



#### OVERWHELMING, BUT NOT INSURMOUNTABLE

In the midst of a pandemic, a reckoning with racial injustice and the biggest sustained protest movement in our country's history, many of our clients are looking for a way to take action and make an impact. If you, too, are interested in focusing your philanthropy on social justice issues, here are some ideas for your consideration:

#### TRIED AND TRUE

One of the quickest and most familiar ways to take philanthropic action is through direct giving to public charities (the classic 501(c)(3) organizations): pick a charity, write a check (electronically or otherwise), repeat. It's a tried-and-true approach because it is effective and goes straight to the source: the charity itself. In the current era, however, many of us feel that we may want to do something more. The movement for social justice may require more discernment, more diligence, and use of a 'deliberate equity lens' to find areas of improvement and opportunities for greater impact.<sup>1</sup> Below are suggestions for how to revisit the tried-and-true approach to better account for and serve the present moment and utilize a deliberate equity lens.

- **RECONSIDER THE GIFT, NOT THE INSTITUTION.** We all have our go-to charitable organizations; we know them, we love them, we claim the income tax charitable deduction that gifts to them afford each tax season. We don't always give much thought to what happens to those dollars once the literal and metaphorical ink dries or the confirmation email is received. However, with massive inequities and disparities in communities of color, all of which are prevalent and far-reaching and have been unequivocally exposed by the pandemic and the thriving social justice movement, incorporating a greater discernment and diligence into the tried-and-

true process is a necessary next step. Put more simply, think about how the organizations you've regularly supported plan to and actually use your donation and more importantly, how you can influence both.

For example, there have always been significant disparities and inequities in our health care system, from accessibility of care, to treatment, to attention to the pain and discomfort of Black, Indigenous, and people of color (BIPOC) while they are being treated. With COVID-19 disproportionately affecting BIPOC communities and killing BIPOC, the disparities and inequities in the health care system have been brutally laid bare, and increase with every passing day. If your tried-and-true organization is a hospital or health care facility, consider specifying that your donation be used to address such disparities and inequities and/or ask the organization what they have done and plan to do to address health care inequity, and combat systemic disparities and inequities in the health care system. Incorporating this deliberate equity lens in your perennial giving is an example of action with impact.

- **TRIED-AND-TRUE REVISED.** As much as you know and love your tried-and-true charities, after the necessary thought, consideration and diligence, you may choose to focus some or all of your giving elsewhere. If you want to pivot or change your philanthropic direction, now is a great time to do so, and a great time to think creatively—perhaps stretching outside of your comfort zone—to support organizations and areas that may not initially come to mind when considering how best to address the pandemic and support the social justice movement.

Consider organizations that address food insecurity and seek to end food deserts in BIPOC communities; organizations that provide basic utilities, including internet service and technology (e.g., laptops and tablets), for educational purposes; and organizations that combat

systemic disparities and inequities in the health care system. Consider organizations that spotlight the mental health and wellness of BIPOC and their communities, and organizations that are seeking to combat the generational trauma that plagues BIPOC communities. Consider organizations that focus on community safety and police reform and seek to put an end to the unnecessary harassment and over-policing of BIPOC communities and neighborhoods. Consider organizations that do not just focus on the traditional literacy gap, but also focus on the development of financial literacy among BIPOC. Think of this as an invitation to broaden and expand your standard approach and to sharpen the deliberate equity lens focused on dismantling structural inequality and developing structural equality that will permeate beyond the immediate moment and create lasting change.<sup>2</sup>

## IN ADDITION TO, NOT INSTEAD OF

Scaling and amplifying efforts to combat social injustice is critical. One of the best ways to achieve this effect is to develop a multi-pronged approach that supplements the tried-and-true approach described above. The good news is that these “in-addition-to” approaches oftentimes rely on existing and readily available tools that can simply be harnessed in a more intentional and deliberate way.

- **ADVOCACY.** Advocacy and lobbying are additional mechanisms that may be folded into your effort to take action and have a lasting impact. 501(c)(3) organizations (the tried-and-true organizations discussed above) are limited in terms of the advocacy work they can do. 501(c)(4) organizations, on the other hand, are not restricted in the same ways. 501(c)(4) organizations, sometimes called social welfare organizations or social advocacy organizations, are not-for-profit organizations operated exclusively to promote social welfare, the common good and the general welfare of the people of the community.<sup>3</sup> So long as it is not the organization’s sole purpose, social welfare organizations may engage in unlimited advocacy work, lobbying and political activity, including, but not limited to, engaging in political campaigns, supporting ballot measures, sponsoring debates and organizing nonpartisan voter registration drives, get-out-the-vote activities and

educational drives. The ability to support advocacy work and candidates who embrace and tirelessly work towards dismantling systemic inequality and anti-BIPOC structural racism is a powerfully effective arrow to have in your quiver.

Although social welfare organizations are not-for-profit organizations, donations to such organizations are not deductible as charitable contributions for federal income tax purposes. Consider, though, whether the value added by supporting such organizations that help disrupt systemic injustices may rival the value of tax benefits in some cases. The reality is that systemic change will not be accomplished through one approach; instead, it will require different approaches with the same target.

- **UNDERSTANDING AND LEVERAGING STRUCTURE.** It is also worth noting that many social welfare organizations exist as part of a larger structure, including multiple nonprofit organizations (501(c)(3)s and 501(c)(4)s and possibly political organizations, which may include a political action committee (PAC)).<sup>4</sup> For example, the NAACP and the ACLU are both 501(c)(4) organizations that have complementary 501(c)(3) organizations: the NAACP Empowerment Programs, Inc. and the ACLU Foundation, respectively. Understanding how multiple entities work together and complement one another’s efforts to create social change can inform your multi-pronged approach, allowing you to direct your dollars in the most effective and impactful ways.

Some organizations take a different approach and utilize fiscal sponsorship. A typical fiscal sponsorship includes a 501(c)(3) tax-exempt organization and a sponsored organization, group or social movement (sometimes referred to as a social venture) that is engaged in activities that serve the sponsor’s mission.<sup>5</sup> Through a fiscal sponsorship, the sponsored organization relies on the tax-exempt status of the sponsor, which enables the sponsored organization more time, energy and space to fulfill its mission.<sup>6</sup> Contributions are directed to the fiscal sponsor, but are restricted to support the work of the sponsored organization. The fiscal sponsor is also tasked with assuring that the activities

of the sponsored organization fulfill its charitable purpose. Such an arrangement enables the sponsored organization to focus on its mission and corresponding growth while the sponsor organization handles the rest, making this arrangement particularly appealing to new organizations or organizations that are not structured in a traditional manner, such as the chapter-led, decentralized Black Lives Matter (BLM) movement. The BLM movement's nonprofit organization, Black Lives Matter Global Network Foundation, engages in a fiscal sponsorship with Tides, a 501(c)(3) public charity, thereby allowing the BLM movement to prioritize and expand its grassroots efforts. Donations to BLM Global Network Foundation flow through the Black Lives Matter Support Fund at a Tides subsidiary, the Tidal Foundation, and are then directed to BLM Global Network Foundation to be allocated among BLM's affiliated chapters.<sup>7</sup> Fiscal sponsorships are essential to certain organizations and understanding this arrangement when considering contributions to grassroots organizations can help donors prioritize ventures and activities led by those with the lived experiences and know-how to magnify impact.

Donor diligence is an important part of being philanthropically responsible, and there is power in the knowledge that comes with being able to leverage particular structures. Think of this as an approach of multiples—multifaceted, multidimensional and multifarious—that emphasizes the effect of combatting one problem through multiple approaches, offering a more holistic, lasting end-result.

- **AMPLIFY.** In addition to your personal giving efforts, you can amplify your impact using other giving vehicles. Family foundations and donor advised funds (DAFs) are excellent mechanisms for this purpose and provide an additional opportunity to scale your involvement in social justice issues.

Private foundations and DAFs are not permitted to make contributions for purposes that are not strictly charitable, which generally curtails their ability to give to 501(c)(4) organizations. However, these entities may contribute to 501(c)(3) organizations. As a result, you may consider

being strategic with your donations. As mentioned above, many social welfare organizations exist under a larger structure that also includes a corresponding 501(c)(3) organization or an organization that participates in a fiscal sponsorship. Private foundations and DAFs may provide complementary support to the 501(c)(3) arm of an enterprise while you support advocacy and social welfare organizations through your personal giving efforts. The result of this one-two punch: amplified impact.

- **SUPPORTING BIPOC-OWNED BUSINESS.** Lastly, never underestimate the power of the purse. Studies have shown how Black and Brown businesses have been hit disproportionately hard by the pandemic. Consider doubling down on your commitment by directly supporting BIPOC-owned and -led businesses. The racial justice movement has highlighted the importance and the powerful effect of supporting BIPOC communities in this way (e.g. the “Buy Black” and “Buy Native” campaigns, among others).

It is now easier than ever to support BIPOC-owned and -led businesses. There are resources readily available to guide you through the process. For example, Ellevest provides expansive (but hardly exhaustive) lists of Black and Latinx woman-founded and -run businesses<sup>8</sup> across industries. Each list is continually updated and expanded, and is broken into categories ranging from health and wellness companies to beauty companies to food companies and more, making it an excellent and easily accessible resource. In addition, other websites and a number of smartphone apps make it equally easy to support BIPOC-owned and -led businesses in your neighborhood, so you can buy local while you are at it.<sup>9</sup>

## ENDURING IMPACT – STRATEGY FOR SUSTAINABILITY

Without a strategy for sustaining the current momentum, commitment will wane, progress will fizzle and the hope of true systemic change will fade. As a result, one of the most important things we can do at this moment is to strengthen our philanthropic resolve and ensure

continued commitment and lasting impact. To do so will require capitalizing on and strategically transforming the existing momentum into sustained systemic change.

■ **STRATEGIC TIME HORIZONS.** The rapid spread of the pandemic, along with the renewed attention on social injustice and inequities, merit emergent and immediate action, support and funding assistance. Full stop. However, the response to and support of this movement must be viewed as a marathon, not a sprint. Providing substantial, *sustained* support and commitment is crucial. It may seem small, but turning your donations into recurring donations, and building them into your budget and expenditures as much as any other necessities can have a big impact.

Commit to pledges and other long-term giving; make investment commitments that stretch over years. Put your commitment in writing and sign on the dotted line. Reimagine your philanthropy as a long-term investment in sustained action, rather than discrete contributions.

■ **NEXT-GEN INVOLVEMENT.** Creating lasting impact may go hand in hand with engaging the next generation of your family in your philanthropy. Younger generations are often hungry for involvement in family philanthropy, and family foundations and DAFs alike. This moment requires reflection coupled with provident thinking, making it an opportune time to include the next generation in the conversation. For



## Responsible Investing Social Justice Finally Gets the Spotlight

WHILE THE PANDEMIC HAS CREATED unprecedented financial stress in the lives of many Americans since early March, many issues and causes rising to the forefront of people's minds are further increasing the momentum towards responsible investing. This type of investing, also known as ESG investing, describes the practice of incorporating Environmental, Social and Governance issues into an investor's goals and objectives, alongside traditional financial return expectations.

While environmental concerns and growing recognition of systemic

risks such as climate change are now becoming more widely accepted, the "S," or human capital aspect of responsible investing, is just starting to gain traction as an issue of importance amongst investors. Terrence Tedeschi, Portfolio Manager at Ropes Wealth Advisors, notes that "human capital is rapidly becoming a more integral component to a company's ability to thrive, given the increase in service-oriented companies as a percentage of GDP and intellectual property as an increasingly important competitive advantage." Jennifer Loveless, Associate Portfolio Manager at Ropes Wealth Advisors, recently discussed trends

in this space. Jennifer expressed that "we were already excited about the huge uptick in demand for responsible investing over the past few years, and the recent headlines over questionable workplace health and safety standards and the Black Lives Matter movement have only furthered this trend. Additionally, we are proud to work with managers that are specifically targeting this theme through investment in high quality bonds such as agency backed securities and taxable municipals, which support affordable housing and neighborhood revitalization for minority individuals and communities."

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instance, if you are reevaluating the family's tried-and-true approach, why not include the younger generations in this process? They could help to identify and select new organizations to support. You could also consider involving them in the family philanthropy so that they have an additional role or increased autonomy over a portion of the foundation's grantmaking or the recommended distributions from a DAF. Put the tech savviness and ingenuity of the young people in your life to good use, to shrink the distance between the giving focus you've identified and those working to implement

solutions on the ground in BIPOC communities. The Next Gen is a secret weapon in more ways than one; don't miss the opportunity to harness their enthusiasm and know-how.

- **LASTING IMPACT AND LEGACY.** Prioritizing social justice and ending systemic racial injustices and inequalities will be important beyond this moment of heightened awareness. If you are concerned about these issues, infuse them into your philanthropic mission statements and family values. Make them a central focus of your



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**TO BE CLEAR**, responsible investing is not charitable giving, as investors still expect to see return on their investment. However, more data is starting to come out in support of the hypothesis that investors may not have to compromise financial returns to align their investments with their values.

Terrence says the recent performance data on responsible investing is promising. "When the stock market was imploding during the first quarter of 2020, global large cap stock funds with the highest ESG ratings as provided by Morningstar experienced better

downside protection than funds in the same category but with the lowest ESG ratings. This is not to say that these types of investments will continue to outperform in the future, but I do think the last several years (and the most recent 6 months) have shown investors that, one doesn't necessarily have to sacrifice performance when choosing an ESG style of investing. I think this way of investing is best thought of as another layer of risk management, not a separate asset class."

On the specific issue of diversity and its role in company performance,

Jennifer highlighted, "A recent McKinsey study shows a positive correlation between greater gender/ethnic diversity in leadership roles and company profitability. While these are promising results, women and minorities are still under-represented, particularly in revenue regenerating roles. But this is why we get excited when we speak with our fund managers. They continuously give us examples where they are advocating for these issues through proxy voting, by engaging with management of companies they invest in and filing shareholder resolutions in order to force change."

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philanthropic approach for the long term. Weave social justice and combatting anti-BIPOC structural racism into the fiber of mission statements and foundation bylaws. Share these statements so that you are held to account. Center BIPOC voices and perspectives in the grant-making and decision-making process as much as possible: listening to voices proximate to these social justice matters is crucial. The inequities in this country are deeply entrenched and require a prioritization of values and lived experiences to ensure the actions and impact endure, in addition to addressing the needs of the moment. When you settle on your approaches, find ways to double-down on the impact. Do more than you thought you would—surprise yourself. Our society is at an inflection point. Now is not the time to hesitate. It

is the time for decisive action. From this point forward, commit, unwaveringly so, not only to maintain the existing forward momentum, but to drive and fuel it further. Let intentionality, ingenuity and strategy centered by the deliberate equity lens be the perpetual spark that ignites lasting change and widespread impact.

**CONTINUE THE CONVERSATION** The Private Client Group is here to discuss ways in which you and/or your family can implement these ideas in your own philanthropy. Reach out to Ropes Wealth Advisors to discuss how you can incorporate ESG investing in your portfolio.

<sup>1</sup> <https://www.philanthropy.com/article/Huge-Sums-of-Money-Are-Flowing/249217>

<sup>2</sup> By way of example, Color of Change, Campaign Zero, Fair Fight, Know Your Rights, The Bail Project and other community bail funds, Black Girls Code, GirlTrek, The National Black Women's Justice Institute, Black Futures Lab, Coalition for Social Justice, among others, are doing this work.

<sup>3</sup> <https://www.irs.gov/charities-non-profits/other-non-profits/social-welfare-organizations>

<sup>4</sup> Political organizations under Section 527 of the United States Internal Revenue Code, PAC's included, exist primarily to influence the outcome of elections to public office, but what this looks like and how such organizations are structured can vary; the shared trait, however, is the ability to primarily focus on and engage in unlimited political activities. This is important to note because a functioning political system that dismantles structural racism and moves the needle in a meaningful way against anti-BIPOC structural inequalities is another powerful tool in the fight for equity and equality.

<sup>5</sup> [https://www.tides.org/faqs?faq\\_category=fiscal-sponsorship](https://www.tides.org/faqs?faq_category=fiscal-sponsorship)

<sup>6</sup> Generally speaking, fiscal sponsors oftentimes act as a back-office and fill a managerial role for the sponsored organization, providing legal and administrative support, help with accounting, grant management, insurance, etc. Fiscal sponsorships are particularly helpful for newer nonprofits or nonprofits that are structured in a chapter-led, decentralized organizational model, like the BLM movement. In addition, there is usually an administrative fee associated with the sponsorship as well.

<sup>7</sup> Sometimes, third-party fundraising partners are also involved, especially in the online, small donations, crowdfunding world that we live in.

<sup>8</sup> <https://www.ellevest.com/magazine/elle-raises/black-women-owned-businesses>; <https://www.ellevest.com/magazine/elle-raises/latinx-women-owned-businesses>

<sup>9</sup> An interesting, but far from exhaustive, list of organizations working in this area includes: WeBuyBlack.com, The Black Owned Directory, Chez Nous Guide, eatOkra, Official Black Wall Street, Beyond Buckskin, and HispanicYa!

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