



FOUNDATION
CENTER



Knowledge to build on

2005 ANNUAL REPORT



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“The Foundation
Center helps you
gain insights to
hone your goals.”

Tom Elliot, Artistic Director,
Ballet Orchestra of NYC Inc.

Knowledge is understanding where to look. Unearthing facts. Providing clarity. Offering context. Answering questions. Raising standards. Knowledge is connecting the dots. Empowering people. Improving access. Harnessing potential. Meeting needs. Fostering community. Knowledge is pushing the envelope. Sharing best practices. Providing thought leadership. Responding to the marketplace. Staying relevant. Building common ground.

FROM OUR CHAIRMAN AND PRESIDENT

Knowledge to build on.



Sara L. Engelhardt (left) and
M. Christine DeVita

To build a house, one starts with the foundation, using basic materials and tools of the trade.

To build *knowledge*, one also starts with basic materials and tools—information, education, training—the essential building blocks for arriving at “the sum of what is known,” Webster’s definition of the word.

For nearly 50 years, the Foundation Center has been providing essential building blocks to help people arrive at the sum of what is known about the dynamic field of philanthropy. While grantseekers, grantmakers, and others have long valued our expanding information resources, educational programs, and training opportunities, the true hallmark of our work is the way we use these building blocks to foster broad-based understanding about the field and its key players.

In 2005, we built knowledge in many new areas. We reported on the groundswell of giving in the wake of Hurricane Katrina. We issued a pioneering study on social justice grantmaking. We developed new online tools that make grants research easier than ever. And we took our knowledge on the road with a Spanish-language training tour around the country.

These, and other activities highlighted throughout these pages, illustrate our team’s ongoing efforts to connect tens of thousands each day to the broadest, deepest, and

most accessible set of resources on U.S. philanthropy. In a world that is often viewed as information-rich and knowledge-poor, we continue to bring together in one place information you can trust and tools you can use to advance knowledge of philanthropy.


As 2005 comes to a close and 2006 begins, we are at a momentous point in our history. We are proud of our record of achievements in 2005 and those of the past 50 years. At the same time, we are enthusiastically moving forward with our bold new strategic plan for 2006–2008. We have laid a strong foundation on which to build knowledge for philanthropy in the twenty-first century.

Our commitment to philanthropy's future is underscored by our new logo and the fresh new look reflected in this annual report. While change is under way, our core mission and values remain the same, as vital today as they were when our founders envisioned a place where anyone could come to build their own knowledge about philanthropy.

Let's keep building.



M. Christine DeVita, Board Chairman
The Foundation Center




Sara L. Engelhardt, President
The Foundation Center

Mission Statement

Our mission is to strengthen the nonprofit sector by advancing knowledge about U.S. philanthropy.

Year after year, the Foundation Center works to advance philanthropy on many levels, and 2005 was no exception. We published dozens of helpful books and research reports, held more than 1,400 training sessions, assisted 50,000 people at our offices across the country, and served hundreds of thousands more through our expanding platform of web-based services.

But statistics tend to gloss over the real highlights: the more meaningful stories that involve real people learning real things that bring their dreams closer to fruition. And statistics don't say how much we enjoy helping grantseekers succeed and grantmakers make a difference.

A portrait of Amy Holmes, a woman with curly brown hair, wearing a grey blazer over a red top. She is smiling slightly and has her arms crossed. The background is plain white.

“I attended an event at the Washington, DC, office and immediately got plugged into the network of local funders.”

Amy Holmes, Program Coordinator,
Rockefeller Philanthropy Advisors



“I love the resources.
They’re informative and free,
which is really helpful for
a nonprofit organization
with a limited budget.”

Rev. Cindy Carr
Director of Development,
St. James Preparatory School

INFORMATION RESOURCES

Who's getting grants? Who's giving them? And for what purposes? When it comes to information about U.S. grantmaking, the Foundation Center stands alone in terms of breadth, depth, and reliability of its information.

In 2005, we continued enhancing and expanding our robust tools and technologies to help our audiences keep pace with the latest news of the nonprofit sector and find the answers to their most pressing questions.

RESPONSIVE

On August 29, 2005, a massive storm surge and Category 4 winds battered the Gulf Coast. Hurricane Katrina brought unprecedented devastation, and the Foundation Center responded with accuracy and speed to support and inform the giving effort.

We activated our resources and relationships to offer a reliable accounting of the philanthropic community's substantial funding for relief, recovery, and rebuilding. As we did after September 11, the Foundation Center made a commitment to track foundation and corporate giving in response to the Gulf Coast crisis.

The *Philanthropy News Digest* team led our operation with comprehensive coverage. We created a list of resources and organizations offering assistance to residents of Louisiana, Mississippi,

and Alabama, and we began to track and distribute facts on both in-kind and cash contributions.

As basic services were re-established, we waived subscription fees to *Foundation Directory Online* for nonprofits affected by the hurricane.

We also brought a deeper perspective to the coverage with a special Newsmakers series, publishing revealing interviews with leaders involved in key relief efforts, including John Davies, president of the Baton Rouge Area Foundation, and George Penick, then president of the Foundation for the Mid South and a current Foundation Center board member.

We continue to record the events, perspectives, and donations that are shaping philanthropy's response to Hurricanes Katrina and Rita, and we plan to publish an extensive analysis in coming months.



INNOVATIVE

With more than 10,000 dedicated subscribers, our *Foundation Directory Online* remains the leading online resource for grants research. In survey after survey, we're finding that more customers want to use our online tools to search for grants in more incisive ways.

In 2005, we continued to improve the service by introducing *Professional*, our most powerful, comprehensive plan ever.

Leveraging our core platform—data on some 80,000 U.S. foundations and corporate givers, more than 500,000 fully indexed grants, and more than 360,000 affiliated names—we designed *Professional* for those development executives and consultants who need complete access to the Foundation Center's top-tier intelligence.

Available for free at our five regional centers and many of our Cooperating Collections across the country, *Foundation Directory Online Professional* goes beyond our traditional database resources to offer access to *all* information we have on individual funders, which can include news stories, RFPs, and links to foundation-sponsored reports.

“To me, the Foundation Center represents hope. So many people have ambitions to change the world, but they don't know how to find funding. Finally there is a light at the end of the tunnel.”

Jason Lopez, Youth Representative, Board of Directors, Bronx AIDS Services



2005 Publications

Directory of Missouri Grantmakers, 6th ed.

FC Search: The Foundation Center's
Database on CD-ROM, v. 9.0

The Foundation 1000, 2005/2006 ed.

The Foundation Directory, 2005 ed.

The Foundation Directory Part 2, 2005 ed.

The Foundation Directory Supplement,
2005 ed.

The Foundation Directory 1 & 2
on CD-ROM, v. 5.0

The Foundation Directory Online
Professional **NEW**

Foundation Expenses and Compensation:
Interim Report 2005 **NEW**

Foundation Funding
for Arts Education **NEW**

Foundation Funding for
Children's Health **NEW**

The Foundation Grants Index
on CD-ROM, v. 6.0

Foundation Grants to Individuals, 14th ed.

Foundations Today Series, 2005 ed.

- Foundation Giving Trends
- Foundation Growth and
Giving Estimates
- Foundation Yearbook

Grant Guides, 2005/2006 ed.

Guide to Ohio Grantmakers
on CD-ROM, v. 2.0

Guide to U.S. Foundations, Their Trustees,
Officers, and Donors, 2005 ed.

Guide to Winning Proposals II **NEW**

National Directory of
Corporate Giving, 11th ed.

National Guide to Funding in AIDS, 4th ed.

National Guide to Funding
in Health, 9th ed.

National Guide to Funding for Libraries
and Information Services, 8th ed.

National Guide to Funding
in Religion, 8th ed.

Social Justice Grantmaking **NEW**



“The Foundation Center sits at the intersection of scholarship and practice. It is an invaluable resource for anyone interested in learning about grantmaking today.”

Barbara Luria Leopold
Coordinator, Center on
Philanthropy and Civil
Society, CUNY

RESEARCH

As an information hub, we remain objective observers. Interpreters. Trend-watchers. Each year we diligently analyze and synthesize the data we collect.

In 2005, we continued issuing our essential reports—including *Foundation Giving Trends*, *Foundation Growth and Giving Estimates*, and *Foundation Yearbook*—but we also published the first-ever study of social justice grantmaking, and we helped take a closer look at foundation operating expenses.

ENLIGHTENING

What is “social justice grantmaking”? How should the philanthropic community approach issues of social justice? How do Americans relate and react to the term “social justice”?

Released in collaboration with Independent Sector and funded by the Ford Foundation, *Social Justice Grantmaking: A Report on Foundation Trends* is the first attempt to objectively measure how and why U.S. foundations fund social justice causes.

Focusing on funding trends from 1998 through 2002, the report concludes that the largest U.S. foundations provide 11 percent of their grant dollars to support structural changes aiding those least well off economically, socially, and politically. This financial support spans all areas of foundation activity, from promoting economic development in distressed areas, to ensuring access to health care for disadvantaged populations, to encouraging diversity in education.

Social Justice Grantmaking provides an important benchmark about giving to causes aimed at systemic change, but it also reminds us how vital it is to raise awareness about this emerging area of philanthropy.

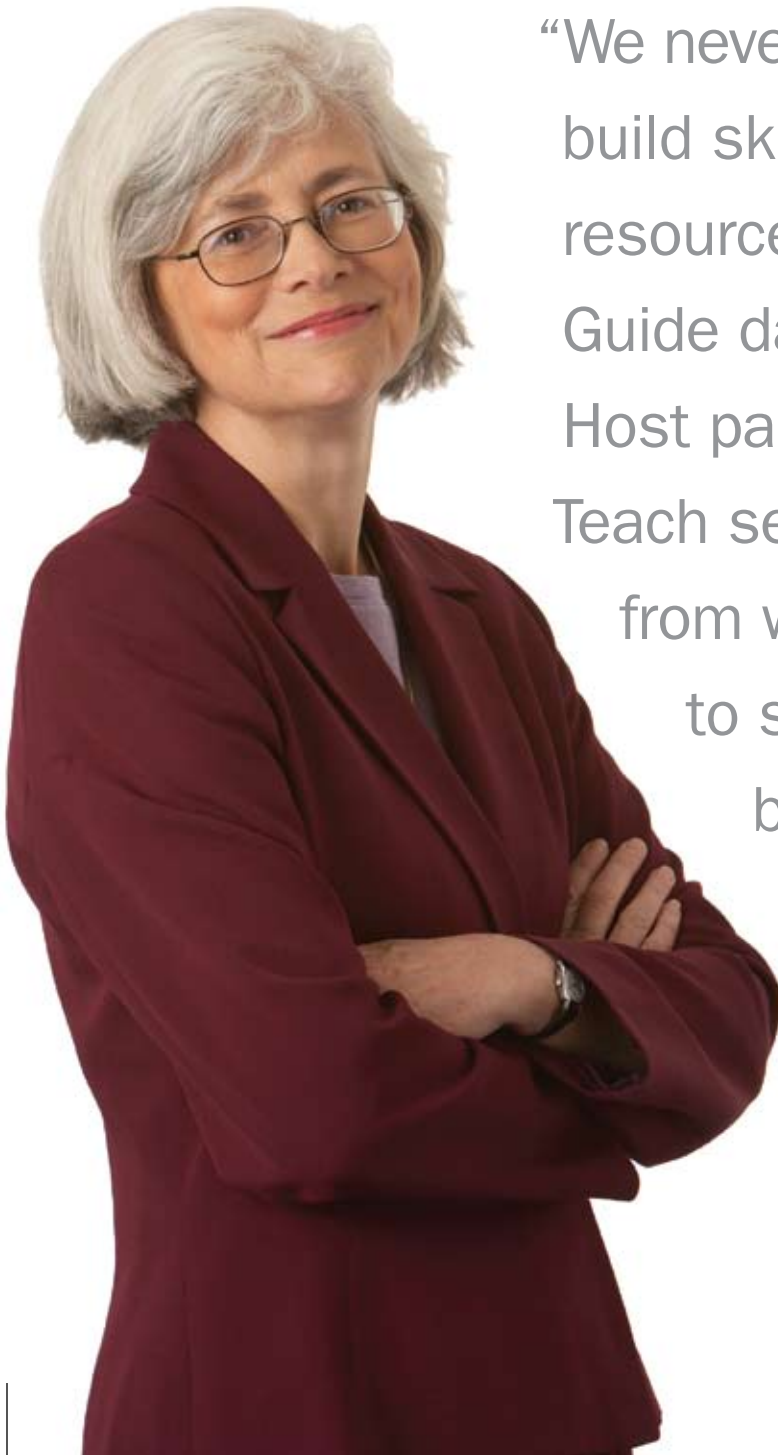
CLARIFYING

Most foundations have little or no administrative expenses, yet as a group they have long faced scrutiny about how much they spend on items such as salaries, rent, travel, and the like.

In 2005, at a time of increased public interest in the issue, the Ford and Charles Stewart Mott Foundations supported our collaboration with the Urban Institute and GuideStar to launch the first comprehensive study of the spending patterns of U.S. grantmaking foundations, based on the 10,000 largest ones.

Foundation Expenses and Compensation: Interim Report reveals the range of foundation expense levels one might expect: smaller foundations tend to have lower levels than larger ones. And it documents how a foundation’s particular operating style has a great impact on its expenses. The findings reaffirm the anecdotal evidence from the field that, overall, foundation administrative expenses are relatively modest compared to giving. The report also clarifies the many different ways that foundations approach the world of giving and how they structure themselves to give.

We released initial findings in June to coincide with hearings held by the Senate Finance Committee on possible changes to the regulation of charities. As policymakers continue this debate, we remain committed to clarifying the issues and fostering understanding of our research findings.



“We never stop helping nonprofits build skills and access critical resources. We lend books. Guide database searching. Host panels and roundtables. Teach seminars on everything from writing proposals to setting budgets and building boards.”

Charlotte Dion

Director, New York Library,
The Foundation Center

EDUCATION AND OUTREACH

Both online and on the ground at our five regional centers and 250 Cooperating Collections, we connect visitors to tools they can use and information they can trust. Imagine a librarian, teacher, and data bank rolled into one.

In 2005, in addition to our many free workshops and seminars, we continued our popular “special focus months” to raise awareness of issues like health, arts, and philanthropy.

BIENVENIDOS

In 2005, we expanded access to our most popular courses with free Spanish-language training days. The Spanish-Language Grantseeker Training Tour brought a full-day program covering the basics of fundraising and proposal writing to six cities across the U.S., including Puerto Rico.

The unprecedented outreach program to Latino communities was part of a wider effort to expand our resources to reach marginalized and under-served nonprofits. The event offered translations of our core training sessions, a grantmaker panel, and a networking session to spark interaction between attendees.

Participants told us that learning basics and best practices in their native language deepened their understanding of key concepts. Perhaps more important, they felt welcome in the philanthropic community.

“I was made to feel valued and validated on an equal basis with any other citizen and not like a guest or immigrant visitor of this country,” one Washington, DC, attendee said.

We’re already planning the 2006 tour.

REGIONAL CENTERS

In New York, Atlanta, Cleveland, San Francisco, and Washington, DC, the local nonprofit community relies on us for our library resources, staff expertise, and as a central meeting ground.

ATLANTA: ACTING IN GOOD FAITH

America's philanthropic and religious histories are inextricably linked in the eyes of James A. Joseph, Duke University public policy professor, and former president of the Council on Foundations and U.S. Ambassador to South Africa.

In November, Joseph spoke about the relationship between religion and giving in a rousing speech at our Atlanta office.

The Foundation Center, Southeastern Council of Foundations, and Community Foundation for Greater Atlanta co-hosted Joseph's speech, entitled, "Faith and Philanthropy: Exploring the Linkages Between Spirituality and Social Action."

Here in the city where Dr. Martin Luther King, Jr., once drew upon faith to dream of a better world, more than 100 grant-seekers and grantmakers from diverse religious backgrounds gathered to discuss how faith can continue to galvanize social progress.

"The turnout was incredible," said Atlanta director Pattie Johnson. "All these people came together, and not because they

were looking for grants. They came because they believe that faith and philanthropy can empower each other."

Joseph highlighted opportunities for religious institutions to partner with philanthropic institutions and for religious institutions to help donors broaden their base of information and insight.

"The notion of organized philanthropy collaborating with organized religion is neither a liberal nor a conservative idea," he said. "It is simply a good idea."

And he concluded, to enthusiastic applause: "Both traditions understand that when neighbors help neighbors, and even when strangers help strangers, both those who help and those who are helped are transformed."

"I'm always connecting our nonprofit clients to the Foundation Center."

Beatrice Menéndez

Director of Portable Programs, Job Treasures

CLEVELAND: IMMERSING GRANTSEEKERS

Sometimes a workshop is not enough. And a semester-long class is too much.

Taking a cue from intensive courses for busy executives, we partnered with the local United Way and Toledo Community Foundation Center for Nonprofit Resources to create an immersion course designed to speed grantseekers on the path to effective fundraising.

Entitled “First Steps on the Road to Successful Grantseeking,” this program offered 16 hours of instruction over four half-day sessions. Topics included fundraising readiness, grant research, and proposal writing. To reinforce the classroom instruction, we bundled it with a subscription to our *Foundation Directory Online*, *Guide to Proposal Writing*, and *Guide to Ohio Grantmakers on CD-ROM*.

“Participants had more contact time with us, and with each other,” said director Cynthia Bailie. “They left feeling more familiar with the resources and more confident about next steps.”



“Bottom line, it empowered me!” said Viola Gomez of Rural Opportunities. “I learned what grantmakers are really looking for and how to engage my board.”

“Easily the best course I’ve taken,” seconded Tammy Holder of Community Shares. “I feel like I now understand the whole process, how to get grants, and more importantly what to do once I secure them.”

NEW YORK: EMPOWERING PARENTS

It was dramatic. Engaged parents searching for ways to raise funds for strapped public schools.

New York State Senator Liz Krueger called the New York office and said she needed help: her constituents were eager to bolster funding for their schools but wanted to go beyond the bake sale.

Meanwhile, senior librarian Susan Shiroma noticed a surge of education specialists signing up for trainings, from PTA presidents and education consultants to budget-challenged teachers.

“The requests were flooding in,” said Shiroma. “Education advocates wanted help writing proposals and connecting to grantmakers. I knew we could be their conduit.”

Eager to make an impact, we launched a series of workshops to help parents and other education leaders learn more about the fundraising process.

In all we held 13 special classes, nine of them off-site, and worked with parents from across the city’s five boroughs, empowering them with tools and resources to shore up their fundraising savvy. A number of the parents who participated in the workshop have forged relationships with grant officers and begun developing their own grant proposals.

“We were able to help these parents view philanthropy in a whole new light,” Shiroma said. “Now they realize it’s not just about big foundations. By reaching out to small family foundations, identifying matching-gift programs where they work, and partnering with state and local legislators, these parents discovered they can make a difference in their children’s lives.”

It may have been dramatic in the beginning. In the end, it was transformative.

SAN FRANCISCO: OPENING DOORS

For an under-funded nonprofit, the difference between forging ahead or falling behind sometimes depends on a single insight.

Armed with a grant from the Philanthropic Ventures Foundation, we awarded 21 scholarships to leaders of small local nonprofits to attend training programs matched to their needs, from introductory courses to more advanced seminars.

According to San Francisco director Janet Camarena, the scholarships provided an opportunity to serve organizations regardless of budget or size. “It’s rare that smaller organizations get a chance to benefit from the same professional development opportunities as larger organizations,” she said.

Roberta Roth from Project Read—Menlo Park, an organization focused on literacy for low-income and immigrant populations, elected to attend “Nonprofit Boards and Fundraising.” It prompted her to plan a retreat for her organization’s board. “The Foundation Center equipped me with the tools for assessing our board and building it out at a critical time in our growth,” said Roth. “We need them to be engaged and committed to our fundraising.”

Molly Rhodes from At the Crossroads, a nonprofit that serves homeless youth in San Francisco’s downtown and Mission District neighborhoods, used her scholarship to attend “Proposal Budgeting Workshop.” A seasoned veteran in development initiatives, Rhodes walked into the training with limited knowledge about the budgetary process.

“Budgeting is so important to grant applications,” she said. “The Foundation Center demystified the experience and made it manageable. It’s comforting that there is such a vast body of knowledge out there.”

The scholarship program was such a success that Camarena and her team plan to continue it in 2006 and beyond.

WASHINGTON: CLOSING GAPS

Washington, DC, our nation’s capital, rich in culture, politics, and history, also faces painful municipal challenges: about 20 percent of the population lives below the poverty level.

With this paradox in mind, we partnered with the Washington Grantmakers Health Working Group to host two pivotal programs as part of the Center’s “special focus month” on health: “Reducing Health Disparities: Issues and Initiatives in the National Capital Region” and “Pharmaceutical Access: What’s Happening in the National Capital Region.”

More than 130 people attended, including grantmakers, grant-seekers, government officials, and health care leaders.

“We invited everyone to talk about what we can do to reduce health disparities and prepare seniors for the changing prescription drug climate,” said director Anita H. Plotinsky. “Washington faces huge health challenges, and we wanted to bring funders and other leaders together to work toward viable solutions.”

At “Reducing Health Disparities,” grantmakers and health leaders explored ways to increase access to services, support healthy lifestyles, promote consumer education, and address the root causes of gaps in health care.

At “Pharmaceutical Access,” we helped prepare health agencies for the launch of the Medicare Prescription Drug Program. The event readied local leaders to confront potential issues such as confused seniors, overwhelmed drug stores, and agencies needing answers for more complicated questions.

“Participants walked away feeling better prepared to take action,” said Plotinsky. “That’s information sharing at its best.”

“Using the Foundation Center helps me work more efficiently and gives me more time to actually write proposals and talk to donors.”

Beth Blanck, Researcher/Grant Writer, Guiding Eyes for the Blind



2005 Educational Programs

Before You Seek a Grant
Developing a Fundraising Plan
Earned Income: Assessing Your Nonprofit's Revenue Options **NEW**
Evaluating Funding Prospects
Finding Foundation Support for Your Education
Finding Foundation Support for Your Education (online)
Finding Funding Prospects with The Foundation Directory Online
Foundation Fundraising
Foundations and Their Role in Philanthropy
Foundations and Their Role in Philanthropy (online)
Funding Research with FC Search
Getting Started with FC Search
Getting Started with Foundation Grants to Individuals Online
Grantseeker Training Institute
Grantseeking Basics
Grantseeking Basics for Individuals (online) **NEW**
Grantseeking Basics for Individuals in the Arts
Grantseeking Basics for International Organizations
Grantseeking Basics for Nonprofit Organizations (online) **NEW**
Grantseeking on the Web
Guide to Resources on the Foundation Center's Web Site
How to Approach a Foundation **NEW**
Introduction to Corporate Giving
Introduction to Fundraising Planning
Introduction to The Foundation Directory Online
Nonprofit Boards and Fundraising
Outcome Thinking and Management **NEW**
Principios de la búsqueda de fondos
Principios de la escritura de propuestas
Proposal Budgeting Basics
Proposal Budgeting Workshop
Proposal Writing Basics
Proposal Writing Seminar
Proposal Writing Seminar II **NEW**
Proposal Writing: The Budget (online) **NEW**
Proposal Writing: The Statement of Need (online) **NEW**
Prospect Research Basics
Spanish-Language Grantseeker Training Day **NEW**
Your Board and Fundraising



“We regularly turn to them for resources that help our grantmakers. In a word, the organization is a treasure.”

Marjorie Rutimann, Director of Professional Education, NYRAG

Visions are beautiful things. In fiction they appear in mirrors and crystal balls. In reality they hinge on measured risks. Indeed, the best plans make a leap of faith based on experience and careful forethought.

In November 2005, our Board of Trustees approved the Foundation Center's Strategic Plan for 2006-2008. Entitled "Building for Philanthropy's Future," the plan is designed to kick off our second half-century of service as we celebrate our 50th anniversary in 2006.

More than that, it charts how the Foundation Center will transform itself into a "next-generation" service provider to meet the rapidly changing needs of grantseekers and grantmakers in the 21st century.

Available online at foundationcenter.org, the plan outlines bold new initiatives that will help us evolve and expand our leadership role.

Launching a new Philanthropy Data Factory will enable us to make more current data more accessible to more people in a greater variety of formats.

The Foundation Center's Research Institute will help us carry out a range of special projects, including benchmarking of foundation

practices and studies of newer forms of giving, in addition to our current studies.

We also want our programs and services to reach more grantseekers, no matter where they are located or what their current level of sophistication. **FC Anywhere** will expand our information services and education through a revamped web site and much broader network of Cooperating Collections at partner organizations.

Through our **Public Outreach Initiative**, we will reach out to the media and others who shape the wider public's understanding of the role of organized philanthropy in our society. We will help them translate our knowledge in terms germane to their audiences. Further, we will mount a targeted outreach campaign to assure that those who can benefit from the Center's resources and services know how to obtain them.

In the end, the Foundation Center that emerges will be stronger, more agile, more collaborative, more accessible, and more relevant.

We are grateful to have the support of many people who share our commitment to building knowledge about philanthropy. We would like to extend a heartfelt thanks to the following foundations, corporations, and other organizations that allow the Foundation Center and our programs to thrive. We are proud to count you among our supporters.

BASIC SUPPORT

Independent Foundations

The Abell Foundation
Louis and Anne Abrons Foundation, Inc.
The Ahmanson Foundation
Altman Foundation
Hugh J. Andersen Foundation
John W. Anderson Foundation
The Annenberg Foundation*
The Arca Foundation
Atherton Family Foundation
Lily Auchincloss Foundation, Inc.
The AVI CHAI Foundation
Axe-Houghton Foundation
The Barra Foundation, Inc.
The Bay and Paul Foundations, Inc.
Beazley Foundation, Inc.
Claude Worthington Benedum Foundation
The Mary Duke Biddle Foundation
Blandin Foundation
The Arthur M. Blank Family Foundation
The Blowitz-Ridgeway Foundation
Booth Ferris Foundation
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The Andrea and Charles Bronfman Philanthropies
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The Duke Endowment
Dyer-Ives Foundation
The Dyson Foundation
Echoing Green
The Educational Foundation of America
The O. P. and W. E. Edwards Foundation, Inc.
El Pomar Foundation
Fred L. Emerson Foundation, Inc.
Engineering Information Foundation
Richard M. Fairbanks Foundation, Inc.
Maurice Falk Fund
FJC - A Foundation of Donor Advised Funds
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The Freed Foundation, Inc.
The Freeman Foundation
Charles A. Frueauff Foundation, Inc.
Gates Family Foundation
Bill & Melinda Gates Foundation
The Gerber Foundation
The Wallace Alexander Gerbode Foundation
Irving S. Gilmore Foundation
Herman Goldman Foundation
The Horace W. Goldsmith Foundation
The Florence Gould Foundation
Edwin Gould Foundation for Children
Graham Foundation for Advanced Studies in the Fine Arts
The Grainger Foundation
William T. Grant Foundation
William Caspar Graustein Memorial Fund
The Greenwall Foundation
Mary Livingston Griggs and Mary Griggs Burke Foundation
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Phil Hardin Foundation
The Harkness Foundation for Dance
John H. and Wilhelmina D. Harland Charitable Foundation, Inc.
The Irving Harris Foundation
The John A. Hartford Foundation, Inc.
Charles Hayden Foundation
The John Randolph Haynes and Dora Haynes Foundation
The Edward W. Hazen Foundation
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The Charles Evans Hughes Memorial Foundation, Inc.
The Hyde and Watson Foundation
Independence Foundation
The International Foundation
Ittleson Foundation, Inc.
Janesville Foundation, Inc.
JEHT Foundation
The Mary Hillman Jennings Foundation
Jerome Foundation
George Frederick Jewett Foundation
Jockey Hollow Foundation
The Christian A. Johnson Endeavor Foundation
The Robert Wood Johnson Foundation
J. Seward Johnson, Sr. 1963 Charitable Trust
Daisy Marquis Jones Foundation
Joukowsky Family Foundation
The Joyce Foundation
Kansas Health Foundation
The J. M. Kaplan Fund, Inc.
Ewing Marion Kauffman Foundation
W. M. Keck Foundation
W. K. Kellogg Foundation
William R. Kenan, Jr. Charitable Trust
F. M. Kirby Foundation, Inc.
The Esther A. & Joseph Klingenstein Fund, Inc.
John S. and James L. Knight Foundation
The Kohlberg Foundation, Inc.

*Denotes new donor

Donors

The Emily Davie and Joseph S. Kornfeld Foundation
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Longview Foundation for Education in World Affairs and International Understanding, Inc.
Richard Lounsbery Foundation, Inc.
Leon Lowenstein Foundation, Inc.
Loyola Foundation
The Henry Luce Foundation, Inc.
The Lumpkin Family Foundation

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The William T. Morris Foundation, Inc.
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M. J. Murdock Charitable Trust
New York Foundation
The Charlotte W. Newcombe Foundation
Edward John Noble Foundation, Inc.
The Samuel Roberts Noble Foundation, Inc.
Northwest Area Foundation
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The Patrino Foundation
Gustavus and Louise Pfeiffer Research Foundation*
The Picower Foundation

The Pincus Family Fund
The Pinkerton Foundation
Plough Foundation
Polk Bros. Foundation
Posner-Wallace Foundation
The Louis and Harold Price Foundation, Inc.
The Prospect Hill Foundation
Public Welfare Foundation
The Paul Rapoport Foundation, Inc.*
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Michael Reese Health Trust
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Fannie E. Rippel Foundation
The Ritter Foundation, Inc.
Rockefeller Brothers Fund
The Rockefeller Foundation
The Felix and Elizabeth Rohatyn Foundation, Inc.
Rosenberg Foundation
The Richard and Hinda Rosenthal Foundation
Roth Family Foundation
Helena Rubinstein Foundation
The Rudin Foundation, Inc.
The Fan Fox and Leslie R. Samuels Foundation, Inc.
Adolph and Ruth Schnurmacher Foundation, Inc.
Charles and Mildred Schnurmacher Foundation, Inc.
The Schumann Center for Media and Democracy, Inc.
Charles and Lynn Schusterman Family Foundation
Walter Scott Foundation
William E. Scott Foundation
Sequoia Foundation
The Shubert Foundation, Inc.

The Sidgmore Family Foundation*
The Siragusa Foundation
The Sirius Fund
The Skillman Foundation
The Skirball Foundation
Skoll Foundation
Alan B. Slifka Foundation
Alfred P. Sloan Foundation
Richard and Susan Smith Family Foundation
The John Ben Snow Foundation, Inc.
The Spencer Foundation
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Taconic Foundation, Inc.
The Teagle Foundation, Inc.
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Ellen Boles, Director, Human Resources, Variety Child Learning Center

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FINANCIAL STATEMENTS

Independent Auditor's Report

The Board of Trustees, The Foundation Center:

We have audited the accompanying balance sheets of The Foundation Center (the Center) as of December 31, 2005 and 2004, and the related statements of changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 The Foundation Center as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

March 31, 2006

KPMG LLP

BALANCE SHEETS

December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash	\$ 114,886	98,478
Contributions and other receivables, net of allowance for doubtful accounts (note 2)	3,881,619	2,223,087
Publications inventory	202,032	167,887
Investments (note 3)	12,205,181	11,850,120
Furniture, equipment, and leasehold improvements, at cost, less accumulated depreciation and amortization of \$6,568,189 and \$5,980,002 in 2005 and 2004, respectively	3,394,903	3,720,800
Other assets	197,357	192,462
Total assets	<u>\$19,995,978</u>	<u>18,252,834</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 695,476	1,002,478
Deferred revenue	2,933,704	2,358,575
Accumulated postretirement benefit obligation (note 4)	1,322,112	1,109,852
Total liabilities	<u>4,951,292</u>	<u>4,470,905</u>
Commitments (note 8)		
Net assets:		
Unrestricted:		
Undesignated	241,688	216,707
Board-designated for long-term investment (note 5)	6,252,954	6,052,954
Investment in furniture, equipment, and leasehold improvements	3,394,903	3,720,800
Total unrestricted	<u>9,889,545</u>	<u>9,990,461</u>
Temporarily restricted (note 6)	3,541,141	2,177,468
Permanently restricted:		
General purposes	1,000,000	1,000,000
Library acquisitions	150,000	150,000
Public education	464,000	464,000
Total permanently restricted	<u>1,614,000</u>	<u>1,614,000</u>
Total net assets	<u>15,044,686</u>	<u>13,781,929</u>
Total liabilities and net assets	<u>\$19,995,978</u>	<u>18,252,834</u>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS

Years ended December 31, 2005 and 2004

	Operating	Nonoperating	Total	
			2005	2004
Revenues and gains:				
Foundation and corporate contributions	\$ 2,383,372	—	2,383,372	2,413,400
Publication revenues	8,875,186	—	8,875,186	8,398,489
Program service and other fees	1,973,273	—	1,973,273	2,055,485
Investment return (note 3)	368,949	170,193	539,142	898,311
Proceeds from insurance recovery	—	—	—	373,956
Net assets released from restrictions	3,133,184	87,641	3,220,825	3,120,861
Total revenues and gains	16,733,964	257,834	16,991,798	17,260,502
Expenses and losses:				
Program services:				
Data collection and publications	7,635,277	266,762	7,902,039	7,209,913
Library/learning centers and other public services	3,882,736	131,514	4,014,250	3,992,531
Research and other programs	662,677	26,009	688,686	866,530
Total program services	12,180,690	424,285	12,604,975	12,068,974
Supporting services:				
Management and general	3,666,059	140,852	3,806,911	3,478,655
Fundraising	657,277	23,405	680,682	468,340
Total supporting services	4,323,336	164,257	4,487,593	3,946,995
Loss on disposal of furniture, equipment, and leasehold improvements	—	146	146	124,268
Total expenses and losses	16,504,026	588,688	17,092,714	16,140,237
Acquisition of furniture, equipment, and leasehold improvements from operations	(175,148)	175,148	—	—
Increase (decrease) in unrestricted net assets	\$ 54,790	(155,706)	(100,916)	1,120,265

STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2005 and 2004

	2005	2004
(Decrease) increase in unrestricted net assets	\$ (100,916)	1,120,265
Changes in temporarily restricted net assets:		
Foundation and corporate contributions	4,558,310	2,635,976
Investment return (note 3)	26,188	21,948
Net assets released from restrictions:		
For operating activities	(3,133,184)	(2,817,145)
For capital purposes	(87,641)	(303,716)
Increase (decrease) in temporarily restricted net assets	1,363,673	(462,937)
Increase in net assets	1,262,757	657,328
Net assets at beginning of year	13,781,929	13,124,601
Net assets at end of year	\$ 15,044,686	13,781,929

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Increase in net assets	\$ 1,262,757	657,328
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	588,542	615,639
Loss on disposal of furniture, equipment, and leasehold improvements	146	124,268
Net appreciation in fair value of investments	(264,720)	(684,321)
Changes in operating assets and liabilities, net:		
(Increase) decrease in contributions and other receivables	(1,658,532)	1,039
(Increase) decrease in publications inventory	(34,145)	29,148
Increase in other assets	(4,895)	(94,415)
(Decrease) increase in accounts payable and accrued expenses	(307,002)	24,111
Increase in deferred revenue	575,129	248,722
Increase in accumulated postretirement benefit obligation	212,260	165,543
Net cash provided by operating activities	<u>369,540</u>	<u>1,087,062</u>
Cash flows from investing activities:		
Purchase of investments	(8,618,534)	(7,657,291)
Proceeds from sale of investments	8,528,193	7,743,592
Acquisition of furniture, equipment, and leasehold improvements	(262,791)	(1,198,294)
Net cash used in investing activities	<u>(353,132)</u>	<u>(1,111,993)</u>
Net increase (decrease) in cash	16,408	(24,931)
Cash at beginning of year	98,478	123,409
Cash at end of year	<u>\$ 114,886</u>	<u>98,478</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2005 and 2004

(1) Organization and Summary of Significant Accounting Policies

Organization

The Foundation Center (the Center) is a not-for-profit organization exempt from U.S. Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Center's mission is to strengthen the nonprofit sector by advancing knowledge about U.S. philanthropy. The Center achieves this mission by collecting, organizing, and communicating information on U.S. philanthropy, conducting and facilitating research on trends in the field, providing education and training on the grantseeking process, and ensuring public access to information and services through its Web site, print and electronic publications, five library/learning centers, and a national network of Cooperating Collections. Its audience includes grantseekers, grantmakers, researchers, policymakers, the media, and the general public.

Summary of Significant Accounting Policies

(a) Basis of Presentation

The net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. This category of net assets includes amounts designated by the board for long-term investment and amounts invested in furniture, equipment, and leasehold improvements, net of accumulated depreciation and amortization.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Center. The Center is permitted to use the income earned on the related investments for general or specified operating purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

(b) Contributions

Contributions, which include unconditional promises to give, are recognized as revenues in the period received.

(c) Other Matters

Cash and cash equivalents managed for long-term investment purposes are included in investments. • Publications inventory is stated at the lower of direct production cost (first-in, first-out) or market. • Revenue is recognized during the fiscal year in which the service relates. • Deferred revenue primarily includes annual subscriptions paid in advance of the period to which they relate. • Authorship costs are recorded as program expenses in the year incurred. • Depreciation and amortization are provided on a straight-line basis over a ten-year estimated useful life for furniture and equipment, over a five-year estimated useful life for electronic equipment, and over the shorter of the remaining term of the lease or useful lives for leasehold improvements. • Total investment return (loss) net of the amount appropriated for operations, net assets released from restrictions for capital purposes, depreciation and amortization expense, and other gains or losses are reported as nonoperating activities in the current year statement of changes in unrestricted net assets. • Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Actual results could differ from those estimates. • Other significant accounting policies are set forth in the financial statements and the following notes.

(2) Contributions and Other Receivables

Contributions and other receivables consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Contributions receivable, due to be collected as follows:		
Less than one year	\$ 587,864	1,389,316
One to five years	3,041,041	444,338
Other receivables	302,714	439,433
Allowance for doubtful accounts	(50,000)	(50,000)
	<u>\$ 3,881,619</u>	<u>2,223,087</u>

(3) Investments

Investments are carried at fair value based upon quoted market prices. Investments at December 31, 2005 and 2004 consist of the following:

	<u>2005</u>		<u>2004</u>	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 3,905,168	3,905,168	3,708,247	3,708,247
Bonds and notes Common and preferred stocks	2,468,841	2,384,498	2,333,464	2,286,432
	<u>5,029,842</u>	<u>5,915,515</u>	<u>5,245,479</u>	<u>5,855,441</u>
	<u>\$ 11,403,851</u>	<u>12,205,181</u>	<u>11,287,190</u>	<u>11,850,120</u>

The board of trustees has approved an annual spending rate of up to 4.5% of the average market value of the investments managed by the investment manager at the end of the three preceding years. The components of investment return for the years ended December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Interest and dividends	\$ 300,610	235,938
Net appreciation in fair value of investments	264,720	684,321
Total investment return	565,330	920,259
Less investment return appropriated under spending policy, including temporarily restricted amount of \$26,188 and \$21,948 in 2005 and 2004, respectively	395,137	311,094
Investment return reported as nonoperating	\$ <u>170,193</u>	<u>609,165</u>

(4) Postretirement Health Care Benefits

The Center sponsors an unfunded postretirement health care plan that covers all employees who meet certain eligibility requirements. The following table provides information with respect to the plan as of and for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Accumulated benefit obligation at December 31	\$ 1,741,562	1,408,870
Unrecognized loss	419,450	299,018
Accrued benefit liability recognized in the balance sheets	<u>\$ 1,322,112</u>	<u>1,109,852</u>
Net periodic benefit cost	\$ 234,943	185,220
Employer contributions	22,683	19,677
Benefits paid	22,683	19,677

The assumptions used in the measurement of the Center's benefit obligation are shown in the following table:

	<u>2005</u>	<u>2004</u>
Weighted average discount rate as of December 31	5.75%	6.00%
Medical trend rates (applied to net incurred claims)	8.5% during the year 2005 (and 9% in 2004) increasing to 10% during the year 2006 grading to 5% by 2011	

The assumption used in the measurement of the Center's net periodic benefit cost is shown in the following table:

	<u>2005</u>	<u>2004</u>
Weighted average discount rate as of December 31	6.00%	6.25%

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A 1% point change in assumed health care cost trend rates would have the following effects on the amounts reported as follows:

	<u>2005</u>		<u>2004</u>	
	1% increase	1% decrease	1% increase	1% decrease
Effect on total service and interest cost	\$ 59,378	(45,164)	48,516	(36,867)
Effect on postretirement benefit obligation	416,079	(321,545)	345,643	(265,901)

Projected premium payments for each of the next five years and thereafter are as follows:

2006	\$ 28,131
2007	26,438
2008	28,538
2009	32,144
2010	37,661
Thereafter through 2015	<u>282,393</u>
	<u>\$ 435,305</u>

In 2003, President Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Act expands Medicare, primarily by adding a prescription drug benefit for Medicare-eligible participants starting in 2006. The Act provides employers currently sponsoring prescription drug programs for Medicare-eligible participants with a range of options for coordinating with the new government-sponsored program to potentially reduce program cost.

Since the new program does not take effect until 2006, the retiree health obligations and costs reported in these financial statements do not yet reflect any potential impact of the Act.

(5) Board-Designated Amounts for Long-Term Investment

The board of trustees has designated certain amounts for long-term investment. Additional amounts designated in 2005 and 2004 were \$200,000 and \$650,000, respectively.

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or for future periods at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Data collection and publications	\$ 916,667	324,625
Library/learning centers and other public services	1,180,869	386,143
Other programs	524,323	28,333
Future periods	919,282	1,438,367
Total	<u>\$ 3,541,141</u>	<u>2,177,468</u>

(7) Pension Plan

The Center has a noncontributory, defined contribution group annuity pension plan, which provides for the option of voluntary employee contributions and covers all employees who meet minimum age and service requirements. Pension costs are funded when accrued, and benefits vest on contribution to the plan. Total cost of the plan for the years ended December 31, 2005 and 2004 amounted to approximately \$780,000 and \$745,000, respectively.

(8) Lease Commitments

The Center occupies office facilities in New York City, Washington, D.C., Cleveland, San Francisco, and Atlanta under various lease agreements. Beginning in 2005, the Center subleases part of its New York City facility. Future minimum annual rental payments under the lease agreements, net of sublease income, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2006	\$ 1,467,840
2007	1,500,541
2008	1,500,905
2009	1,691,338
2010	1,752,744
Thereafter	<u>8,746,569</u>
	<u>\$ 16,659,937</u>

In connection with the New York lease, the Center maintained a letter of credit in the amount of \$400,000 as of December 31, 2005 and 2004. Rent expense was approximately \$1,793,000 and \$1,463,000 in 2005 and 2004, respectively.

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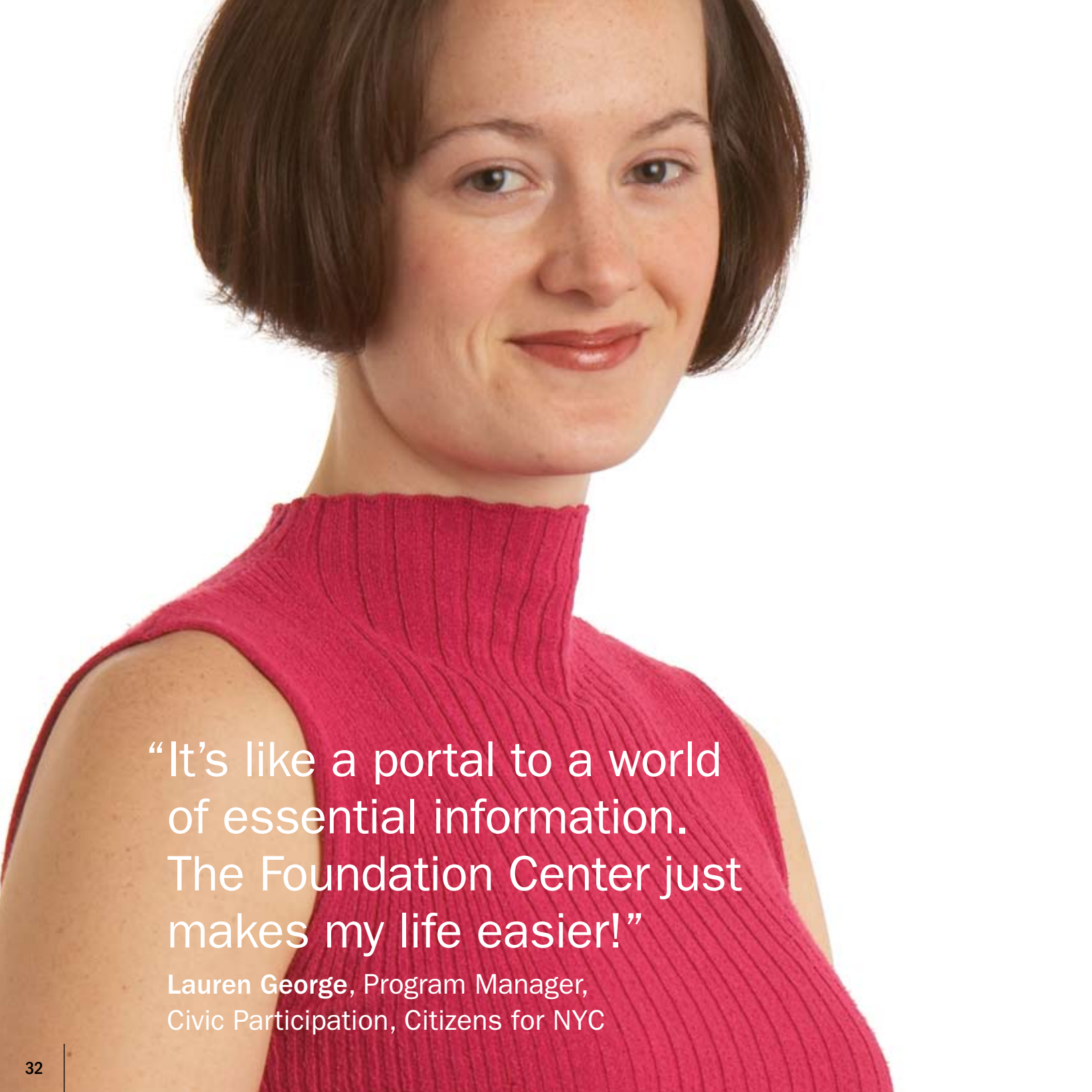
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Director of Communications

Mitchell F. Nauffts

Editorial Director and Publisher of
Philanthropy News Digest

A close-up portrait of a woman with short, dark brown hair, smiling slightly. She is wearing a red, ribbed, sleeveless turtleneck top. The background is plain white.

“It’s like a portal to a world
of essential information.
The Foundation Center just
makes my life easier!”

Lauren George, Program Manager,
Civic Participation, Citizens for NYC

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Project Director

Cheryl L. Loe

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