ** = 2002 new members to date
OPERA America
Opera Roanoke*
Oral Health America
Outreach International

David and Lucile Packard Foundation
Park Foundation
Partnership for Prevention
Josephine Bay Paul and C. Michael Paul Foundation
Peninsula Community Foundation
William Penn Foundation
Pennsylvania Association of Nonprofit Organizations*
People for the American Way
Petts Crowe Foundation
Pew Charitable Trusts
Pfizer, Inc.
The Philanthropic Group
The Philanthropic Initiative, Inc.
Philanthropy & Nonprofit Sector Graduate Certificate Program, Loyola University
Philip Morris Companies Inc.
The Piton Foundation
The Pittsburgh Foundation
Points of Light Foundation
Population Resource Center
Premier Farnell Foundation
Presbyterian Health Foundation
Presidential Classroom
Prevent Child Abuse America
Prudential Foundation
Public Affairs Council
Public Agenda Foundation
Public Allies, Inc.
Public Conversations Project
Public Education Network
Public Radio International
Puerto Rican Legal Defense and Education Fund
Puerto Rico Community Foundation*
QueensCare*

Radio and Television News Directors Foundation
Raytheon Company
Reader's Digest Foundation
Reading Is Fundamental, Inc.
Recording for the Blind & Dyslexic
Christopher Reeve Paralysis Foundation*

Region Nine Development Commission
Religion in American Life
Research! America
Retirement Research Foundation
Charles H. Revson Foundation
Sid W. Richardson Foundation
Fannie E. Rippel Foundation
Rochester Area Community Foundation
Rockefeller Brothers Fund
Rockefeller Family Fund
Rockefeller Foundation
The Rockefeller Philanthropy Advisors
Rocky Mountain Youth Corps
Rosenberg Foundation
Royal Flying Doctor Service of Australia (Victorian Section)*

S&H Greenpoints
Russell Sage Foundation
The Salvation Army National Headquarters
San Francisco Foundation
Sara Lee Foundation
Sarkeys Foundation
Dr. Scholl Foundation
School Food Service Foundation
Sears, Roebuck and Company
The Seattle Foundation
Shepherd's Centers of America
Sherwin-Williams Company
The Sierra Club Foundation
Harry Singer Foundation
The Sister Fund
The Skillbuilders Fund
Skillman Foundation
Alfred P. Sloan Foundation
Social Welfare Research Institute, Boston College
Society for Nonprofit Organizations
Society for Values in Higher Education
SOS Children's Village—USA, Inc.
South Carolina Association of Nonprofit Organizations
South Carolina Center on Nonprofit and Grassroots Leadership*

Community Foundation for Southeastern Michigan
Southeastern Council of Foundations
Southern California Association for Philanthropy
Southern Education Foundation, Inc.
The Spencer Foundation
The St. Paul Companies, Inc. Foundation
The Starbucks Foundation

* = joined in 2001  ** = 2002 new members to date
Levi Strauss Foundation
Student Conservation Association
The Studio Museum in Harlem
Support Center of Washington
Surdna Foundation*
Synergos Institute

Taconic Foundation
Target Foundation
Texas Commission on Volunteerism and Community Service
Theatre Communications Group
Third Sector New England
Three Guineas Fund
3M Foundation
Travelers Aid International
Trust for Public Land

The Union Institute
United Jewish Communities
United Leukodystrophy Foundation
United Methodist Higher Education Foundation
United States Conference of Catholic Bishops
United Way of America
University of Pennsylvania Center for Community Partnerships

Venture Philanthropy Partners, Inc.
Ventures in Education, Inc. (Ventures Scholars Program)
Verizon Foundation
Volunteers of America
VSA Arts Colorado

The Wallace-Reader’s Digest Funds
Izaak Walton League of America
The Washington Center for Internships
The Washington Council of Agencies
Washington Independent Writers Legal and Educational Fund, Inc.*
Washington Mutual Bank
Washington Regional Association of Grantmakers
Weingart Foundation
Weyerhaeuser Family Foundation
Whirlpool Foundation
Mrs. Giles Whiting Foundation
Wildflowers Institute
William Caspar Graustein Memorial Fund
Woodrow Wilson School of Public and International Affairs, Princeton University
Woodrow Wilson National Fellowship Foundation
The Wireless Foundation
Women’s College Coalition
Women’s Funding Network
Robert W. Woodruff Foundation
Woods Charitable Fund, Inc.
Woods Fund of Chicago
World Charity Network
World Neighbors

Xerox Corporation

YMCA of the USA
Young Audiences, Inc.
Youth Venture
YouthBuild U.S.A.
YWCA of the USA

* = joined in 2001  ** = 2002 new members to date
The following report captures major highlights of INDEPENDENT SECTOR’s achievements in 2001, the first year enacting our new strategic framework.

**Goal #1: Shape Policy.**
To develop and advance a legislative agenda that strengthens the work of our member organizations and the sector at large and increases incentives for giving and volunteering.

- Built support for legislation to encourage additional charitable giving by working closely with Congressional leaders, commissioning research to demonstrate the effect of various proposals on giving, and disseminating stories and information to the White House and other leaders. IS worked with Congressional leaders to introduce bills to extend the charitable deduction to nonitemizers and to encourage older Americans to give to charity from their Individual Retirement Accounts. By year’s end a scaled-back provision had passed in the House and legislation in the Senate was pending. IS continues its work on this legislation.

- Served as an advocate for the diverse nonprofit and philanthropic community as President Bush announced the creation of the White House Office of Faith-Based and Community Initiatives and proposed his faith-based and charitable giving legislation. IS played a leadership role in serving as resource for government officials, monitoring proposals, sharing analysis with the field, and acting as a source for media.

- Developed a framework for decision making on current and future tax proposals that affect charitable giving. IS convened a blue ribbon commission, the Task Force on Tax Policy, co-chaired by...
by John Marshall of the Kresge Foundation and John Seffrin of the American Cancer Society. The Task Force’s work resulted in IS’s “Guiding Principles for Public Policy on Charitable Giving.”

- Strengthened the network of national and state advocates for nonprofit sector issues through IS’s joint project with the National Council of Nonprofit Associations. As part of this Building Capacity for Public Policy project, IS and NCNA launched GiveVoice.org, a network of state associations that use web and email communications to organize local nonprofit advocates to communicate with state and federal elected officials on important nonprofit issues, such as charitable giving, nonprofit advocacy rights, and funding. IS and NCNA also worked together to provide training and capacity-building grants to six state nonprofit associations, helping them to strengthen their policy work.

**Goal #2: Identify Emerging Issues.**

To focus on identifying and anticipating issues that directly affect the nonprofit community. Using our new and strengthened research capacity, identify trends, share new research knowledge, shape attitudes and practices, stake out a position, and mobilize our membership in a concerted, coherent response.

- Provided insights into American charitable behavior by releasing key findings from *Giving and Volunteering in the United States 2001*. This comprehensive national study of more than 4,000 Americans is the major work in the field, and its results inform the work of nonprofits, fundraisers, volunteer managers, religious congregations, Congressional and White House officials, researchers, and the
media. The study was instrumental in the development of President Bush’s call to national service and volunteerism delivered in his 2002 State of the Union speech. IS also delved deeper into special topics around giving and volunteering, distributing user-friendly publications such as America’s Informal Volunteers: Civic Participation Comes in Many Forms; America’s Family Volunteers: Civic Participation Is a Family Matter; and Hispanic Giving and Volunteering.

- Provided nonprofit organizations with valuable insights into the outpouring of giving in response to the September 11 terrorist attacks and the likely effects for the rest of the year by commissioning a national survey by Wirthlin Worldwide. The survey results earned coverage in the New York Times, Chronicle of Philanthropy, Cox newspapers, the Washington Times, the Religion News Service, and other outlets.

- Following the September 11 terrorist attacks on America, IS led members and others to rededicate their commitment to embracing diversity and addressing injustice in a joint statement, “Upholding Our Values,” published in The Chronicle of Philanthropy and The NonProfit Times. IS placed ads in the New York Times and Roll Call to salute the nonprofit sector and remind the American people and Congress about its work and its value.

- Increased knowledge about the impact of information technology on nonprofit organizations by convening more than 350 researchers and experts for the 2001 Spring Research Forum around the theme “The Impact of Information Technology on Civil Society: How Will Online Innovation, Philanthropy, and Volunteerism Serve the Common Good?” IS also provided insights into how

- Promoted volunteering worldwide during the United Nations’ International Year of Volunteers by producing *Measuring Volunteering: A Practical Toolkit* and distributing it in four languages.
- Provided resources to help nonprofits and companies build effective partnerships that enhance both mission and business goals—and serve to build public trust in the nonprofit sector as a whole—through IS’s Corporate-Nonprofit Partnership Initiative and its online resource center, *Mission and Market*.
- Encouraged nonprofit organizations to focus on results by publishing *Outcome Measurement in Nonprofit Organizations: Current Practices and Recommendations*, by Urban Institute researchers Harry Hatry, Elaine Morley, and Elisa Vinson.
- Provided insights into Americans’ attitudes toward nonprofit organizations through our publication *Taking The Pulse of Americans’ Attitudes Toward Charities*. This short report in the *Facts and Findings* series indicated that a rising number of Americans believe charities are more effective in providing services now than in the past, but also identified areas of concern for nonprofits in maintaining and building public trust.
Goal #3: Strengthen the Meeting Ground.

To strengthen our unique capacity to bring together nonprofit organizations, foundations, and corporations around critical issues facing our community. To use our focus on new policy development and emerging issues to convene our members, create new knowledge, and share it widely.

- Provided a forum for rich dialogue and exchange of ideas at the 22nd IS Annual Conference in Atlanta, *Let Every Voice Be Heard—The Responsibility of Leadership*. The IS conference served as the first national gathering for the leadership of the sector to address the new environment for our work following the September 11 terrorist attacks.

- Advanced the debate surrounding the proposed expansion of “charitable choice” at the Summit on Government Funding of Social Services Provided by Religious Congregations, co-hosted with the Aspen Institute’s Nonprofit Sector Research Fund. While there was disagreement over some aspects of President Bush’s faith-based proposals, leaders from religious and nonprofit organizations agreed that overcoming the serious challenges facing America’s communities would require new resources and new partnerships among government, nonprofit service providers, and faith-based communities.

- Facilitated dialogue between nonprofit leaders and Bush Administration officials through briefings with John Dilulio, the first director of the White House Office of Faith-Based and Community Initiatives, and Leslie Lenkowsky, CEO of the Corporation for National and Community Service.
The 2001 John W. Gardner Leadership Award honoree was Rebecca L. Adamson, founder and president of the First Nations Development Institute. Among those attending the award presentation at the IS Annual Conference in Atlanta are (from left) Louis Smith of the Ewing Marion Kauffman Foundation, Gabriella Morris of the Prudential Foundation, Rebecca Adamson, Peter Goldberg of the Alliance for Children and Families, Sara E. Meléndez of INDEPENDENT SECTOR, Robert Frehse of the William Randolph Hearst Foundations, Jill Darrow of the Lloyd A. Fry Foundation, and John Seffrin of the American Cancer Society.

70% of Americans reported some form of charitable involvement in response to September 11.

Source: A Survey of Charitable Giving After September 11th

Goals #4 and #5: Grow Our Membership and Broaden Our Reach.

To deepen the relationship with our members and reach out to create new partnerships, ensuring that the IS network represents the breadth and depth of the sector.

- Recruited 47 new corporate, foundation, and nonprofit members, adding new perspectives and geographical diversity to our coalition.
- Collaborated with the U.S. Chamber of Commerce, along with the Council on Foundations and National Endowment for the Humanities, to co-host the Summit on Three-Sector Partnerships. The two-day event brought a diverse group of philanthropic, business, and government leaders together at the U.S. Chamber headquarters for an exploration of partnership building.
- Encouraged the national rollout of the Learning to Give Initiative, launched by the Council of Michigan Foundations, to teach K-12 students about philanthropy.
- Encouraged and enabled more Americans to give and volunteer through our partnership with Network for Good, a newly launched comprehensive e-philanthropy portal that helps charities expand their reach to new audiences while strengthening the public’s involvement in civil society. Network for Good was founded by the AOL Time Warner Foundation and AOL, Inc.; the Cisco Systems Foundation and Cisco Systems, Inc.; and Yahoo! Inc., in partnership with over 20 nonprofit foundations and associations.
INDEPENDENT SECTOR Online

Direct your browser to www.IndependentSector.org, and you’ll find the most comprehensive resource on the web for the nonprofit and philanthropic community. The site offers visitors the opportunity to:

- Access a wealth of resources on giving and volunteering trends, facts and figures about the nonprofit sector, updates on proposed legislation, and much more;
- Access members-only services, such as posting job openings and calendar events;
- Stay current on the latest legislative, tax, and other public policy issues;
- Use NonProfit Pathfinder, IS’s online gateway to civil society research and innovations, profiling more than 100 academic research centers, research publications, and online bibliographies;
- Speak out on key issues affecting the nonprofit sector with GiveVoice.org, a grassroots advocacy tool created by IS and the National Council of Nonprofit Associations;
- View transcripts from key speeches of the IS Annual Conference, member briefings, and other events;
- Link to the resources of INDEPENDENT SECTOR members, and
- Browse INDEPENDENT SECTOR publications—or download many for free directly from the website.

In June of 2001, in cooperation with the Aspen Institute, INDEPENDENT SECTOR convened a Summit on Government Funding of Social Services Provided by Religious Congregations at the National Press Club. Melissa Rogers of the Pew Forum on Religion and Public Life looks on as Nancy Wisdo of the U.S. Conference of Catholic Bishops addresses the gathering.

The dollar value of volunteer time is $16.05 per hour.
Independent Auditor’s Report on the Financial Statements

To the Board of Directors
INDEPENDENT SECTOR

We have audited the accompanying statement of financial position of INDEPENDENT SECTOR as of December 31, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of INDEPENDENT SECTOR’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of INDEPENDENT SECTOR as of December 31, 2000, were audited by other auditors whose report, dated March 21, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of INDEPENDENT SECTOR at December 31, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
February 20, 2002
## Statements of Financial Position

### 2001 | 2000
---|---

december 31,

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 581,132</td>
<td>$ 1,407,387</td>
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<tr>
<td>Accrued interest receivable</td>
<td>56,133</td>
<td>70,340</td>
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<tr>
<td>Grants and accounts receivable, current portion (Note E)</td>
<td>1,773,179</td>
<td>501,689</td>
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<tr>
<td>Short term investments (Note B)</td>
<td>3,442,136</td>
<td>4,830,453</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>5,852,580</td>
<td>6,809,869</td>
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<td>Long-term investments (Note B)</td>
<td>4,181,253</td>
<td>3,480,520</td>
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<td>Grants and accounts receivable, less current portion (Note E)</td>
<td>227,386</td>
<td>1,170,669</td>
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<tr>
<td>Property and equipment, net (Note C)</td>
<td>291,644</td>
<td>360,276</td>
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<tr>
<td>Supplemental executive retirement plan (Note F)</td>
<td>175,518</td>
<td>264,070</td>
</tr>
<tr>
<td>Other assets</td>
<td>70,884</td>
<td>41,932</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>$10,799,265</strong></td>
<td><strong>$12,127,336</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
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<tbody>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
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<tr>
<td>Accounts payable and accrued expense</td>
<td>$ 516,262</td>
<td>$ 804,711</td>
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<tr>
<td>Deferred revenue</td>
<td>23,000</td>
<td>49,853</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>539,262</td>
<td>854,564</td>
</tr>
<tr>
<td>Supplemental executive retirement plan (Note F)</td>
<td>175,518</td>
<td>264,070</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>714,780</strong></td>
<td><strong>1,118,634</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Net assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>1,467,804</td>
<td>1,370,755</td>
</tr>
<tr>
<td>Designated (Note D)</td>
<td>3,729,659</td>
<td>4,069,171</td>
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<tr>
<td>Temporarily restricted (Note E)</td>
<td>4,887,022</td>
<td>5,568,776</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>10,084,485</strong></td>
<td><strong>11,008,702</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commitments (Note G)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$10,799,265</strong></td>
<td><strong>$12,127,336</strong></td>
</tr>
</tbody>
</table>

*Certain 2000 amounts have been reclassified for comparative purposes. See notes to financial statements.*
## Statements of Activities

### Year ended December 31, 2001

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>$950,849</td>
<td>$3,055,802</td>
<td>$4,006,651</td>
</tr>
<tr>
<td>Membership dues</td>
<td>2,320,874</td>
<td>2,320,874</td>
<td></td>
</tr>
<tr>
<td>Conference fees and sponsorships</td>
<td>582,313</td>
<td>582,313</td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income (Note B)</td>
<td>348,785</td>
<td>348,785</td>
<td></td>
</tr>
<tr>
<td>Publication sales and other</td>
<td>67,561</td>
<td>67,561</td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>3,264,939</td>
<td>(3,264,939)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>7,535,321</td>
<td>(209,137)</td>
<td>7,326,184</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program services:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public affairs</td>
<td>2,524,625</td>
<td>2,524,625</td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>1,850,175</td>
<td>1,850,175</td>
<td></td>
</tr>
<tr>
<td>Communication among members/meeting ground</td>
<td>1,407,215</td>
<td>1,407,215</td>
<td></td>
</tr>
<tr>
<td>Strategic outreach</td>
<td>242,250</td>
<td>242,250</td>
<td></td>
</tr>
<tr>
<td>Leadership and management</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td>6,024,265</td>
<td></td>
<td>6,024,265</td>
</tr>
<tr>
<td><strong>Supporting services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>616,225</td>
<td>616,225</td>
<td></td>
</tr>
<tr>
<td>Membership development</td>
<td>467,913</td>
<td>467,913</td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td>329,869</td>
<td>329,869</td>
<td></td>
</tr>
<tr>
<td><strong>Total supporting services</strong></td>
<td>1,414,007</td>
<td></td>
<td>1,414,007</td>
</tr>
<tr>
<td><strong>Total expense</strong></td>
<td>7,438,272</td>
<td></td>
<td>7,438,272</td>
</tr>
<tr>
<td>Change in unrestricted net assets before</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net loss on investments and transfer of program</td>
<td>97,049</td>
<td>(209,137)</td>
<td>(112,088)</td>
</tr>
<tr>
<td>Net loss on investments (Note B)</td>
<td>(339,512)</td>
<td>(339,512)</td>
<td></td>
</tr>
<tr>
<td>Transfer of program (Note E)</td>
<td></td>
<td>(472,617)</td>
<td>(472,617)</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(242,463)</td>
<td>(681,754)</td>
<td>(924,217)</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>5,439,926</td>
<td>5,568,776</td>
<td>11,008,702</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$5,197,463</td>
<td>$4,887,022</td>
<td>$10,084,485</td>
</tr>
</tbody>
</table>

*Certain 2000 amounts have been reclassified for comparative purposes. See notes to financial statements.*
### Year ended December 31, 2000

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 216,100</td>
<td>3,394,740</td>
<td>$ 3,610,840</td>
<td></td>
</tr>
<tr>
<td>2,301,642</td>
<td>2,301,642</td>
<td></td>
<td></td>
</tr>
<tr>
<td>680,157</td>
<td>680,157</td>
<td></td>
<td></td>
</tr>
<tr>
<td>496,819</td>
<td>496,819</td>
<td></td>
<td></td>
</tr>
<tr>
<td>100,387</td>
<td>100,387</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,851,515</td>
<td>(3,851,515)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>7,646,620</strong></td>
<td><strong>(456,775)</strong></td>
<td><strong>7,189,845</strong></td>
<td></td>
</tr>
</tbody>
</table>

|                       |             |                        |
| 2,785,506             | 2,785,506   |                        |
| 1,557,760             | 1,557,760   |                        |
| 1,174,679             | 1,174,679   |                        |
| -                     | -           |                        |
| 836,322               |             | 836,322                |
| **6,354,267**         |             | **6,354,267**          |

|                       |             |                        |
| 714,191               |             | 714,191                |
| 352,717               |             | 352,717                |
| 183,269               |             | 183,269                |
| 1,250,177             |             | 1,250,177              |
| **7,604,444**         |             | **7,604,444**          |

|                       |             |                        |
| 42,176                |             | (414,599)              |
| (312,131)             |             | (312,131)              |
| -                     |             | -                      |
| (269,955)             |             | (726,730)              |
| 5,709,881             | 6,025,551   | 11,735,432             |
| **$5,439,926**        | **$5,568,776**| **$11,008,702**        |
Statements of Cash Flows

Year ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(924,217)</td>
<td>$(726,730)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>110,203</td>
<td>105,253</td>
</tr>
<tr>
<td>Net loss on investments</td>
<td>339,512</td>
<td>312,131</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>14,207</td>
<td>51,521</td>
</tr>
<tr>
<td>Grants and dues receivable</td>
<td>(328,207)</td>
<td>145,787</td>
</tr>
<tr>
<td>Other assets</td>
<td>(28,952)</td>
<td>10,994</td>
</tr>
<tr>
<td>Accounts payable and accrued expense</td>
<td>(288,449)</td>
<td>306,211</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(26,853)</td>
<td>14,982</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(208,539)</td>
<td>946,879</td>
</tr>
<tr>
<td>Net cash (used in) provided by operating activities</td>
<td>(1,132,756)</td>
<td>220,149</td>
</tr>
</tbody>
</table>

**Cash Flows From Investing Activities**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale (Purchase) of investments, net</td>
<td>348,072</td>
<td>(310,570)</td>
</tr>
<tr>
<td>Purchase of property and equipment, net</td>
<td>(41,571)</td>
<td>(135,197)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>306,501</td>
<td>(445,767)</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>(826,255)</td>
<td>(225,618)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>1,407,387</td>
<td>1,633,005</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ 581,132</td>
<td>$1,407,387</td>
</tr>
</tbody>
</table>

Certain 2000 amounts have been reclassified for comparative purposes. See notes to financial statements.
Notes to Financial Statements

Note A – Organization and Summary of Significant Accounting Policies

Organization: INDEPENDENT SECTOR is a nonprofit, nonpartisan coalition of more than 700 national organizations, foundations, and corporate philanthropy programs, collectively representing tens of thousands of charitable groups in every state across the nation. Its mission is to promote, strengthen, and advance the nonprofit and philanthropic community to foster private initiative for the public good. INDEPENDENT SECTOR works to promote effective policies and a healthy legislative environment to help not-for-profit initiative thrive; research and analyze the scope of the nonprofit sector and trends in giving and volunteering; strengthen accountability among nonprofit organizations; champion effective collaboration among the business, government, and nonprofit sectors; communicate the value and successes of the American tradition of giving and volunteering; and provide the “meeting ground” for the leadership of the philanthropic and nonprofit sector to address emerging trends affecting the sector.

Income tax status: INDEPENDENT SECTOR is exempt from income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. INDEPENDENT SECTOR is not a private foundation since it meets the requirements of Section 509(a)(2).

Basis of accounting: INDEPENDENT SECTOR prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, all highly liquid investments with a maturity of three months or less at the time of purchase are considered to be cash equivalents.

Net assets: INDEPENDENT SECTOR has established the following unrestricted net asset categories:

- Undesignated – This fund is used for the general operations of INDEPENDENT SECTOR.
- Designated – These funds have been appropriated by the Board of Directors of INDEPENDENT SECTOR for designated programs and consist of the following:
  - Reserve and Program Contingency Fund – Fund was established to provide for the stability for INDEPENDENT SECTOR over the long term.
  - Public Policy Strategic Reserve Fund – Fund was established to support future public policy initiatives as they arise.

Grants and Contributions: Grants are recorded when INDEPENDENT SECTOR is notified of them. Unrestricted grants are recognized as unrestricted revenue in the period designated by the donors. Temporarily restricted grants are recorded as temporarily restricted revenue when received and released from program and time restrictions as expenditures are incurred for the restricted purposes or time restrictions have expired. INDEPENDENT SECTOR has adopted a policy of implying time restrictions on long-lived assets acquired with temporarily restricted grants. Time restrictions will expire as depreciation related to the long-lived assets is expensed.

Functional allocation of expense: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities.
Note B – Investments

Investments are recorded at fair value and consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Index stock mutual funds</td>
<td>$ 3,773,600</td>
<td>$ 3,141,008</td>
</tr>
<tr>
<td>U S Agency and similar</td>
<td>1,653,852</td>
<td>1,697,273</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>1,108,969</td>
<td>1,130,824</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>822,774</td>
<td>821,697</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>830,892</td>
<td>832,587</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$8,190,087</strong></td>
<td><strong>$7,623,389</strong></td>
</tr>
</tbody>
</table>

The following is a summary of investment revenue for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$ 348,785</td>
<td>$ 496,819</td>
</tr>
<tr>
<td>Net realized and unrealized losses</td>
<td>(339,512)</td>
<td>(312,131)</td>
</tr>
<tr>
<td></td>
<td><strong>$ 9,273</strong></td>
<td><strong>$184,688</strong></td>
</tr>
</tbody>
</table>

Note C – Property and Equipment

Acquisitions of property and equipment of more than $500 are capitalized at cost. Depreciation and amortization are provided using the straight-line basis over the estimated useful lives of the respective assets (3-10 years).

Property and equipment consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$ 285,415</td>
<td>$ 265,924</td>
</tr>
<tr>
<td>Computer equipment and software</td>
<td>493,390</td>
<td>475,537</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>70,22</td>
<td>70,227</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>849,032</strong></td>
<td><strong>811,688</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(557,388)</td>
<td>(451,412)</td>
</tr>
<tr>
<td></td>
<td><strong>$291,644</strong></td>
<td><strong>$360,276</strong></td>
</tr>
</tbody>
</table>

Note D – Designated Net Assets

Designated net assets consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve and program contingency</td>
<td>$2,979,659</td>
<td>$3,319,171</td>
</tr>
<tr>
<td>Public policy strategic reserve</td>
<td>750,000</td>
<td>750,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,729,659</strong></td>
<td><strong>$4,069,171</strong></td>
</tr>
</tbody>
</table>
### Note E – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

<table>
<thead>
<tr>
<th>Projects</th>
<th>Balance at December 31, 2000</th>
<th>New Commitments</th>
<th>Amounts Released or Expired</th>
<th>Transfer of Program</th>
<th>Balance at December 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gardner Award</td>
<td>$ 45,000</td>
<td>$ 75,000</td>
<td>$ 30,000</td>
<td>$</td>
<td>$ 90,000</td>
</tr>
<tr>
<td>Salute to Volunteers</td>
<td>82,281</td>
<td></td>
<td></td>
<td></td>
<td>82,281</td>
</tr>
<tr>
<td>Public Policy Initiative</td>
<td>657,041</td>
<td>270,640</td>
<td></td>
<td></td>
<td>386,401</td>
</tr>
<tr>
<td>Organizational Leadership Award</td>
<td>90,000</td>
<td>30,000</td>
<td></td>
<td></td>
<td>60,000</td>
</tr>
<tr>
<td>Corporate–Nonprofit Partnerships</td>
<td>73,960</td>
<td>2,509</td>
<td></td>
<td></td>
<td>71,451</td>
</tr>
<tr>
<td>Research</td>
<td>35,113</td>
<td>1,850,000</td>
<td>991,286</td>
<td></td>
<td>893,827</td>
</tr>
<tr>
<td>Charity Lobbying in the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Interest</td>
<td>647,124</td>
<td>13,000</td>
<td>12,848</td>
<td>(472,617)</td>
<td></td>
</tr>
<tr>
<td>Tax Issues</td>
<td>95,703</td>
<td>95,703</td>
<td></td>
<td></td>
<td>23,471</td>
</tr>
<tr>
<td>Leadership</td>
<td>40,321</td>
<td>16,850</td>
<td></td>
<td></td>
<td>25,377</td>
</tr>
<tr>
<td>Capacity Building</td>
<td>44,788</td>
<td>19,411</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BCPP-Public Policy</td>
<td>947,861</td>
<td>571,185</td>
<td></td>
<td></td>
<td>376,676</td>
</tr>
<tr>
<td>Total Projects</td>
<td>2,759,192</td>
<td>1,938,000</td>
<td>2,214,939</td>
<td>(472,617)</td>
<td>2,009,636</td>
</tr>
<tr>
<td>Time-restricted grants</td>
<td>2,850,000</td>
<td>1,100,000</td>
<td>1,050,000</td>
<td></td>
<td>2,900,000</td>
</tr>
<tr>
<td>Total grants and contributions</td>
<td>5,609,192</td>
<td>3,038,000</td>
<td>3,264,939</td>
<td>(472,617)</td>
<td>4,909,636</td>
</tr>
<tr>
<td>Less: Present Value Discount</td>
<td>(40,416)</td>
<td>17,802</td>
<td></td>
<td></td>
<td>(22,614)</td>
</tr>
<tr>
<td><strong>Net Present Value</strong></td>
<td><strong>$5,568,776</strong></td>
<td><strong>$3,055,802</strong></td>
<td><strong>$3,264,939</strong></td>
<td><strong>(472,617)</strong></td>
<td><strong>$4,887,022</strong></td>
</tr>
</tbody>
</table>

During the year ended December 31, 2001, Charity Lobbying in the Public Interest separated from INDEPENDENT SECTOR and set up its own exempt organization under Section 501(c)(3) of the Internal Revenue Code. In accordance with donor restrictions, the net asset balance of $472,617 was transferred to the new organization. INDEPENDENT SECTOR is no longer the reporting or fiscal agent for Charity Lobbying in the Public Interest.

Included in grants and accounts receivable is $872,722 of temporarily restricted project funds and $1,100,000 of time-restricted grants, which will be collected as follows:

**Restricted project funds**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>772,722</td>
</tr>
<tr>
<td>2003</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>872,722</td>
</tr>
</tbody>
</table>

**Time-restricted grants**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,972,722</td>
</tr>
<tr>
<td>Less: present value discount</td>
<td>(22,614)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,950,108</strong></td>
</tr>
</tbody>
</table>
**Note F – Retirement Plans**

**Defined contribution retirement plan:**
All full-time employees of INDEPENDENT SECTOR who have reached the age of 21 years and have completed a minimum of one year of service participate in an employee retirement plan administered by Teachers’ Insurance Annuity Association and College Retirement Equities Fund. The plan is a noncontributory defined contribution plan whereby an amount equal to fifteen percent of a participant’s salary is funded by INDEPENDENT SECTOR and applied as a premium on retirement annuity contracts owned by the participants. Employer contributions for the years ended December 31, 2001 and 2000, were $276,156 and $296,360, respectively.

**Supplemental executive retirement plan:**
Plan offers certain of INDEPENDENT SECTOR’s executives or highly compensated employees an opportunity to defer compensation pursuant to section 457(f) of the Code to supplement such employees’ retirement benefits under the employer’s ERISA qualified retirement plan and other retirement programs.

**Note G – Commitment**

INDEPENDENT SECTOR leases office space in Washington, D.C., under an agreement that expires in January 2009. The remaining non-cancelable future minimum lease payments are as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$324,794</td>
</tr>
<tr>
<td>2003</td>
<td>324,794</td>
</tr>
<tr>
<td>2004</td>
<td>352,436</td>
</tr>
<tr>
<td>2005</td>
<td>352,436</td>
</tr>
<tr>
<td>2006</td>
<td>352,436</td>
</tr>
<tr>
<td>2007-09</td>
<td>704,869</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,411,765</strong></td>
</tr>
</tbody>
</table>
Independent Auditor's Report on Additional Information

To the Board of Directors
INDEPENDENT SECTOR

Our report on our audit of the basic financial statements of INDEPENDENT SECTOR as of and for the year ended December 31, 2001 appears on page 34. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information presented on page 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Tate & Tryon

Washington, DC
February 20, 2002
## Schedule of Functional Expenses

*Year Ended December 31, 2001 with Comparative Totals for 2000*

<table>
<thead>
<tr>
<th>Communication Among Members/ Meeting Ground</th>
<th>Public Affairs</th>
<th>Strategic Outreach</th>
<th>Research</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee costs</td>
<td>$580,511</td>
<td>$856,394</td>
<td>$181,087</td>
<td>$503,400</td>
</tr>
<tr>
<td>Professional/consultants</td>
<td>362,074</td>
<td>803,955</td>
<td>2,403</td>
<td>978,445</td>
</tr>
<tr>
<td>Printing/reproduction</td>
<td>17,623</td>
<td>77,336</td>
<td>1,756</td>
<td>54,153</td>
</tr>
<tr>
<td>Travel/meetings</td>
<td>296,984</td>
<td>70,847</td>
<td>13,772</td>
<td>146,979</td>
</tr>
<tr>
<td>Occupancy</td>
<td>51,735</td>
<td>92,270</td>
<td>20,364</td>
<td>92,671</td>
</tr>
<tr>
<td>Office supplies/expenses</td>
<td>19,559</td>
<td>28,120</td>
<td>3,500</td>
<td>15,616</td>
</tr>
<tr>
<td>Postage/delivery</td>
<td>18,618</td>
<td>44,429</td>
<td>4,376</td>
<td>13,392</td>
</tr>
<tr>
<td>Annual conference</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Training/subscriptions</td>
<td>4,402</td>
<td>44,584</td>
<td>987</td>
<td>4,369</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>10,000</td>
<td>453,472</td>
<td>-</td>
<td>3,000</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>21,547</td>
<td>28,290</td>
<td>6,734</td>
<td>19,442</td>
</tr>
<tr>
<td>Telephone</td>
<td>16,909</td>
<td>21,668</td>
<td>4,421</td>
<td>13,169</td>
</tr>
<tr>
<td>Other</td>
<td>7,253</td>
<td>3,260</td>
<td>2,850</td>
<td>5,539</td>
</tr>
<tr>
<td><strong>Total expense</strong></td>
<td><strong>$1,407,215</strong></td>
<td><strong>$2,524,625</strong></td>
<td><strong>$242,250</strong></td>
<td><strong>$1,850,175</strong></td>
</tr>
</tbody>
</table>

### Percentage of Total Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>2001</td>
<td>80.99%</td>
</tr>
<tr>
<td>2000</td>
<td>83.56%</td>
</tr>
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## Supporting Services

<table>
<thead>
<tr>
<th>General and Administrative</th>
<th>Membership Development</th>
<th>Fundraising</th>
<th>Subtotal</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 399,467</td>
<td>$ 296,989</td>
<td>$ 226,486</td>
<td>$ 922,942</td>
<td>$ 3,044,334</td>
<td>$ 3,478,961</td>
</tr>
<tr>
<td>46,907</td>
<td>45,359</td>
<td>54,895</td>
<td>147,161</td>
<td>2,294,038</td>
<td>1,473,092</td>
</tr>
<tr>
<td>3,726</td>
<td>9,702</td>
<td>1,099</td>
<td>14,527</td>
<td>165,395</td>
<td>248,506</td>
</tr>
<tr>
<td>26,117</td>
<td>33,361</td>
<td>6,857</td>
<td>66,335</td>
<td>594,917</td>
<td>474,202</td>
</tr>
<tr>
<td>53,384</td>
<td>39,074</td>
<td>16,932</td>
<td>109,390</td>
<td>366,430</td>
<td>367,671</td>
</tr>
<tr>
<td>13,528</td>
<td>7,205</td>
<td>4,256</td>
<td>24,989</td>
<td>91,784</td>
<td>138,857</td>
</tr>
<tr>
<td>11,431</td>
<td>9,288</td>
<td>4,863</td>
<td>25,582</td>
<td>106,397</td>
<td>122,898</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>442,568</td>
</tr>
<tr>
<td>7,815</td>
<td>7,263</td>
<td>-</td>
<td>15,078</td>
<td>69,420</td>
<td>-</td>
</tr>
<tr>
<td>2,000</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
<td>468,472</td>
<td>588,137</td>
</tr>
<tr>
<td>14,791</td>
<td>10,960</td>
<td>8,446</td>
<td>34,197</td>
<td>110,210</td>
<td>105,253</td>
</tr>
<tr>
<td>9,659</td>
<td>7,219</td>
<td>5,475</td>
<td>22,353</td>
<td>78,520</td>
<td>85,246</td>
</tr>
<tr>
<td>27,400</td>
<td>1,493</td>
<td>560</td>
<td>29,453</td>
<td>48,355</td>
<td>79,053</td>
</tr>
<tr>
<td><strong>$616,225</strong></td>
<td><strong>$467,913</strong></td>
<td><strong>$329,869</strong></td>
<td><strong>$1,414,007</strong></td>
<td><strong>$7,438,272</strong></td>
<td><strong>$7,604,444</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>19.01%</th>
<th>100%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>16.44%</th>
<th>100%</th>
</tr>
</thead>
</table>
# 2002 Staff

<table>
<thead>
<tr>
<th>Name</th>
<th>Title and Department</th>
<th>Email Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tim Abercrombie</td>
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</tr>
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</tr>
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</tr>
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<td>Director, Technology</td>
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</tr>
<tr>
<td>Sara E. Meléndez</td>
<td>President and CEO</td>
<td><a href="mailto:sara@IndependentSector.org">sara@IndependentSector.org</a></td>
</tr>
</tbody>
</table>
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Arthur D. Kirsch  
Senior Research Consultant

Murray S. Weitzman  
Senior Research Consultant

Interns  
Administration and Finance  
Tram N. Ly

Membership and Development  
Madeleine Bayard

Corporate-Nonprofit Partnership Initiative  
Amy Gleason
In Memoriam:

Darryl L. Barnes

On January 24, 2002, INDEPENDENT SECTOR lost both a cornerstone of its work and an inspiration to its staff: Darryl L. Barnes, Sr., IS director of Human Resources and Administration, passed away after a long battle with cancer.

A 22-year veteran of INDEPENDENT SECTOR, Darryl worked his way up through the ranks of the organization, always exhibiting an exemplary sense of fairness and equality. As director of Human Resources and Administration, Darryl was charged with staff recruitment, training, employee communications, and employee relations activities. He was also responsible for employee performance evaluations, providing support to supervisors and managers, and serving as an employee relations representative. From 1979 to 1994, Darryl was an executive assistant in various program areas. From 1994 to 1998 he was assistant director of Administration/Annual Meeting. In 1998 he took on the duties of director of Human Resources and Administration.

We are grateful for the opportunity to have known Darryl as a colleague and as a friend. In recognition of his many contributions to INDEPENDENT SECTOR, we have named both our staff room and the annual staff volunteer day in his honor.
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