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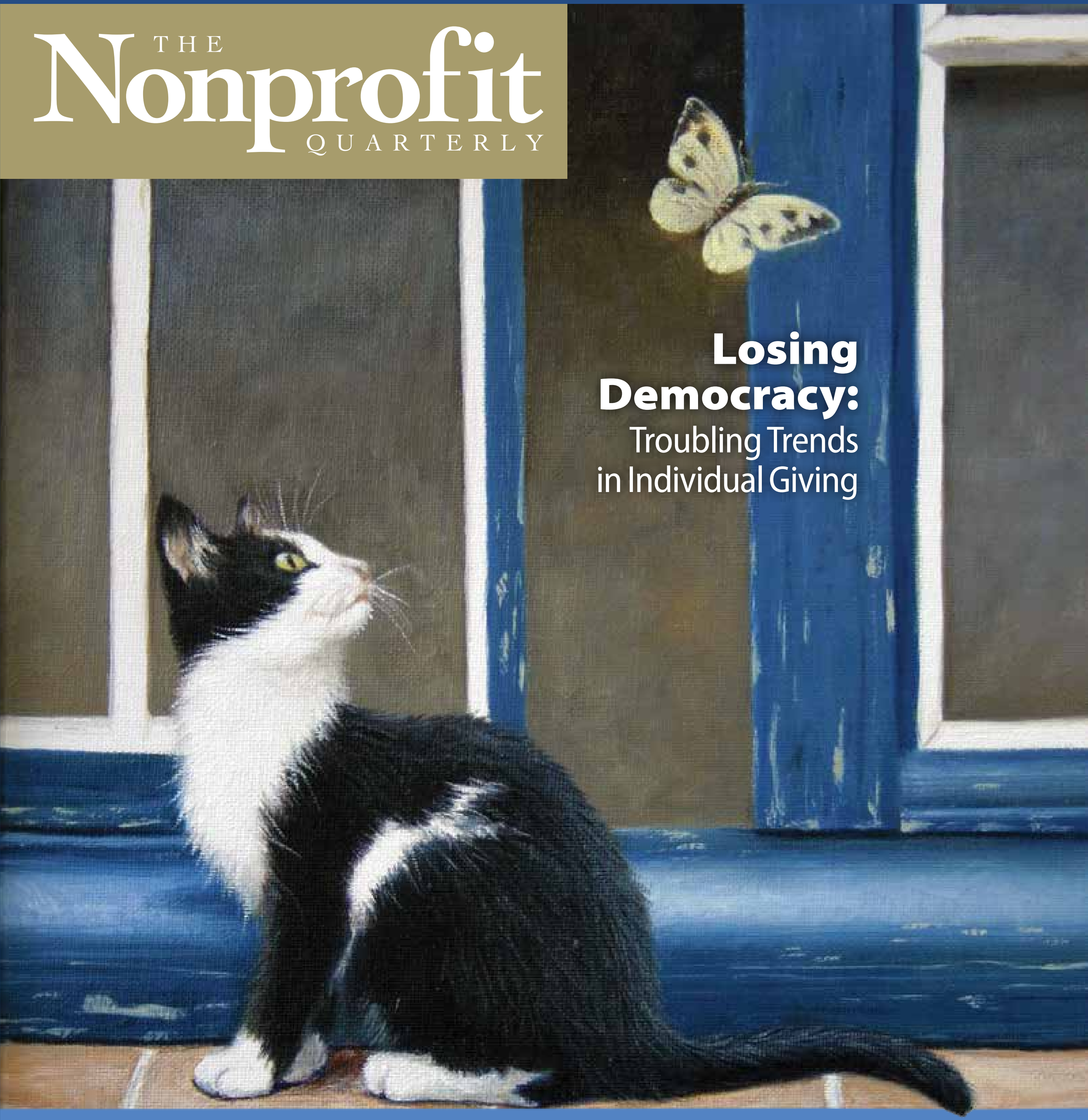

Losing Democracy:
Troubling Trends in Individual Giving

Ashley *on* institutional philanthropy's nonresponse to the small-donor falloff

Rooney *on* the rise of the dominant megadonor

McCambridge *on* the culture of giving and what nonprofits need to do differently

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Winter 2019

Features

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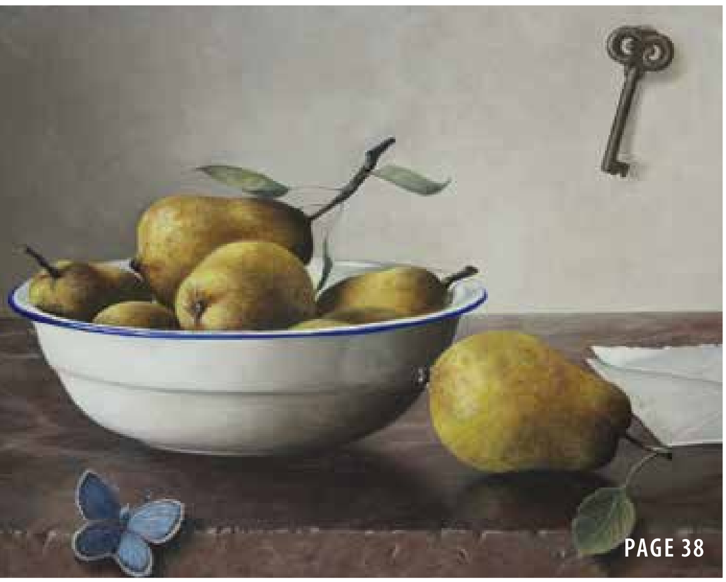

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Welcome

Dear readers,

Welcome to the winter 2019 edition of the *Nonprofit Quarterly*.

Instead of launching into a description of what is in this issue, we want to acknowledge the work of the members of *NPQ*'s magazine advisory committee: Fredrik O. Andersson, assistant professor, School of Public and Environmental Affairs, Indiana University-Purdue University Indianapolis; Shena Ashley, vice president, Nonprofits and Philanthropy, Urban Institute; Jeanne Bell, director of advancing practice, *NPQ*; Chao Guo, associate professor of nonprofit management, School of Social Policy and Practice, and associate faculty director, Fox Leadership International, University of Pennsylvania; Brent Never, associate professor of public affairs, Henry W. Bloch School of Management, University of Missouri-Kansas City; and Jon Pratt, executive director, Minnesota Council of Nonprofits. We dedicate this issue to them in thanks for their years of engaged and thoughtful contribution surfacing the critical questions that need to be addressed.

And they do an uncannily good job of timing the content. In this season's case, the timing was so spot-on that, in the middle of developing feature articles on the disappearance of small and medium-sized donors, we were faced with the fact that the information we had developed would be more useful earlier rather than later; so, we sped up the process and published key articles online, to make sure that they were informing the uptick in public discourse on the topic.

As to our inclusive editorial processes and who should be thanked for making it all work, *NPQ* senior managing editor Cassandra Heliczer recently observed:

> Most concerns about the new landscape of journalism have been around the decline of "trustworthy," independent, and deep/investigative reporting; but there is another factor to be concerned about. Nonprofit sites like *NPQ* report *in/from* the environment, while mainstream media reports *on/about it*. The distinction is significant: there are things native to where the news is coming from that will only be visible to a grassroots eye—patterns that become discernable over time, seemingly disparate trends in what are largely seen as separate contexts that turn out to crosscut or relate in less obvious ways, and other less-than-obvious details.
>
> Such facets are like the tesserae of a mosaic, each one of which is needed for the full scene to reveal itself.
>
> That is what *NPQ* does every day, with you as our community helping us to reflect the complexities of the world in which we work . . . in which we are trying to make change.
>
> So we take this moment to thank our big community of research partners.

Indeed, we took this time to focus on our process rather than content because we want to remind our readers that there is a community behind every single edition of the *Nonprofit Quarterly*—and we do not show them our gratitude often enough.

If you know any of those who have contributed here, *please thank them on behalf of the sector.*

The Nonprofit Whisperer

"Board Bedevilments"

On questions of how to handle a whistleblower's complaint, or where exactly an agency-appointed board member's loyalty lies, the principles of good governance are quite clear. As regards the former, complaints should be handled transparently and in a timely manner, and the whistleblower must be protected from any fallout; with respect to the latter, if you have a split duty of loyalty as a board member, extra care must be taken to keep the "two-hat" issues to a minimum.

DEAR NONPROFIT WHISPERER,

After raising several serious complaints to the board chair of my nonprofit about our CEO's management practices, the chair told me that he was willing to keep my complaints confidential from the CEO in exchange for my not bringing them to the attention of the entire board. He assured me that he is planning to remove the CEO from his current role, and stated that if he quietly accepts a position where nobody reports to him, there will be no need to inform the board of my complaints. Reporting those matters to the board would start an unpredictable process, the chair says, and we would not necessarily get a different result.

Are there any circumstances under which a board chair has the legal prerogative to withhold this type of information from the full board? Is it my responsibility to report this matter to the full board? Will I be legally liable for not reporting this?

Whistleblower

Dear Whistleblower,

There are not enough details about the nature of the CEO's management practices to provide precise advice on whether you will be liable for not reporting mismanagement. So let's start with the question, Does your organization have a whistleblower policy? Such policies are not mandated but are considered good governance practice. If there is one, you should follow it, as should the board chair.

If what the CEO did breaks the law (sexual harassment/assault, mismanagement of funds), you should restate your complaint to the board chair and ask for immediate, substantive action. If none is forthcoming, talk to an attorney and then take appropriate action based on the attorney's advice. There should be no behind-the-scenes deals for you to remain quiet (or anything else), now or under any circumstances.

If the issue is poor management practice (not submitting reports, not paying invoices, missing critical stakeholder meetings) or bad behavior toward staff (bullying, lying), this unfortunately sometimes becomes harder to "prove" to board members, whose primary relationship (and, sometimes, loyalty) are with the CEO. Board members are not there day to day; they may only witness an executive's best behavior, and, being human, may want to avoid confrontation and figure out some inappropriate face-saving solution instead—as it sounds like your board chair is doing.

When only one staff member is raising an issue, the chair or full board may be even less apt to take action commensurate with the mismanagement issue. However, it is the board's duty and responsibility to make sure that the organization is not put at legal risk, and to oversee the performance of the CEO and ensure sound management practices. A board member's loyalty is to the organization and the mission/community it is in service to—not the CEO (or staff, for that matter).

So your complaint should not be handled behind the scenes. At a minimum, the chair needs to inform the executive committee—if not the full board—of any complaint lodged by a staff person. That staff person should not be asked to be involved in any way, except possibly to restate the facts as he or she knows them. As a whistleblower, the staff person's name should be protected, and there should be no reprisal by management.

All the above said, my overall sense here is that your chair is not following good governance norms, and is putting the organization at risk.

Dear Nonprofit Whisperer,
I am enormously frustrated with my experience on a particular board I sit on. Essentially, I am assigned to the board on behalf of my agency, which is part of local government. The problem is that the organization is relatively new and has a lot of needs. I very much want it to succeed, but I am constrained because the agency I represent has very often either not yet taken a position on the issues under consideration or is taking a position I do not believe in.

This makes me feel utterly useless. It feels like we are just a drain on the new executive, who has been trying valiantly to get the effort off the ground. As a board, we are dysfunctional in a way that cycles through exhaustion and overexcited arguments, even though we are not yet even two years old. (This is our second executive over that short period.)

I am interested in whether you have seen this kind of thing before, and whether you have any advice about how I should be trying to conduct myself. Should I try to make a case at my agency for having decision-making capacities that are binding? Should I just participate in discussions and stay out of decisions? About half of the board are appointees from agencies that either have funding or regulatory relationships with this group.

Appointed Board Member

Dear Appointed Board Member,
These kinds of boards with appointed members from government agencies or member organizations of a coalition are not all that unusual, but they do throw the traditional governance model off track. Thus, extra care has to be taken vis-à-vis policies and procedures, and ensuring the board chair knows how to herd cats and facilitate a good meeting (and stay above the crowd).

Before getting to your specifics, let's look at the statewide coalitions or staff collaborations on any number of issues—housing, community development, domestic violence prevention, health initiatives—that have board members who are "assigned" by their organizations to serve.

By default, the organizations almost always struggle with issues you are raising (such as, am I representing my agency's position or the one that is best for this coalition?) and almost always struggle with fundraising due to competition with member agencies. There are ways to limit the "two-hat" issues, and many groups have addressed this in many ways:

- All develop strong policies and board-job descriptions that detail the roles and responsibilities.
- Most have conflict-of-interest policies to help all board members.
- Some statewide coalitions with assigned board members ensure that there is an equal or greater number of unaffiliated board members to flatten the potential for self-interest.
- Some define the parameters of funding issues through noncompetition agreements.

It is helpful if the sending or assigning organization's job description lists the board service most often assigned and outlines the roles and responsibilities vis-à-vis the board seat. The sending organization should be clear about any conflicts of interest with the nonprofit on which it has a seat, and about voting responsibilities.

I was on a coalition board for over ten years in an assigned seat. The "home" organization listed the assignment in the job description and the amount of work time per week this part of my job would necessitate. It was clear that I could make decisions as "any prudent person in the street"—so to speak—on behalf of the coalition. The time I spent in service helping to build and strengthen that coalition was one of the best work experiences of my life—but it would not have been so without clarity on roles/responsibilities/fundraising boundaries, and the ability, when member agency positions differed from those of the coalitions, for difficult discussions to be had openly (mostly) and with skill until resolution was reached.

For a start-up, the power and influence are often in the hands of the assigned board members who are helping to "stand up" the organization. In the case of a government seat—which can be tricky—it is very important to be transparent about the role. Are you there as a watchdog? If so, this is a lonely seat on a board. But if people know that is your raison d'être, and that it is a position of support, then that can be navigated as well.

I sat on the board of a nonprofit that operated a facility owned by a city municipality. The city, by contract, had an assigned person from the planning department on the board. It was clear that the person was there to protect the city's asset in case the community board went off mission or awry in other ways. The planner was a great person who contributed, was helpful, and did not throw his weight around—but that was a bit of luck, getting a mature person in the seat.

So, back to setting up parameters and guidelines. You are assigned to the board of a new nonprofit that is struggling to find its footing—in large part due to what sounds like an unfocused board that has not established its policies and norms. You should not sort through decisions about levels of participation by yourself. This should be a board conversation that takes up the following: (1) what the purpose of the assigned seats is; (2) that if there is a good rationale for these seats, you are properly recognized as a board member who will take part in discussions and make prudent, informed decisions on behalf of the organization; and (3) that as a board member you vote in the best interest of the nonprofit itself, regardless of the "sending" organization's position.

The differences among the sending agencies' positions will be worked out at the board table by the members, and your sending agency has to respect the collective decision making of the whole. And yes, I have seen agencies (usually the biggest ones) disagree with the stand of a coalition and "pull their seat" (or should I say "take their marbles") and walk away in a huff from the organization. The good news is the culture of the board usually improves with the departure of a bullying or elephant-in-the-room type of agency/representative.

Bottom line: It is all about spending time on some up-front processes, which people often skip, assuming they know all about boards. But every organization deserves to take the time it needs to get its first board right—clarifying board roles and policies, setting strong agendas, and selecting a president who knows how to facilitate meetings. Then, you must all roll up your shirtsleeves as a collective group, and help this organization get off the ground.

The Nonprofit Whisperer has over thirty years of experience in the nonprofit sector, serving variously as nonprofit staff and board member, foundation staff member, and nonprofit management consultant.

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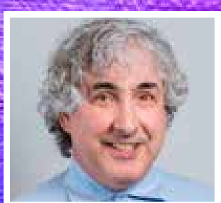


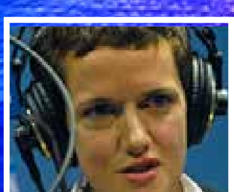
Tune into the Economy Remix to learn the latest about democratic forms of building community wealth, and keep tabs on mainstream economic miscues. In this column, Steve Dubb will be busting myths, sharing stories, and highlighting emerging ideas and practices in the field that can inform your work.

Playing with Power

A creative space for exploring issues of power and freedom in everyday life.

“Affect is a major site of struggle," writes Cyndi Suarez. "Resistance is always a choice. Resistance begins with the ability to recognize, engage, and redirect affect. This ability is a core source of power. It is an ability that can be learned.”

Tiny Spark Podcast



Founder and correspondent Amy Costello has spent nearly two decades reporting on some of the most pressing human-rights issues of the day. Her investigations run the gamut from TOMS Shoes to the harm caused by medical volunteers in post-quake Haiti. The program also features in-depth interviews with leading voices from the world of philanthropy, international aid, and development.

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Where Is Giving Going?
The Antidemocratic Path We're On

> Perhaps nonprofits are complicit in the disengagement of the small donor, but that may be very good news, for we can do something about it. The systemic roots, however, will take broader collective work.

The following four articles were being prepared for the winter edition of the *Nonprofit Quarterly*, when we suddenly realized that three of them needed to be released early to inform an increasingly public conversation about the disappearance of small donors. The timing is important, because we hope that the original research provided through the articles contributed by Patrick Rooney (Indiana University Lilly Family School of Philanthropy) and Shena Ashley (Urban Institute's Center on Nonprofits and Philanthropy) will work to encourage the passage of the universal charitable deduction—along with other changes in philanthropic and nonprofit practice.

The universal charitable deduction is the urgent policy issue in play, but there is a

"COLANDER" BY MARINA RADIUS/WWW.MARINARADIUS.NL

complementary practice issue that is at least as important: the likely loss of social capital—or relationship—between nonprofits and their supporters. That relationship has been intermediated by any number of third-party organizations over the past forty years, and—as the article by Ruth McCambridge notes—the loss of intimacy may be wearing not only on our cash but also our capacity to make things happen.

The fourth article in this cluster, an interview with Terry Mazany (Community Foundation for Greater Atlanta), focuses on the role that community foundations play as intermediaries for individual donors—including as holders of donor-advised funds (DAFs). *NPQ* has long held the opinion that all DAF sponsors need regulation—even if it is rigorous, voluntary self-regulation—and that the public deserves far greater transparency than we have now with regard to this rapidly growing realm of philanthropy. The question of DAF regulation may be even more likely to see movement this year than that of the universal charitable deduction, but both issues are high profile right now.

We use the magazine to help inform and advance knowledge, policy, and practice. In the case of these articles, a strategic opportunity presented itself and we chose to adapt—and that, in and of itself, will inform us in the future as we compile this kind of critical research-based work.

"STRAWBERRIES" BY MARINA RADIUS/WWW.MARINARADIUS.NL

Why the Decline in Individual Donors Should Matter to Institutional Philanthropy—and What to Do about It

by Shena Ashley

The steady decline in the proportion of Americans who report making donations to charitable organizations is gaining more attention in the nonprofit sector, but it has yet to surface as a concern in private foundation spaces. The topic did not appear on any of the agendas of the major learning conferences for foundation staff this past year, hosted by groups like the Council on Foundations, Grantmakers for Effective Organizations, and Grantmakers in Health. With twenty million Americans having decided between 2000 and 2016 to stop contributing directly to charitable organizations,[1] there should be concern not only for what this shift means for charitable organizations that depend on contributions from individuals to support their mission, but also concern among foundations. After all, foundations are themselves dependent on a healthy and thriving charitable sector to sustain the impact of their grantmaking and broad public confidence in charitable giving, as an underlying factor in their claims for legitimacy.

Shena Ashley is vice president, Nonprofits and Philanthropy, at the Urban Institute.

"BIRD'S NEST" BY MARINA RADIUS/WWW.MARINARADIUS.NL

“BIRD’S NEST” BY MARINA RADIUS/WWW.MARINARADIUS.NL

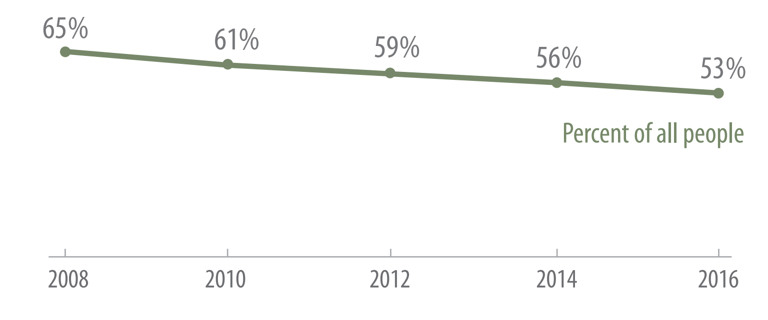
Although the apparent lack of awareness of or interest in this important trend is stunning, it is, to be fair, easy to miss the message of declining participation, when top-line messages in the media and in sector reports focus almost exclusively on the record high levels of charitable giving. According to the 2019 edition of Giving USA, giving by individuals totaled an estimated $292 billion, which represented a slight (and expected) decline from 2017 levels, but was still the second-highest amount in nominal dollars on record.[2] Add to that the nearly $76 billion in foundation grants, the nearly $40 billion in bequests, and the $20 billion in giving by corporations, for a total of giving by individuals and organizations that reached over $427 billion in 2018.[3] This paints a picture that is far from a crisis situation, even though the spread of this high level of giving is experienced unevenly across subsectors and organizations. However, these top-line figures that focus on the total levels of giving mask important and significant shifts in who is doing the giving.

The Disappearance of Low- and Middle-Income Donors

Figure 1 (top right) shows the declining share of Americans who report that they have made contributions to a charitable organization. To be clear, this is not a measure of Americans' overall generosity, since it does not capture giving outside the context of formal charitable organizations. It would be a mistake to conclude from this figure—as some do—that fewer Americans are participating in charitable giving, since it does not capture person-to-person giving, which is another way that individuals express their charitable impulses. Nor does it include political giving, which, like charitable giving, also serves as an expression of individuals' values. What we can take away from this chart is that there is a declining preference for the kind of charitable giving that is directed to a charitable organization as the recipient. The record levels of giving reflect higher levels of giving by those who do give to charitable organizations.

Figure 2 (below) provides a snapshot of this dynamic across race and ethnicity groups. Almost

Figure 1: The Share of Americans Making Charitable Donations Has Fallen over the Past Several Years



Source: Chart produced by the Urban Institute using data from the Philanthropy Panel Study (PPS).

Figure 2: Charitable Giving by Race or Ethnicity, 2010–2016

	Black	Hispanic	White	Asian
Percentage Share of Population Giving to Charitable Organizations				
Share of general population (1)	34%	33%	58%	59%
Share of high-net-worth households (2)	92%	88%	90%	84%
	Black	Hispanic	White	Other (3)
Charitable Giving as a Percentage Share of Median Family Wealth (4)				
2010	6%	5%	2%	4%
2013	11%	7%	2%	5%
2016	8%	5%	2%	4%

Source: Indiana University-Purdue University Indianapolis (IUPUI), Lilly Family School of Philanthropy, Women's Philanthropy Institute (WPI), *Women Give 2019: Gender and Giving Across Communities of Color*, March 2019 (data from the Philanthropy Panel Study [PPS] and the U.S. Trust Study of High Net Worth Philanthropy [HNW]); and Shena Ashley and Joi James, "Despite the racial wealth gap, black philanthropy is strong," *Urban Wire: The blog of the Urban Institute*, February 28, 2018 (data from Federal Reserve Board's 2016 Survey of Consumer Finances [SCF]).

Notes: (1) Data for 2015. (2) Data for 2018; high-net-worth households include those with net worth exceeding $1 million or annual household income exceeding $200,000. (3) SCF does not present data breakdowns for Asian families. (4) Data on charitable donations only include gifts greater than $500; data on family wealth include savings, used cars, land, investment accounts, etc.

Recreated with permission from the Urban-Brookings Tax Policy Center (TPC).

What issues are raised for foundations when low- and middle-income donors are choosing to direct their donations to places other than charitable organizations?

60 percent of white and Asian households gave to charitable organizations in 2015. (Note that the data presented as share of general population are data for 2015.) Black and Latinx households were less likely to donate to charitable organizations. However, controlling for wealth, giving participation is higher in Black households than all other groups (i.e., percentage share of population giving to charitable organizations). For those who do give, the level of giving, measured as a share of median family wealth, is higher for Black and Latinx families than white or other families (i.e., charitable giving as a percentage share of median family wealth). Given the high level of participation in giving to nonprofit organizations among high-net-worth households across all race and ethnicity groups as shown in Figure 2, it is most likely that households choosing not to give to charitable organizations are in low- and middle-income households.

The Big Shift Away from Giving to Charitable Organizations

Evolving attitudes toward a focus on causes instead of organizations, and the growth in types of activities in which individuals can participate to feel connected to a cause, are part of the forces that are leading to decreased levels of participation in giving to charitable organizations. These organizations face greater competition for donors at a time when conscious consumption—or buying socially responsible goods—is increasingly being considered as a substitute for charitable giving, or when there is increased interest in receiving a monetary return through vehicles like impact investing or providing start-up capital to social enterprises.[4]

Additionally, the rise of social giving through the various crowdfunding platforms is reshaping the giving landscape by enabling the kind of person-to-person transactions that allow donors to directly help individuals in need of things like medical expenses or memorial funds.

It is not clear whether these shifts are a result of donors' increased interest in these new modes or if they are a reflection of dissatisfaction with nonprofit organizations among donors from low- and middle-income groups. What *is* made clear by these trends, however, is that donors are seeking impact through forms of giving that are not intermediated by charitable organizations in the traditional sense.

Unlike foundations, whose grantmaking is by and large restricted to charitable organizations, individual donors (especially those who are not seeking tax deductibility for their donations) have the flexibility to direct their donations to individuals or other types of nonprofit and social-welfare organizations.

Concerns for Foundations

What issues are raised for foundations when low- and middle-income donors are choosing to direct their donations to places other than charitable organizations? Two issues come to mind that reflect the complex interplay between individual and institutional philanthropy. The first relates to program sustainability, and the desire of foundations to see that the work they support through their grants continues beyond the grant cycle. The second relates to the legitimacy of foundations, and the reliance that foundations have on a general norm around charitable giving to underpin public support for the privileges they receive under the tax code.

Sustainability Implications

One measure of the impact of foundation grantmaking is whether the projects that foundations support or the capacities that they help to develop in nonprofit organizations sustain beyond the grant period. This metric is especially relevant to foundations that are working in support of community change in particular places, and among those who view their grants as investments in sustained community capacity for social change.

In this context, the availability of other sources of funding is an important environmental factor that will determine whether projects and capacities can continue beyond the grant cycle. For many organizations, government funding and fee-based revenue are viable options, but the playing field is not level when it comes to which nonprofits have access to these resources.[5] For many community-based organizations, their path to sustaining projects and capacities relies on their ability to connect with and attract donations from individuals across their community.

The loss of small and medium-sized donors who have stopped giving to nonprofit organizations—either because they are no longer able to make donations or have shifted their giving to alternative approaches—is of great concern for the small and medium-sized nonprofits that depend on individual donations for their programming and for the flexible capital needed to develop their capacities for greater innovation and impact. These, in many cases, are the same organizations that large, multipurpose foundations—which are trying to overcome historical legacies of distance and lack of transparency by connecting their work in closer proximity to the communities where they want to deliver impact—raise concerns about vis-à-vis the sustainability of the projects, and see this as a barrier to funding their work. This sustainability challenge is not tenable in the long term for community-based organizations and the important purposes they serve in maintaining a healthy and vibrant charitable sector.

Legitimacy Implications

With so much focus on the instrumental dimensions of charitable giving (who gives and how much), the underlying expressive values that are connected to charitable giving are often overlooked. In his 2006 book *Strategic Giving: The Art and Science of Philanthropy*, philanthropy, nonprofit management, and social entrepreneurship expert Peter Frumkin emphasizes the expressive quality of giving.[6] He notes that giving is an expressive exercise through which donors project their commitments and beliefs onto the world. That donors may be choosing other forms of giving that help them make a connection to a cause rather than to an organization is, therefore, not itself a problematic situation. It is the act of giving—whether to an organization or to a person asking directly for help—that provides a valuable opportunity for all people to express interest in a cause that means something to them, or to have the opportunity to participate in the kind of social change they want to make possible.

However, the continued decline in the percentage of Americans choosing to give to charitable organizations presents something of a dismantling of the neat narrative (which, in part, was constructed, held together, and incentivized by tax policy) that giving to America's charitable organizations is the preferred way to realize the expressive function of charitable giving. This narrative and the norms of giving that are connected to it are directly linked to the public's understanding of and support for the role and functions of philanthropic foundations. In their introductory chapter to *The Legitimacy of Philanthropic Foundations*, Steven Heydemann and Stefan Toepler point out that the legitimacy of the foundation form benefits from deep public and official support for charitable giving, volunteering, and self-help.[7] They note that foundations as institutions are the beneficiaries of deep normative commitments to charity that are so widespread as to be virtually universal.

The question, then, that the philanthropy field has to grapple with today, is: What happens when the normative commitment to charity through charitable organizations is no longer universally held—when tens of millions of Americans choose to stop giving to charitable organizations, or as new norms that bypass "the middleman" continue to take root? What does it mean, in other words, to be a formal, organized expression of a deeply held norm that is, undoubtedly, changing?

The question, then, that the philanthropy field has to grapple with today, is: What happens when the normative commitment to charity through charitable organizations is no longer universally held . . . ?

Institutional Philanthropy Needs to Wake Up to Its Interdependence with Individual Giving

Although there has been a concerted effort through the professionalization of grantmaking and through waves of operating frameworks (e.g., scientific, strategic, effective) to distinguish institutional philanthropy from individual giving, it would be a mistake to overlook the links between the two. They cannot be walled off from each other. They are both sources of revenue for many of the same organizations, and are parts of a broader conception of the field of American philanthropy. If foundation staff would zoom out to see themselves as part of a much broader philanthropic marketplace, they might be able to see opportunities to influence individual donations so that they, and their grantee partners, are less impacted by the changing dynamics in individual giving.

Foundations have always been active participants in addressing the environmental conditions that have the potential to limit their impact or undermine their legitimacy.

Three Ways Institutional Philanthropy Can Help Recapture Individual Giving

Foundations have always been active participants in addressing the environmental conditions that have the potential to limit their impact or undermine their legitimacy. Through public outreach, support for research or advocacy by infrastructure groups, or direct engagement, there are examples from the past where foundations have had to work to engage the public or build public support for their work. However, the challenge of shaping donor behavior and attracting donors back to charitable organizations will require more than public awareness—it will also require that foundations directly engage with individual donors and find ways to bring them along through their grantmaking.

Research suggests that individual donors already look to foundations for information on charities to make informed giving decisions. Although early economic studies hypothesized that foundation giving would crowd out private donations, more contemporary studies show that in many cases foundation grants attract private donors, because they provide a signal of charity quality. A recent study of Canadian social-welfare and community charities found that "an additional dollar of foundation grants to charities crowds in private giving by three dollars on average."[8]

Building on this signaling effect, foundations can attract individual donors by designing campaigns for matching funds to their grantee partners. The results of an experiment by Dean Karlan and John List, published in 2012, show that lead donors can help charities attract other donors by announcing their gifts and by matching other people's gifts with their own money.[9] They found that announcing matching gifts from the Bill and Melinda Gates Foundation multiplied the number of donors who responded to a charity's appeal. Their research provides further evidence that quality signaling through the foundation's name can work to enhance both the size of gifts and the number of donors. (The Koch-affiliated Stand Together Foundation is one example of a foundation that took a deliberate step to build a network of everyday donors to support the grantee partners they had selected to participate in their antipoverty strategy, by launching a matching gifts program, the Giving Together Initiative, in which the foundation matches donations up to $1,000 each.)

A similar approach is to create opportunities for collaborative funding with individual donors. Co-Impact, an initiative housed at the Rockefeller Foundation, describes itself as a platform where donors can join in to support a portfolio of programs that the core partners have identified as strategies for systems change. This model was developed to provide individual donors with access to the kind of thinking and structures that are widely available in institutional philanthropy, to help them align their giving with opportunities of greatest impact. Models like this can be developed, where foundations can attract and educate donors by providing them with insight and expertise, including options like sharing program officers' due diligence assessments, or giving donors summaries of the performance reports submitted to the foundation.

Another way foundations can assist their grantee partners is to help them adapt to the changing dynamics in charitable giving by funding donor-engagement programs. Many nonprofits simply lack the capacity and resources to respond nimbly to leverage some of the new technology and digital strategies available to engage donors effectively. The Evelyn and Walter Haas, Jr. Fund made significant investments in research and capacity-building support to help their grantee partners raise money from individuals, after hearing their grantees identify this as one of their major challenges. A related approach to building fundraising capacity is through planning grants and challenge grants, which provide organizations with the time and resources to design and test sustainability strategies for their programs. The Health Foundation of Greater Cincinnati (now Interact for Health), for example, developed a model for sustainable grantmaking to ensure that they were thinking with their grantee partners about ways to sustain programs funded by their grants.[10]

Finally, foundations can actively participate in shaping the culture of giving in the communities they serve.[11] Community foundations have historically provided assistance and support to giving circles, which are helpful in connecting a community of donors and providing a social experience that donors want around their giving. Other examples include building awareness for individual donors around the issues the foundation supports. One example is provided by the Harman Family Foundation, in Washington, DC, which publishes a "Catalogue for Philanthropy: Greater Washington" to attract individual donors to small local nonprofits in the region. These are just a few examples of ways foundations can participate in supporting the philanthropic infrastructure beyond grantmaking by leveraging their communications, advocacy, convening, and research capacities.

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The loss of millions of donors to charitable organizations presents an interesting juncture in the evolution of charitable giving, which could have effects that extend beyond nonprofits to institutional philanthropy. This calls for attention—if not action—on the part of foundations. As our understanding of the dynamics of donor giving unfolds through better data and research to help understand why and how donors are shifting their giving, the field will be able to develop targeted strategies for organizations to draw donors back to charitable organizations or adapt to the new reality of giving without the charitable organization as the intermediary. In the meantime, such silence as now exists within the philanthropic sector is not warranted. Foundations cannot remain comfortably unaware while everyday donors are walking away from charitable organizations.

The loss of millions of donors to charitable organizations presents an interesting juncture in the evolution of charitable giving, which could have effects that extend beyond nonprofits to institutional philanthropy.

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Where Have All the Donors Gone?

The Continued Decline of the Small Donor and the Growth of Megadonors

by Patrick M. Rooney

In 2016, 53.9 percent of American households donated something to a legally recognized charity. This is down 1.5 percentage points from the prior wave of data in 2014, 11.5 percentage points since the Great Recession, and *almost 14 percentage points from the peak level, in 2002.* In other words, one in five former donors in the early waves of the study are now not giving anything to legal charities in any given year.

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There is no doubt that the change in the tax laws will affect this picture moving forward . . . but the trend of the very highest income earners accounting for dramatically larger shares of total giving does not seem likely to change.

Table 1 shows that the share of Americans giving at all to 501(c)(3)s continues to erode. (Note that the dataset used by this table represents the bottom 92 percent of U.S. households for income and bottom 97–98 percent of households for wealth. The panel does not include enough observations in the top 2–3 percent of income earners to be representative.)[1]

Meanwhile, big donors are playing an even bigger role than in earlier years. First, itemized giving by those with an adjusted gross income (AGI) of $1 million or more in any given year has grown dramatically over the last couple of decades (see Table 2)—in fact, it has more than tripled, from 10.3 percent in 1993 to 31.7 percent in 2016 (the most recent year available from the IRS of highest income earners). It is also up two percentage points from 2015, when it was 29.8 percent.

There is no doubt that the change in the tax laws will affect this picture moving forward (as the number of itemizers plummets, given the tax bill changes);[2] but the trend of the very highest income earners accounting for dramatically larger shares of total giving does not seem likely to change.

In an article published by the *Nonprofit Quarterly* in fall 2018—"The Growth in Total Household Giving Is Camouflaging a Decline in Giving by Small and Medium Donors: What Can We Do about It?"—I demonstrated that small donors were disappearing and larger donors were increasing their share of giving.[3] Now I provide evidence that these trends are continuing—if not accelerating—and I briefly articulate some ideas on what might be done to ameliorate these challenges.

Where Have All the (Small) Donors Gone?

Let's review some updated data on these trends to the extent feasible. This decline in donorship holds true for giving overall, gifts to congregations (labeled "religious giving"), and gifts to other (non-congregational) charities (labeled "all secular giving")—setting aside for now the fact that many gifts categorized as secular gifts are actually donated based on religious values and/or to religiously affiliated charities, but ones

Table 1: Share of U.S. Households Giving to Charities

	2000	2002	2004	2006	2008	2010	2012	2014	2016
Overall giving	66.22%	67.63%	66.87%	65.26%	65.41%	61.11%	58.80%	55.51%	53.94%
All secular giving	55.23%	56.49%	56.34%	55.75%	56.46%	51.63%	49.69%	47.10%	44.23%
Religious giving	46.49%	46.27%	46.01%	42.75%	41.86%	38.09%	36.42%	33.96%	32.04%

Source: Data from Philanthropy Panel Study, University of Michigan Panel Study of Income Dynamics, 2017 (philanthropy.iupui.edu/research/current-research/philanthropy-panel-study.html and psidonline.isr.umich.edu/); calculations by Xiao "Jimmy" Han, statistician, Indiana University Lilly Family School of Philanthropyat IUPUI.

Table 2: Total Itemized Giving and Share Donated by Households with AGI of $1 million or More per Year: Selected Years

Year	Total Itemized Charitable Deduction	Itemized Charitable Deduction for HHs at AGI $1M+	% of AGI $1M+ of Overall Itemized Charitable Contribution
1993	$68,354,296	$7,050,906	10.3%
2000	$140,681,632	$32,633,044	23.2%
2010	$170,235,681	$36,569,960	21.5%
2016	$233,867,324	$74,135,863	31.7%

Source: IRS data; calculations prepared by Jon Bergdoll, statistician, Indiana University Lilly Family School of Philanthropy at IUPUI.

whose primary mission is not faith fulfillment, so they are labeled perhaps too generically as secular.[4]

Giving to other charities (labeled "secular giving") is down almost three percentage points from the prior wave (2014) to the most current wave (2016). Secular giving is down over twelve percentage points from its peak before the Great Recession. As a rate of change, this means that 22 percent fewer households are donating at all to these non-congregational charities. (See Table 1.)

Giving to congregations has trended down with each additional wave of the panel study. In 2016 (the most recent year for which these data are available), the share of households giving to congregations is down to 32 percent, which is almost two percentage points lower than the prior wave in 2014, and almost ten percentage points lower than before the Great Recession. It is 14.5 percentage points lower than when the panel started, in 2000. An alternative way of expressing this is that almost one-third fewer American households are donating to congregations in the most recent panel wave in 2016 than they did in the first wave in 2000.

On the other hand, when we look at only those households who donated in any given year, we see that they are actually increasing how much they give each year both to congregations and to other charities, hence to overall giving as well (see Table 3). This trend has been characterized elsewhere as "donors down, dollars per donor up."[5] Given the uniformity of this trend, I will let Table 3 speak for itself.

The Big Donors Are Getting Bigger

As I described earlier, the share of itemized donations by very high-income households tripled between 1993 and 2016. That paints a vivid picture, but there are several other factoids that triangulate to this truth of the growing share of big donors in total household giving. First, I review the *Chronicle of Philanthropy*'s list of the top fifty donors and its subset of the top ten donors from 2000 to 2018. Second, I examine the explosive role of DAFs, both in the dollar volumes and as a share of household giving. Finally, I look at comparative evidence from available research around the world to ascertain whether these trends in the United States parallel similar phenomena globally.

Not only are the bigger donors getting bigger—the biggest donors are also getting to be even "more biggest" (bad grammar intended for dramatic effect; apologies to all of my prior English faculty). Table 4 (next page) shows total giving by the top fifty largest and top ten largest donors as reported annually by the *Chronicle of Philanthropy*,[6] as well as total giving and total household giving (both from Giving USA).[7]

My research team and I have combined these two distinct data series to calculate the giving by the top fifty and top ten donors each year as a share of total household giving. We have created a subset of the *Chronicle*'s top fifty donors to examine how similar or different the top 10 percent of donors are compared to the rest of the top fifty (i.e., the "bottom forty" donors in the top fifty). (See Table 4.) It's important to note that the top fifty data only go back to the

Not only are the bigger donors getting bigger—the biggest donors are also getting to be even "more biggest."

Table 3: Average Dollar Amounts Donated by Current Donor Households Only

Donor households	2000	2002	2004	2006	2008	2010	2012	2014	2016
Overall giving	$2,584	$2,420	$2,668	$2,642	$2,587	$2,610	$2,553	$2,549	$2,766
All secular giving	$1,183	$1,094	$1,235	$1,211	$1,273	$1,340	$1,234	$1,301	$1,406
Religious giving	$2,275	$2,201	$2,366	$2,455	$2,326	$2,373	$2,439	$2,362	$2,638

Source: Data from Philanthropy Panel Study, University of Michigan Panel Study of Income Dynamics, 2017 (philanthropy.iupui.edu/research/current-research/philanthropy-panel-study.html and psidonline.isr.umich.edu/); calculations by Xiao "Jimmy" Han, statistician, Indiana University Lilly Family School of Philanthropy at IUPUI.

Table 4: Total Household Giving Versus Giving by the Top 10 and Top 50 Donors								
Year	Giving USA Total Giving	Giving USA Household Giving	*Chronicle* Top 50	*Chronicle* Top 10	Top 50 as Share of Giving USA Total Household Giving	Top 10 as Share of Giving USA Total Household Giving	Bottom 40 of Top 50 as Share of Giving USA Total Household Giving	Top 10 Minus Bottom 40
2000	229,660,000,000	174,090,000,000	7,570,600,000	6,171,400,000	4.35%	3.54%	0.80%	2.74%
2001	232,090,000,000	173,060,000,000	12,591,354,665	11,205,791,363	7.28%	6.48%	0.80%	5.67%
2002	232,720,000,000	173,790,000,000	4,617,643,996	3,248,395,146	2.66%	1.87%	0.79%	1.08%
2003	237,450,000,000	181,470,000,000	5,750,148,500	4,199,400,000	3.17%	2.31%	0.85%	1.46%
2004	260,260,000,000	201,960,000,000	9,837,446,198	7,890,206,917	4.87%	3.91%	0.96%	2.94%
2005	292,430,000,000	220,820,000,000	4,017,922,673	2,271,120,793	1.82%	1.03%	0.79%	0.24%
2006	296,090,000,000	224,760,000,000	50,726,107,425	47,666,100,589	22.57%	21.21%	1.36%	19.85%
2007	311,060,000,000	233,050,000,000	7,393,049,567	4,437,534,978	3.17%	1.90%	1.27%	0.64%
2008	299,610,000,000	213,760,000,000	15,538,489,255	12,691,700,000	7.27%	5.94%	1.33%	4.61%
2009	274,780,000,000	200,780,000,000	4,124,039,702	2,616,204,746	2.05%	1.30%	0.75%	0.55%
2010	288,160,000,000	207,990,000,000	3,178,472,656	1,540,221,206	1.53%	**0.74%**	**0.79%**	**–0.05%**
2011	298,500,000,000	213,910,000,000	10,435,423,966	8,347,676,000	4.88%	3.90%	0.98%	2.93%
2012	332,607,087,751	244,381,936,007	7,348,511,293	5,363,042,183	3.01%	2.19%	0.81%	1.38%
2013	332,524,670,725	242,433,456,603	7,678,542,954	4,117,438,252	3.17%	1.70%	1.47%	0.23%
2014	357,600,383,950	252,245,707,465	10,208,489,408	6,732,454,218	4.05%	2.67%	1.38%	1.29%
2015	375,896,010,083	264,692,821,780	6,952,984,408	3,689,641,026	2.63%	1.39%	1.23%	0.16%
2016	396,518,730,026	279,379,413,192	5,619,867,201	3,372,925,000	2.01%	1.21%	0.80%	0.40%
2017	424,736,492,013	295,300,577,553	14,747,851,855	11,113,444,200	4.99%	3.76%	1.23%	2.53%
2018	427,707,530,666	292,086,832,770	7,841,071,547	4,883,330,715	2.68%	1.67%	1.01%	0.66%

Sources: Giving USA and *Chronicle of Philanthropy;* all dollars are nominal dollars; calculations performed by the author and Krisztina Tury, doctoral candidate, Indiana University Lilly Family School of Philanthropy at IUPUI.

year 2000, so definitive estimates of longer-term trends are not possible; but some interesting factoids emerge from these data.

First, the top ten donors of the top fifty account for an average of 78 percent (mean versus 69 percent for the median) of the total giving by the top fifty donors. Second, in all but one year, the top ten donors gave more than the next forty combined. Third, in that year (2010), the top ten still accounted for 48.5 percent of the total giving by the top fifty. Fourth, and perhaps not surprisingly, there is a great deal of volatility in the year-to-year amounts given by the top fifty. While some of these donors are repeat donors, others are givers of bequest gifts, which by definition are one-time gifts. Fifth, the top fifty donors play an important role in household giving, ranging from 1.5 percent to 22.6 percent of total household giving in any given year. The top ten donors ranged from 0.7 percent to 21.2 percent of total household giving. While Table 4 shows some dramatic swings (e.g., Warren Buffett's big gifts), it also shows that even among the top fifty donors, the biggest donors (top ten) account for a disproportionate share of the dollars donated by the top fifty.

Evidence from Donor-Advised Funds

While some donor-advised funds (DAF) hosts are trying to create a more democratized version of DAFs with lower entry requirements, it is clear that DAFs are growing and that they remain largely the realm of large donors. According to the most recent report from the National Philanthropic Trust on DAFs in 2019, between 2014 and 2018 the number of DAF accounts more than tripled (202 percent)![8] (See Table 5.) This growth has been going on for years, but has accelerated since the tax code was being discussed and then enacted: The number of accounts grew 62 percent from 2016 to 2017, and then another 55 percent from 2017 to 2018—or 152 percent growth from 2016 to 2018 combined!

The dollar amounts contributed to new and existing DAF accounts have also grown rapidly over the last five years (86 percent), but not nearly as rapidly in the past two years as the number of accounts: 48 percent growth in total amounts contributed to DAFs versus 152 percent growth in the number of DAF accounts from 2016 to 2018. The changes in the tax code combine to make it unlikely that most giving households will be able to deduct their charitable gifts, including most of the tax filers who were itemizers in prior years.

The key factors driving most former itemizers into becoming non-itemizers moving forward are the near doubling of the standard deduction and the effects of the state and local taxes (SALT) limits. Clearly, many middle-, upper-middle-, and lower-upper-income households have reacted to the expected loss of their tax itemization status by creating a DAF account (or expanding one already in place). This may be a strategy to "bundle" multiple years' worth of gifts into one year, thereby creating a large enough deduction in some years to move back to tax itemization status. This would permit the deductibility of the same donations—even if not on an annual basis.

The total amounts in DAFs have also grown dramatically over the last five years (73 percent), as have the total amounts paid out in grants (90 percent). (See Table 5.) There are two indicators that have declined over the last five years—dips that seem to be related to the tax-bill effects of tremendous growth, as well. For example, the average amount in each DAF account dropped 43 percent from 2014 to 2018, but all of the decline occurred over the last two years (a 44 percent drop from 2016 to 2018). This effect may be attributable to the following possibilities: The

The changes in the tax code combine to make it unlikely that most giving households will be able to deduct their charitable gifts, including most of the tax filers who were itemizers in prior years.

Table 5: Trends in DAF Data, 2014 to 2018

	2014	2015	2016	2017	2018	% change 2014–2018
Number of DAF accounts (p. 13)	241,507	272,845	289,614	469,331	728,563	
Total amounts in DAFs (p. 13)	$70,050,000,000	$77,180,000,000	$86,350,000,000	$112,100,000,000	$121,420,000,000	73%
Total amounts contributed to DAFs (p. 12)	$19,910,000,000	$21,420,000,000	$25,060,000,000	$30,900,000,000	$37,120,000,000	86%
Total amounts paid out in grants by DAFs (p. 11)	$12,350,000,000	$14,220,000,000	$15,860,000,000	$19,700,000,000	$23,420,000,000	90%
Average amounts in each DAF account (p. 15)	$290,054	$282,870	$298,169	$238,857	$166,653	– 43%
Contributions to DAFs expressed as a % of total individual giving (p. 5)	7.9%	8.1%	9.0%	10.5%	12.7%	61%
Grant payout rate (this year's grants/last year's assets) (p. 14)	21.6%	20.3%	20.5%	22.8%	20.9%	–3%

Source: *The 2019 DAF Report* (Jenkintown, PA: National Philanthropic Trust, 2019); rates of change are author's own calculations using data from the report.

Public policies, including tax policies, are meant to reflect the will of the public and to create incentives for desirable behaviors; create disincentives for undesirable behaviors; and provide for public goods.

fact that many DAF host organizations have lowered the cost of entry in order to attract new clients; the very high payout rates that many DAF accounts persist in giving; and/or the dilution effects of so many net new DAF accounts formed so rapidly. The second negative signal from the burst in growth in DAF accounts is the modest decline in the grant payout rate over the last five years, from 21.6 percent in 2014 to 20.9 percent in 2018. While there are many potential definitions for payout rates, National Philanthropic Trust employs the commonly used definition for foundation payout rates in these calculations (this year's grants divided by last year's total assets, or [grants(year t)/total assets (year t-1)]). While the payout rate bumped up a bit in 2017 (to 22.8 percent), the five-year average has been 21.2 percent, and most years have been within one percentage point of that five-year average.

The facts are that there are over $121 billion dollars in DAF accounts and over $23 billion in new contributions from DAF accounts were given in 2018 (see Table 5). Grants made to charities from DAF accounts totaled the equivalent amount of 12.7 percent of total household giving in 2018, which is up dramatically from 7.9 percent in 2014—and almost three times its share in 2010 (4.4 percent). The increase in the number of DAF accounts, their total assets and grants, and, especially, the overall "market share" of DAFs as a percentage of household or individual giving demonstrate the growth of "bigger" or "big" donors. This, combined with the reality that we simultaneously saw a decline in the participation rates in giving by the small donors, reinforces the notion of the growth of the big donors and the disappearance of the small donors.

Fidelity Charitable's latest giving report indicates not only tremendous growth in charitable contributions over time—from $1.1 billion in 2009 to $5.2 billion in 2018 (41 percent per year average annual growth in the dollar amounts in DAF grants from 2009 to 2018) just from Fidelity Charitable's DAF accounts—but also the scale of these gifts: grants of $1 million or more grew to 582 last year (15 percent over the prior year).[9] Also of interest: According to Fidelity's data, only 3 percent of these DAF gifts last year were completely anonymous.[10] Furthermore, while just over one-third (37 percent) of the DAF gifts were granted within a year, 74 percent were granted within five years and 88 percent within a decade.[11] While it is quite reasonable to be concerned about the theoretical aspects of a "parking lot" phenomenon, in reality, these micro, account-level data from Fidelity and the aggregated payout rates reported by the National Philanthropic Trust suggest that this criticism of DAFs is an exaggeration wrapped up in a hyperbole (or vice versa, as one prefers).

Impact of Policy Changes on Philanthropy

Public policies, including tax policies, are meant to reflect the will of the public and to create incentives for desirable behaviors; create disincentives for undesirable behaviors; and provide for public goods (e.g., national defense, clean air and water, etc.) and infrastructure (e.g., schools, roads, bridges, airports, harbors, etc.), as well as the means of funding these endeavors (e.g., income taxes, property taxes, capital gains taxes, tolls, and other user fees).

The historical ability of Americans to deduct their charitable donations reflects our social values to decentralize decision making about the level of funding for some types of public goods, encourage prosocial behaviors (i.e., good deeds), and provide an incentive to fund public goods voluntarily. As has been discussed elsewhere (The Conversation, *Nonprofit Quarterly*, etc.), the most recent tax bill contains several elements that are likely to affect private philanthropy, but nearly all are likely to have a deleterious effect on philanthropy—at least in the short run. Key components of this include the following:

1. Lowering the top marginal tax bracket for households, which lowers the after-tax value of a household donation. Since this rate change was small, its likely effect is also small.
2. Near-doubling of the standard deduction means that most households who had been itemizers in the past will be non-itemizers in the future. Given that this represents a 66.7 percent price increase for donations by those who had been itemizers in the top tax

bracket before and are now non-itemizers (see math examples below, near end of this section), it is expected that this will have a meaningful and persistent negative effect on household giving—holding everything else constant (e.g., growth in incomes, GDP, etc.).

3. The SALT caps make it even more likely that former itemizers will become non-itemizers. Again, this would create an increase of 66.7 percent in the price of making a donation—or the after-tax cost of giving.
4. The doubling of the exemption levels for the estate tax means that even fewer households will be subject to the estate tax, which makes it less likely that some households will make charitable bequest gifts.
5. The large drop in the top corporate tax rate raises the after-tax cost of corporate giving.

Theoretically, these tax effects are mixed: Tax rate cuts put more money in the pockets of taxpayers, which could be donated immediately, thereby potentially increasing charitable giving ("income effects," in economics-speak); on the other hand, tax rate cuts raise the after-tax price of giving (price effects), which may diminish giving. Given these opposing potential effects, the actual effects must be measured empirically. There are several pieces of evidence that suggest that the tax bill will have a net negative effect on giving. First, research commissioned by Independent Sector and conducted by the Lilly Family School of Philanthropy estimated that the tax bill would be likely to reduce household giving by 4.6 percent.[12] Similar results were found by other scholars and policy analysts (e.g., Urban Institute, American Enterprise Institute, and the Tax Policy Center).[13]

This year's results outlined in *Giving USA 2019* show the first evidence of the impact of the tax bill on household giving.[14] In spite of the fact that disposable personal income (DPI), which is after-tax income, and gross domestic product (GDP) grew by at least 5 percent in 2018 over 2017, household giving fell by an estimated 3.4 percent.[15] Given the fact that we would have anticipated a robust growth in household giving paralleling if not equal to the growth in personal income, and given that the other main factor was the tax bill, the *Giving USA 2019* findings suggest that our earlier estimates of the likely effects of the tax bill were pretty much "on the money."[16] We had estimated a larger decline for the net-net effects of the tax bill than what was found in *Giving USA 2019*, but the estimate of the tax bill effects was made holding growth in income and GDP constant—essentially asking what would happen purely as a result of the change in tax regime. Clearly, the robust growth in GDP and DPI and other tax-cut-related income effects were dominated by the negative effects on the price of giving resulting mostly from the doubling of the standard deduction and the SALT caps.

As reported elsewhere (e.g., *Nonprofit Quarterly*, The Conversation, Independent Sector-Indiana University research reports), the tax bill had several aspects that were nearly all likely to have a deleterious effect on philanthropy—holding everything else constant.[17] (The one exception to this is the increase in the share of income that households can deduct in any given year, from 50 percent to 60 percent. Obviously, this does not affect many—if any—households in any given year.) First, the small decrease in the top marginal tax rate (MTR) was likely to have a small, negative effect on household giving. Second, the near doubling of the standard deduction meant that most tax itemizers in earlier years would become non-itemizers, which meant that their after-tax price of giving would increase dramatically.

For example, in 2017, it cost approximately \$60 for an itemizer in the top tax bracket to donate \$100—i.e., (\$100 × (1 – MTR)) = (\$100 × (1 – .396)) = \$60. If now a non-itemizer, it costs \$100 to donate \$100, which is a 66.7 percent price increase—(((\$100 – \$60) / \$60) × 100) = 66.7 percent. While people donate for many reasons, and taxes may be near the bottom of the list, anyone facing a price increase of 66 percent might reevaluate whether to buy that "good" at all, and, if so, how much of it. Arguably, charitable donations could be considered "luxury

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What's the effect of declining participation rates in giving on our democracy and civil society when fewer people give than those who do not? Are we concerned about democracy in America?

goods" (i.e., they are not needed to live, and generally increase with income and wealth), rather than "necessities" (i.e., needed to live). One would expect that the "price sensitivity" (or elasticity of demand, in economics) would be greater for luxury goods than necessities.

In addition, the elimination of personal exemptions will be a downdraft for families with more than two or three children. Finally, the SALT limits make it even more likely that more households would be non-itemizers, which makes it more costly for more households to donate. In fact, the early signals from the IRS are that the number of itemizers dropped to approximately 10 percent.[18]

The doubling of the exemption of the estate tax was unlikely to have an effect on giving this past year. In order to have had an effect, an estate would have to fall in between the old exemption level and the new one, the will would have to have been changed to drop the bequest gifts, *and* the person would have to have died last year (2018). I am sure there are a few folks who fit into that list, but not many. The net effect long term is less certain, as people make bequest gifts for many reasons—but it is clear that the estate tax will only apply to the very wealthiest of households. If making bequest gifts to avoid the estate tax was all or part of many households' motivation for making an estate gift, then we can expect that the doubling of the estate tax exemption levels will have a negative effect on bequest giving over time.

International Evidence

There is evidence that some of the trends we are observing in the United States are occurring globally, with documented evidence in the United Kingdom, Australia, the Netherlands, and Canada. In the United Kingdom, there is a parallel pattern of donors down, dollars per donor up. According to the latest study by the Charities Aid Foundation (*CAF UK Giving 2019* report), the proportion of people giving to charity has decreased for three years in a row (from 69 percent in 2016 to 65 percent in 2018).[19] But since those who gave donated higher amounts, the total amount in 2018 remained largely the same as in the previous year. (Charities Aid Foundation conducts an online survey every month with one thousand respondents.)

According to Marie Crittall, Myles McGregor-Lowndes, and Denise Conroy, the percentage of people donating in Australia has been decreasing since 2010–2011.[20] These data are based on tax returns. The latest Dutch data on giving came out in 2015,[21] then the research stopped for a couple of years due to funding problems. The next report will be available in spring 2020.[22] What we know is that giving as a proportion of income declined by one-fifth between 1999 and 2015, based on the Giving in the Netherlands Panel Survey.[23] In 2013, 88 percent of Dutch households donated to charities, and 85 percent did so in 2011.[24] In Canada, according to a Fraser Institute report, the percentage of tax filers donating to charity dropped between 2006 and 2016, from 24.6 percent to 20.4 percent.[25]

Whether these initial pieces of data from these five very different countries (five is counting the United States) are a coincidence, a short-term aberration, an early indicator of future trends, or correlated in ways not yet understood is unknown/unknowable. However, collectively, they stimulate concerns that we may be on the leading edge of a disconcerting trend that might be global as well as national.

Conclusions and Recommendations

Big donors have grown, and small and medium-sized donors have gone away. Empirically, this does not seem to have hurt total giving much in the recent past. However, what happens in the long run? Will bigger and bigger donors continue to bail out philanthropy? Will the elimination of the tax deduction for most former tax itemizers continue to erode household giving? What's the effect of declining participation rates in giving on our democracy and civil society when fewer people give than those who do not? Are we concerned about democracy in America? What happens if we shift from most Americans giving to most not giving? Here are my top conclusions and recommendations:

1. Our prior research for Independent Sector showed that the universal charitable

deduction (UCD) would increase household giving more than the loss in giving from the tax bill.
- Variations of this proposal have been supported in both the House and the Senate, and have been sponsored by members of both of the main political parties. However, they have not yet gained much traction.

2. Similarly, we have estimated that a 25 percent tax credit would more than offset the philanthropic decreases associated with the tax bill.
   - A tax credit would also address the equity concerns that some have raised about the itemized charitable deductions: A tax credit would create the same dollar-value reduction in federal income taxes owed for anyone—regardless of their income or MTR—whereas the value of a tax deduction for a charitable gift grows with incremental income as the MTR increases with higher levels of taxable income.
   - For example, with a tax credit, a gift of $1,000 would create a $250 tax credit whether one was in the lowest or the highest MTR; however, a tax deduction from the same $1,000 gift might produce as little as a $100 deduction (for those in the 10 percent tax bracket) or as much as a $370 deduction (for those in the current top tax bracket of 37 percent). Clearly, these are producing some unequal outcomes.
3. Another meaningful policy change that would encourage philanthropy would be to tax capital gains income as ordinary income after adjusting for inflation.
   - This would create new incentives for people to donate appreciated assets, and would improve both horizontal equity (treating likes alike) and vertical equity (treating people of different incomes fairly). The rate increase would also encourage philanthropic gifts in the year of liquidation (if the person elected not to donate the appreciated asset itself), as the donor could benefit from the deduction at the higher MTR.
   - It would improve horizontal equity: Income is income, regardless of source, so taxing it the same would be fair in this regard.
   - It would also enhance vertical equity. Recall Warren Buffett's comments about how unfair it was that his tax rate was lower than that of his executive assistant. His was lower because of a legal loophole that taxed most of his income as capital gains, but his assistant's income was taxed at the rates for ordinary income.[26]
   - Capital gains tax rates for assets held over a year are either 0 percent, 15 percent, or 20 percent (depending on your taxable income and filing status). Capital gains are taxed at lower rates than ordinary income at every level, but that gap gets larger as one's share of income from capital gains grows.
4. Another simple policy change would be to implement economist C. Eugene Steuerle's suggestion of being able to deduct charitable gifts in spring of the following year while doing one's taxes—like a Roth or an IRA.[27]
   - This would be useful because if someone had more taxable income than expected for any reason, they could maximize the tax deduction by claiming it for a year when they had a higher MTR.
   - This would be even more important if a universal charitable deduction or a universal charitable tax credit were implemented, as all Americans would be able to utilize that strategy.

• • •

I think it is important to point out the trends vis-à-vis our growing reliance on big donors and megadonors in our philanthropic landscape, and to acknowledge the concerns about the disappearance of the small and medium donors. I, for one, am grateful that the wealthy and the very wealthy are voluntarily sharing some of their wealth with the rest of society. Some have argued that those dollars should be taxed, but the fact is the charitable deduction has been part of the tax code for one hundred years—nearly as long as there have been federal

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income taxes. In addition, the public policy trend over the last sixty years or so has been predominantly to lower top marginal tax rates. Perhaps we might be better served to close some of the tax loopholes that allow hedge-fund billionaires to pay a lower effective tax rate than those earning just above the minimum wage, rather than discouraging wealthy households from donating.

While the top fifty donors—and especially the top ten donors—make gifts that seem staggering to most of us, in the median year the top fifty donors accounted for only 3.2 percent of total household giving that year. These gifts are immense, and perhaps newsworthy, but they do not dominate the philanthropic flows in the same manner as the headlines might suggest. While some households face tough choices at times and elect not to donate in any given year, some of our forthcoming research has shown that over a longer period of time, at least 87 percent of American households donated something at least once over the prior decade, and many donate in most years.

It is also important to recognize that philanthropy includes a wide range of voluntary actions for the public good beyond gifts of money to legal charities. These might include gifts of cash to help friends, neighbors, relatives, and/or others in need, or volunteering time to help at a charity or help a friend or neighbor. Our civil society contributions might also embrace such actions as voting, protesting, and forming movements to "get out the vote." In these ways, households of all income levels can and do participate in our civil society.

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Speculations on the Roots of the Loss of Small U.S. Donors: What Nonprofits Can Do

by Ruth McCambridge

In 2018, a study by philanthropy and charitable-giving expert Dr. Patrick Rooney of the Lilly Family School of Philanthropy confirmed that while dollar levels of giving overall in the United States are relatively stable, the number of households contributing to that pool of philanthropic capital is shrinking at the lower income levels.[1] This phenomenon is sometimes called "dollars up, donors down," and has been noted by certain large institutions for some time.[2]

Now, a new report by Chelsea Clark, Xiao Han, and Una Osili, a research team also at the Lilly Family School of Philanthropy, has further clarified Dr. Rooney's findings.[3] *Changes to the Giving Landscape*, which admittedly is focused only on certain categories of giving, gets even more exact about the nature and degree of the reduction in the number of U.S. households making charitable gifts—which shrank by 13 percent, or 20 million households—between 2000 and 2016. The report explains:

> From 2000 to 2008, the share of U.S. households donating to charity held relatively steady, dropping only from 66.22% to 65.41%. However, 2010 marked a turning point, as the share who gave declined to 61.11% following the Great Recession. The overall giving incidence was only 53.09% in 2016, the most recent year of data available. This represents a significant decrease of about 20 million donor households since 2000.[4]

The trajectory of that decline began around 2010, after the end of the recession, and that should be cause for alarm for small to midsized nonprofits. (See Figure 1, on page 34.) It should also be cause for alarm for anyone concerned about the integrity of our democracy.

That the recession was at least in some large part implicated in the decline is reinforced by some of the other stark findings in the report:

> The Great Recession (December 2007–June 2009) was the most significant economic downturn in America since the Great Depression. As such, it influenced American households in many ways. Real GDP fell by 3.1 percentage points, real personal income per capita fell by 8.3 percentage points, and the unemployment rate increased from 4.6 percent to 9.3 percent during the Great Recession (Moffitt, 2013). Following the Great Recession, wages,

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income, and employment rates were slow to recover, especially for certain demographic groups.[5]

Building on this, the report has more exactly identified the kinds of households that stopped giving—at least through 2016. They include, most markedly:

- those with less than a high school education,
- those who make less than $50,000 per year, and
- those who have less than $50,000 in wealth.

In an interview for this article, Una Osili, a lead researcher on the study, observed that this pretty much conforms to the populations that were most seriously left behind in the recovery, which further widened the wealth gap in the country. But we already know this; any number of studies have documented the perversity of this "recovery" caused by and benefiting most the richest in the country:[6]

> In relative terms, declines in net worth were most pronounced at the bottom of the distribution. While households at the 95th percentile of net worth were worth roughly the same in 2011 and 2003 . . . households at the median in 2011 had only 55 percent of the 2003 median net worth and those at the 25th percentile had only 15.3 percent of those at the 25th percentile in 2003. Moreover, the relative decline in net worth was smaller at higher percentiles than at lower percentiles.[7]

This calls into question one of the mainstays of predictive indicators on giving in the relationship between GDP and giving rates. While it is generally acknowledged that giving rates are affected by local and national economic trends, in this case the number of households continued to fall apace even after the nation's primary economic indicators were well into "recovery."

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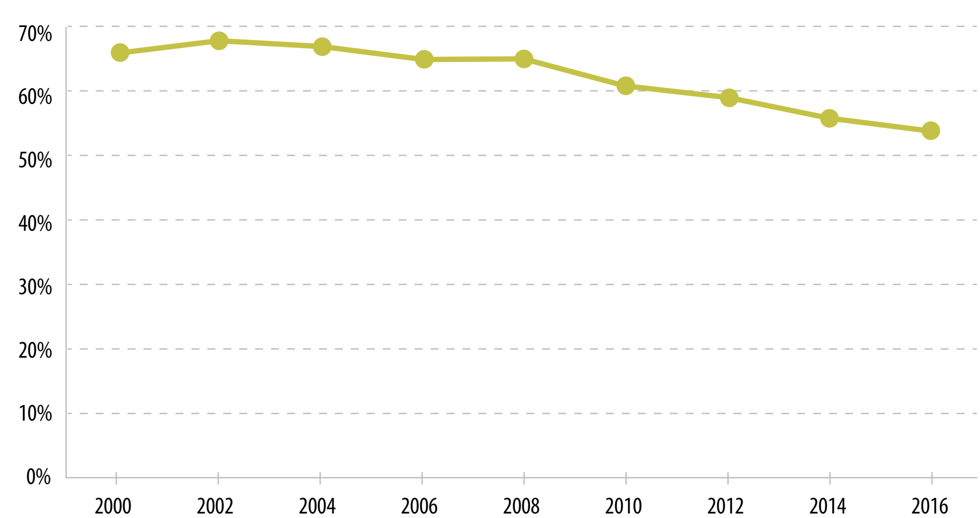
And indeed, the demographic that has evidently stopped giving is arguably more marginalized—not only economically but also politically—than other groups; so, where after past economic shocks there was a sense that there would be some effort to lift all boats, that has not been true with this recession. It has been the exact opposite. In fact, the federal government has reserved any sort of charitable deduction for itemizers who are not located at the lower echelons of income; this perversely provides an incentive for the rich to give, but not the rest of us, thus weighing in very much on the wrong side of current giving trends.

Figure 1. Fraction of Donor Households Over Time



Source: Chelsea Jacqueline Clark, Xiao Han, and Una O. Osili, *Changes to the Giving Landscape* (Indianapolis, IN: Indiana University Lilly Family School of Philanthropy at IUPUI, 2019).

"So what?" some might say. "Let the rich give—they can afford it." But when the rich give, they also choose which approaches are valid and which are not—and yet one more sector of society is increasingly unitarily shaped by higher-income individuals.

So, what is the point I am trying to make? In its discussion section, the Lilly School's report cites a study that concluded that the propensity for generosity is "affected by an individual's feelings of optimism about the future." The report continues: "This is something that is unique to each generation and relates to how each generation reacts to social and economic trends—and how each generation expects the trends to continue into the future. Taking this valuable insight into consideration, understanding how Americans experienced the Great Recession is essential to the future of American philanthropy."[8]

It is hardly a significant leap, then, to speculate that there may be a portion of the population of this country that has disengaged from that sense of optimism or faith that a donation to a nonprofit will somehow make things work better for them or for those around them.

If we are seeing disengagement for reasons of a lack of optimism, that is more than a fundraising problem—it may be a problem of the frames within which nonprofits and philanthropy work. That is, are our programs aimed at building shared wealth and community sustainability founded on plural ownership of political and economic capital? Or are we falling ever farther into a set of relationships with corporations whose extractive tendencies wring every drop of available wealth from working people, only to turn around and, in a great show of largesse, "donate" some of it back to those very same workers?

Do we imagine that working people want to labor for the periodic charitable subsidy rather than a stake of their own?

Part of what we must come to terms with in this sector is the notion, which may be increasingly widely held, that nonprofits are compliant handmaidens to an unjust system. If that is so, then perhaps we could expect to see less giving by those falling ever farther behind—not because people are becoming less generous, but because they are becoming less trusting that the sector will put their ideas and interests first in designing approaches to problems caused by those giving hundreds of thousands of times what individuals may be able to part with. Are megadonors looking for justice or, after the fact, whitewashing-apology alms that fall far short of the injury caused?

Imagine the impression upon regular donors, for instance, made by the billions of dollars tech firms are now throwing at nonprofits addressing the affordable housing crisis in California and Seattle. At some level, we have to imagine that the resentment caused by being heedlessly displaced and underpaid by Amazon might cause individual donors to give less to groups that receive funding from that corporation. Or do we think they cannot connect those particular dots? At the very least, we may be able to imagine a crowding-out effect of corporate riches on the odd fifty-dollar donation. In the end, it comes down to whose voice and definitional power are being amplified through the work done by a nonprofit.

And that is about democracy.

But while we have talked above about the possibility of increasingly disenfranchised people disengaging from nonprofits, there is a more proven and long-term trend of people losing faith in all institutions—including those in the nonprofit sector. As Osili pointed out, we know from the General Social Survey of adults and the Monitoring the Future Survey of twelfth graders that there has been a steady decline in that respect since 1974.[9] According to Osili, millennial giving rates have been growing more slowly than was anticipated—and despite the fact that research has long indicated that this generation requires different types of engagement to create the bond required to make a long-term giver, we do not see much activity by nonprofits themselves to attend to an increasingly less vibrant relationship between nonprofits and their donors.

We might also point to the increasingly less vibrant relationship between people and many nonprofit organizations. People are asked to volunteer and give in different ways than in the

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"Where are the platforms for engagement that will be required? How will 'habits of giving' be established?" asks Osili.

past—through the corporation that employs them or through a volunteer broker or the United Way (which can often be inappropriate and outright flat-footed)—and nonprofits have adapted, severing (to some extent) the direct relationships that build over time to provide capital of many types to community groups.

An illustration of the potential distance created can be found in a recent paper, "Understanding Donor-Advised Funds: How Grants Flow During Recessions," by H. Daniel Heist and Danielle Vance-McMullen.[10] (See Figure 2.) And while the people establishing donor-advised funds are probably a different demographic from those falling away from giving more generally, the distancing by the intermediation dynamic is often the same.

"Where are the platforms for engagement that will be required? How will 'habits of giving' be established?" asks Osili.

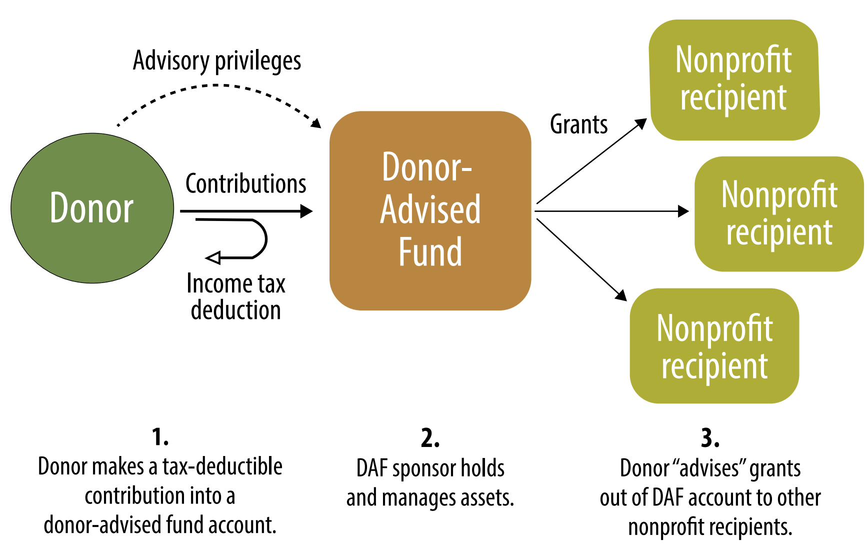
Indeed, if the relationship between nonprofit and donor is not vibrant and multifaceted, the falloff of donors may be entirely predictable. A paper called "Developing Donor Relationships: The Role of the Breadth of Giving" addresses the resilience built through multiple points of contribution, concluding that "donors with a higher level of donation variety of their past gifts are more likely to give in the future and, conditional on the gift being made, are likely to give more than donors with a lower degree of donation variety."[11] Additionally, states the paper,

> we present empirical evidence that donation variety can also change a donor's responsiveness to the changes in macroeconomic environment. We find that donors with a higher degree of donation variety are less responsive to negative changes in the macroeconomic condition, making them less risky because their donation patterns have lower volatility with external shocks.[12]

Is What We Need a "Culture of Philanthropy," or Is That Frame Just Wrong?

The phrase "culture of philanthropy" has been used over the past decade to describe nonprofits that are attentive to promoting meaningful engagement with the organization's mission among the whole of their community. The engagement is inclusive of donors. It has tended to be applied where staff in various roles get involved in raising the financial capital the organization needs.

Figure 2. Three Basic Donor-Advised-Fund Activities



Source: H. Daniel Heist and Danielle Vance-McMullen, "Understanding Donor-Advised Funds: How Grants Flow During Recessions," *Nonprofit and Voluntary Sector Quarterly* 48, no. 5 (October 2019).

But, more generally, perhaps we need to interrogate our frameworks—the ones that assume that charity is legitimate or justifiable as the primary intention of this sector over, say, common cause for the promotion of justice and equity or similar shared community values. In the latter model, multiple forms of capital are needed in unpredictable times, so individuals must be kept engaged. In the former model, donors are sometimes treated as being valued for just one type of capital. And if, per the former model, this is true, organizations might not just spend more time on high rather than lower donors—they might also be less likely to do the things that might convince even (or even especially) the most modest of donors that their thoughts and ideas are being taken into serious account.

As Clark, Han, and Osili remark, "At a time when needs continue to multiply, the importance of thinking anew about how to deepen and expand our relationships with past and future donors becomes more critical. To meet the complex challenges of such factors as changing tax laws, shifting demographics, and economic downturns, to name a few, we need to develop strategies for 21st century philanthropy."[13]

To conclude, we would point to systems that do offer donors multiple points of engagement with their various types of capital—such as in Planned Parenthood and reproductive rights in general, where the "we are in common cause of a critical nature" proposition shines through. Not every organization has such an evident burning platform, but the principle of the endeavor, which includes the message that each activist is necessary for his or her holistic engagement, comes through as the core of the organization's identity. Part of the problem, then, may be in the continual handing off of the relationship with supporters to various intermediaries—as if what is built through those interactions is not real capital, but the other part, now being addressed quite publicly via the use of philanthropy to prop up the wealth divide and an elite plutocracy. This requires longer-term attention to democracy and economic justice. Immediately, however, passing the universal charitable deduction should be a short-term sector imperative.

[P]erhaps we need to interrogate our frameworks—the ones that assume that charity is legitimate or justifiable as the primary intention of this sector over, say, common cause for the promotion of justice and equity or similar shared community values.

Notes

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11. Farnoosh Khodakarami, J. Andrew Petersen, and Rajkumar Venkatesan, "Developing Donor Relationships: The Role of the Breadth of Giving, *Journal of Marketing* 79, no. 4 (July 2015): 89.
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Are Community Foundations Living Up to Their Promise?

A Conversation with Terry Mazany

***Editors' note:** In this conversation with Terry Mazany, senior vice president for philanthropy at the Community Foundation for Greater Atlanta, we talk about community foundations and their role as intermediaries for individual donors. Although these foundations exist in many of our communities, their current construct and the core purpose they are meant to serve vary and may sometimes be lost in their many faces or aspects, especially vis-à-vis their attempts to distinguish themselves from commercial funds. Our intention with this interview is to refocus readers on what that core purpose is and what may be needed to help these foundations and their communities thrive more substantively together. In the course of the discussion we also talk about donor-advised funds and community foundations' stance—or lack thereof—in advocating for their regulation.*

Nonprofit Quarterly: *Terry, in that our future is informed by our understanding of the past, can you start with your own introduction to the historic role of community foundations?*

Terry Mazany: I was CEO of record, taking The Chicago Community Trust, one of that group of second oldest community foundations, through its one hundredth anniversary, and was pretty steeped in its history and the founding. So, I have a pretty good sense that community foundations were established as civic leadership institutions

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that had a dual mission to serve the contributors of capital funds and recipients of those funds.

The origins of community foundations can be traced to the inspiration provided by a little book published in 1911, *Seven Great Foundations*.[1] The community foundations rising up at a point when there's clear recognition that what were called the seven big philanthropies at the time—Carnegie and Rockefeller and all the others—were a means for others to act more philanthropically and generously in their communities, but with an important distinction: that the directors of these foundations were drawn from the community, albeit the equivalent of the top 1 percent or 10 percent.[2] And that holds today. But still, there is an accountability, outside of a closed-board composition or a family, that I think is an important distinction for the role of community philanthropy, and that's guided by the issues of the community and the sense of accountability to that community.

And early on—at least in Chicago, and clearly in Cleveland (i.e., the Cleveland Education Survey, which came out of the Cleveland Foundation), and other places—there were no funds available, so these foundations spent their time and attention on community surveys and identifying community needs to bring to the attention of the residents and civic leaders. And they got great traction. A big Americanization survey produced by The Chicago Community Trust in 1920 identified that more than half of the residents in Chicago were not English-language speakers, because of the influx of the new waves of immigrants, for instance[3]—and, very helpful, the pioneering 1922 Cook County Jail Survey looked at the deplorable conditions of the jail—both of which led to reform efforts.[4] So, there was a good recognition of the role of civic leadership and government—and, I think, an accountability there.

NPQ: *You referenced this just now, and we think it's important to recognize that while this new wave of community foundations may not have been a single family or a single rich human being, they* were *the elite of the community trying to figure out what the rest of the community needed—and that has some relatively negative connotations these days. We're still seeing some diversity statistics—even among the community foundations—in terms of leadership and boards that are of concern. Can you talk a little bit about if and how that is moving along?*

TM: Yes, and that's an important aspect of this. My view as CEO is that a community foundation needs to reflect and represent the diversity of the communities it serves, and it has to lead that commitment to diversity and inclusion by example. I'm very proud of the fact that during my tenure we moved from a predominantly white male board to a board that was majority people of color, people with disabilities, and female—and with a female chair. This level of diversity was unmatched by any large nonprofit in the Chicago region, and I think that's part of a faithful reflection of a community foundation.

My view as CEO is that a community foundation needs to reflect and represent the diversity of the communities it serves, and it has to lead that commitment to diversity and inclusion by example.

Another feature concurrent with that is an adherence to principles of diversity and inclusion reflected in the uses of all of the assets of the foundation—be it the staffing, the grant distributions, the contracting and purchasing, the donor engagement. Diversity and inclusion principles applied across the board, in other words. This ethos led to the establishment of a wide range of giving circles: African American Legacy; Nuestro Futuro; LGBT Community Fund; Pillars Fund (which was one of the country's first American Muslim funds, and which has grown to a point that it spun off and is national in its reach); Disabilities Fund; and so on—so that people could see themselves reflected as being philanthropists and leaders in their community.

In *Here for Good*, a book I coedited with David Perry in 2014, we were making the case that community foundations are the quintessential anchor institution, because our mission *is* the community we serve—unlike the traditional designated anchor institutions of higher education and medicine, which ultimately have missions that diverge from the interests of the community.[5]

NPQ: *So, let us make a little bit of a pivot here. There are a lot of community foundations—or there were—which, if you asked them who their primary customer was, would say "the donor."*

TM: Yes.

NPQ: *Often, community foundations lead with their asset size, and it's all about growth, growth, growth. So, how do you resolve that contradiction—or evident contradiction?*

TM: This goes to the heart of the concern that I'm raising: that a community foundation has a dual mission to serve the community, where the needs are expressed, and the contributors of the capital, the donors. And when it becomes narrowed to only one, the community foundation, I think, loses its ability to be maximally impactful to add the greatest value to the community. I think it feeds into the issue that Anand Giridharadas called out in *Winners Take All*, and that community foundations have the ability to be an honest broker of interests.[6] I think that's a vital role, and the priority that community foundations should lead with.

To me, where the confusion grows is when you start from the growth angle, the asset accumulation. You sacrifice the original purpose of a community foundation as a civic leadership institution. In my experience, few donors actually care about a community foundation or want to give money to it, per se. They're either looking for transactional benefits or they see it as a means of moving dollars to the causes they do care about—but they don't give to the community foundation for its own sake. It's all about claiming the identity of the community foundation, and the only way to change that perception is for the community foundation to live up to the identity of a civic leadership institution that brings demonstrated value improving the community that it serves. And my contention is that if you lead, the money will follow, because then you can demonstrate the value add.

NPQ: *But you're not really asking everyone to believe that these are the principles by which all community foundations function, right?*

TM: No, they don't. There's a wide continuum.

NPQ: *Can you describe the parameters of that continuum?*

TM: The continuum spans those that are organized as financial services institutions for donors to those that are vital, indispensable civic leaders in their community. I'll give you one of my favorite examples: the Incourage Community Foundation, in southern Wood County, Wisconsin, led by Kelly Ryan.[7] It has modest assets and a limited capacity to grow assets; and yet that county's resurgence and revitalization is so much in the debt of a courageous community foundation leader and staff, who saw the big-picture problem of a community abandoned by its one industry, and have revitalized the economy and the lives of the residents in a very caring, compassionate way. It is an extraordinary story that defines the essence of an anchor institution. The point being, they're doing what they need to do, irrespective of asset level and number of DAFs.

NPQ: *Let's turn for a minute to the whole donor-advised-funds discussion. As you know,* NPQ *has some recommendations around reforms, but we don't consider DAFs to be the devil's work, by any means. One of the things we hear about at* NPQ *is the attempt by community foundations to distinguish themselves as significantly different from the so-called commercial funds in their legitimacy to hold and manage DAFs. Can you talk a little bit about that? We feel that rather than saying, "Look at them, don't look at us," it would be more useful to folks to say, "The whole field does need certain kinds of reform." We think a lot of people are confused about DAFs, and the approach of trying to distinguish community foundations from so-called commercial funds may be one more obfuscating tactic.*

TM: Let me put it into the broader context of the questions that are emerging around capitalism, and seeing that in its present form it's leading to this accelerating disparity of incomes, for instance, and that the free-market principles are leaving populations and communities behind.

One of the hallmarks of capitalism has been its extractive nature, be it minerals and wealth from the land or the extraction of capital from low-income neighborhoods through rents and basic services. For example, this is the circumstance confronted by the Incourage Community Foundation—rallying the community after it had been abandoned by the extractive business. And, to me, the commercial gift funds are an example of that extraction of a community's philanthropic wealth from the community, from the hands of residents or leaders in that community. A community foundation serves to root that philanthropic capital deeply into the community for the needs of that community.

This has implications for how we think about the transfer-of-wealth phenomena. In my opinion, every community foundation has a responsibility to try to reach into that swirling mass of trillions of dollars of wealth transfer circling the globe, and try to grab and pin to their locale those resources that most likely originated from that community and that become available for present and future needs. In my mind, community foundations are the stewards of a city's or a region's philanthropic endowments; and to this point, I had the benefit of a hundred-year-old institution that was a demonstration—indeed, proof—of the value of those endowments that were created well before I was even born, and stewarded by my predecessors. But I had the great benefit of resources to apply to the contemporary needs that we faced.

In my opinion, every community foundation has a responsibility to try to reach into that swirling mass of trillions of dollars of wealth transfer circling the globe, and try to grab and pin to their locale those resources that most likely originated from that community and that become available for present and future needs.

NPQ: *Understanding that that's at one end of the continuum, and that there are other community foundations elsewhere on the continuum, we're pretty clear about the fact that many donor-advised funds don't want advice from where they give; they want a place to put their money and give from it. And that's certainly been true almost since the inception of DAFs. There are some who do want advice and would like to meet with other donors who are interested in, say, substance abuse or women's health or whatever, but there are many who really do use the donor-advised fund just as a pass-through—and that's true for community foundations as well as for the commercial funds. So, what's the sharp distinction?*

TM: I agree. You have a similar continuum of individual donors in that regard. For a community foundation, it's an opportunity to grow and evolve that relationship—with the hope and intent, for instance, that donors who actively use their donor-advised fund may evolve their giving into a planned gift left in perpetuity for the community. That's proof of a satisfied customer, in a sense. And where we're our own worst enemy is in having unlimited successor advisors to these funds. That was changed in Chicago to no more than two generations, but that's still seventy to ninety years—way longer than I would like.

But I think that part of the reasoning here is that it creates the basis for a relationship to deepen education around the importance and impact of philanthropy, and a future contribution to the region or city's endowment. But I've seen people use it for a specific purpose and then empty out the fund when it's run its course, and either move or become disconnected from the foundation. So, there's no guarantee.

I think with the commercial gift funds, because they're national platforms, they're predicated on a model of giving that is unmoored from place, and I think that it reinforces that it is solely about the individual's philanthropic inclinations. And to me, the most troubling part is that those dollars are extracted from the community. This is further compounded upon the passing of the donor. Those dollars may end up getting aggregated into a national philanthropic pool that is now administered by individuals who have no connection to the place that was maybe near and dear to the donor or where the donor was able to create his or her wealth.

NPQ: *Are you now talking about the Fidelity Charitable Trustees' Initiative?*

TM: Yes, as one example.

NPQ: *This segues right into one of our major questions about this whole thing, which is that we really don't know if there is a significant difference between those national funds and*

I think with the commercial gift funds, because they're national platforms, they're predicated on a model of giving that is unmoored from place. . . . And to me, the most troubling part is that those dollars are extracted from the community.

When I visit and work with other community foundations . . . what I find invaluable, particularly for community foundation boards of directors and staff, is for them to think deeply about their identity and how they frame and communicate that identity, their intrinsic value to the community they serve.

community foundations in terms of people giving to their own locality. There are some community foundations where there's a lot of international giving—Silicon Valley Community Foundation, for one, and the Hawaii Community Foundation. This makes some sense; we can understand why that would be, because people may be connected to multiple places. But because there's so little transparency from both the community foundations and the charitable gift funds, we can't actually look at whatever contrasts there may be. And we don't understand the resistance to at least the pieces of the reform that might give us a little bit more information about how money moves through those funds. And that would include a number of things, obviously, like payout rates—but it might also include some information about who people give to, from what platforms, and if there is a significant difference in the end recipient of grants based on whether they come from a community foundation or a commercial fund.

TM: If we're looking at what it would take for this to actually happen, it would require leadership by the larger community foundation group, which would need to accept and own this issue and try to drive it. But even then, there is not a representative structure for community foundations. Action by the larger community foundations would probably alienate a number of foundations in the field—so that's hard to do.

And I think it will also run aground on just some technicalities, where the vast majority of community foundations are dependent upon antiquated software that simply doesn't have the data and reporting horsepower that would be required to do what you've proposed. The commercial gift fund, that's their business, operating at a massive scale with large data systems—and they would have the resources to reprogram. Some of the larger community foundations could do that; but if the IRS were to require this, then technical-assistance funding would need to be provided for the field—say, $25 million—for a data consortium to create the standards, reporting, and software options out there for community foundations to adopt in order to be able to conform to those regulations.

NPQ: *So, that's what it would cost, $25 million? That was a shot in the dark, right?*

TM: Yeah, it was a reasonable order of magnitude. I know that $1 million would be too small and $100 million would be outrageous.

NPQ: *Maybe the charitable gifts fund should pay for this for everybody.*

TM: You're absolutely right. And that could help to broker peace in the land.

NPQ: *Barely! What do you think is the likelihood that the IRS will require—or that Congress will ask the IRS to require—something more of donor-advised–fund sponsors sometime within the next five years?*

TM: Here's how I would see the path to that eventuality. The federal government is increasingly hungry for money for its own requirements, particularly with the continued growth in the deficit. So, wherever you can draw a line between revenue required for the government and a source for that revenue, chances are that connection will be made. When we look at the last bastions of tax deductions being charitable giving and the mortgage deduction, and just a few other things, I would say there's a high likelihood that charitable activity will come under scrutiny. And should there be a senator or congressional representative who takes particular interest in it, like Senator Chuck Grassley [of Iowa], it will only take one person to be able to make it a cause and direct substantial attention to the issue—and I would think that could happen. It could be from a conservative position, a liberal position, or a libertarian position.

NPQ: *Right. Yeah, we don't necessarily see partisan-based positioning around this right now. And, you know, very likely DAFs are lucky. . . . And we say this with a lot of pain, but the hospitals have been acting so badly lately.*

TM: And then you have the higher ed endowments, and things like that.

The last piece that I would add to this brings us back, I think, to the starting point. When I visit and work with other community foundations—primarily through the Community Foundation

Opportunity Network—what I find invaluable, particularly for community foundation boards of directors and staff, is for them to think deeply about their identity and how they frame and communicate that identity, their intrinsic value to the community they serve.

If you review community foundation websites, for instance, typically you're greeted immediately by language for professional advisors about setting up a fund or for donors to make a contribution. And what of the leadership the community foundation has been providing to the place it serves? It's rare to see that as the lead story on a community foundation website. It's as if the pendulum is swinging toward singularly serving half of their mission, and that is the donor side of it—and it's reflected in their marketing messaging and collateral.

But the good news is that when that is pointed out to community foundations, and when they consider that, we see an amazing metamorphosis, where that leadership reconnects with the essence of their community.

In Chicago, for instance, I had the magical gift of the *Plan of Chicago*, in which Daniel Burnham and Edward Bennett write about the spirit of Chicago. It's an incredible statement. To quote: "This same spirit which carried out the Exposition in such a manner as to make it a lasting credit to the city is still the soul of Chicago, vital and dominant; . . . it makes the occasion; it attracts the sincere and unselfish; it vitalizes the organization, and impels it to reach heights not believed possible of attainment. This spirit still exists. It is present today among us. Indeed, it seems to gather force with the years and the opportunities. It is even now impelling us to larger and better achievements for the public good. It conceals no private purpose, no hidden ends. This spirit—the spirit of Chicago—is our greatest asset. It is not merely civic pride: it is rather the constant, steady determination to bring about the very best conditions of city life for all the people, with full knowledge that what we as a people decide to do in the public interest we can and surely will bring to pass."[8]

I couldn't have had a better gift than that language as the wellspring for the founding, just six years later, of The Chicago Community Trust—founded on that spirit. That's what we stood for, and that's what we championed—this public interest, this public good—and everything followed. That became our standard and the mirror we held up to ourselves. And when I encourage community foundations to think about rediscovering those impulses that led to their founding, magic happens.

Notes

1. Leonard P. Ayres, *Seven Great Foundations* (New York: Russell Sage Foundation, 1911).
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3. Frank D. Loomis, *Americanization in Chicago: The Report of a Survey* (Chicago: The Chicago Community Trust, 1920).
4. The Chicago Community Trust produced another study in its series of social surveys, that of the Cook County Jail; see George Washington Kirchwey and Frank D. Loomis, *The Cook County Jail Survey* (Chicago: The Chicago Community Trust, 1922).
5. Terry Mazany and David C. Perry, eds., *Here for Good: Community Foundations and the Challenges of the 21st Century* (New York: Routledge, 2014).
6. Anand Giridharadas, *Winners Take All: The Elite Charade of Changing the World* (New York: Alfred A. Knopf, 2018).
7. Kelly Ryan stepped down as CEO after more than twenty years on October 31, 2019. Incourage Community Foundation, "Incourage honors departing CEO," press release, October 24, 2019.
8. Daniel H. Burnham and Edward H. Bennett, *Plan of Chicago* (Chicago: Commercial Club of Chicago, 1908), 8.

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Bridging or Breaking? The Stories We Tell Will Create the Future We Inhabit

by john a. powell

The frames we use can either facilitate understanding of what unites us or activate fears that divide us. Today, we need a new story—and new practices—to help us make sense of our anxious and turbulent times.

We are experiencing a time of deep uncertainty and change. Both the depth and speed of change are creating growing anxiety in our accepted norms, in our political institutions, and in our very sense of self. These changes are reflected in five critical, interrelated areas: climate change, globalization, technology, the economy, and migration. We don't always appreciate the interconnection of these forces; indeed, we often try to deal with them separately. This is not only a mistake but also means that many of our efforts are inadequate and ineffective.

The rate and intensity of the change threaten to outpace our ability to adapt. This is widely experienced as stress and anxiety.

These forces are happening in virtually all parts of the world. Even our language and ideas are often inadequate to understand and develop appropriate responses to these changes. The stories we collectively hold are an important part of how we respond, and will help determine whether our responses will be up to the task. Leaders play an oversized role in helping to give energy and meaning to the stories we tell ourselves and each other. This impacts not just how we see the world but also our actions in the world.

So we need to interrogate the stories we have and identify what might be the most productive and life-affirming story that we can inhabit. And we need to find some ways to get there.

I hope it is clear that by "story" I am not suggesting a simple fiction—or that we can, in a facile way, just choose one story over another. Of course, we can sometimes choose, but our choices are often limited. Indeed, we are not fully transparent, even to ourselves.

That is just one lesson of the role structures play. We are often blind to the presence and impact of structures on lives and decisions. And one of the insights of cognitive science is that many of our intentions are implicit, meaning we are not consciously aware of what we are doing and why. We are not helpless, but we need to understand what we are facing and become more aware of some of our options moving forward.

We the People

How should we respond to this heightened change and stress? First, we need to have clarity. While most people recognize that we face in our communities a growing disquiet, they would not agree on what it is, nor on what is causing it.

Where to begin? One fruitful place, I believe, is to examine our plight through the frame of belonging. Every society, every group, addresses the question of who belongs and what belonging means or what it is we belong to. Despite the ubiquity of these questions, they are seldom explicit; they are more likely to be background assumptions that seem normal, natural, and stable. But during rapid change, these questions and assertions are much more likely to surface. Yet the tools and skills needed to deeply engage them, even as they become more salient, are too often lacking. I have already suggested here, and in other writings, that these issues will likely grow in intensity.[1]

It is not surprising that the Constitution of the United States starts off with the issue of addressing who belongs: "We the people." And while most people in the land that was to become the United States of America were not included in that *we*, in many ways the history of the country has been about continuing to both address and define who is in the *we*.

To be in the *we* was to belong—and therefore participate in creating the society and in creating the meaning that was attached to that belonging. Being outside the *we* was to be othered: without the recognized right to participate in the constitution of the country, to give meaning, and in many cases even be seen as fully human. The country's relationship with indigenous nations, women, and enslaved people from Africa was very much bound up with the issue of who was in the *we*. It still is. In *Dred Scott*, one of the most important and infamous Supreme Court cases, the Court took on the question of whether Black people, enslaved or not, could be considered part of the *we*. Chief Justice Roger B. Taney answered for the Court, and therefore the country, with an emphatic no. In one of the most famous political speeches in U.S. history, Abraham Lincoln called on the country to reject this narrow *we* and write a new story, with a new birth of freedom.

Out of these various struggles came a redefinition of who could be in the *we*. The Fourteenth Amendment, passed shortly after the Civil War, rejected Taney and asserted that all people born in the United States were citizens.

To belong is not just to be a citizen or member in the weakest sense, but to be able to participate in cocreating the thing you belong to. This makes it different than inclusion.

This assertion of being part of the *we*, of belonging, is now being challenged again, by Trump and many of his supporters. The struggle of who belongs—and who can be part of the *we*—continues. And, in this country, that struggle has always had a relationship of white dominance attached to it. These questions have been and continue to be foundational for our country and, indeed, the world.

This same impulse is showing up in Europe, Asia, and Africa: Who is really British? Can Muslims belong in India? The threat of the other is met by some with a call for a small religious or ethnic *we*, but the same foundational question remains of belonging. To not belong is to be othered. To be less than. To be, as W. E. B. Dubois said, a "problem."

To belong is not just to be a citizen or member in the weakest sense, but to be able to participate in cocreating the thing you belong to. This makes it different than inclusion. This is exactly what many white nationalists reject. Samuel Huntington argued that we are not a country of immigrants or native peoples, but a settler country.[2] The rules, the norms, the culture are set by the settlers, and everyone else does not get to influence or change the norms. For the white nationalists, those norms include whiteness and what they associate with whiteness. They believe they get to decide because they are the *we*. It is a small closed *we* that does not want to be threatened by the other.

What we're witnessing around the world today with othering is the result of nuanced and long processes. And part of those processes is anxiety. Yet anxiety does not have to turn into loss and fear. While we are all exposed to the rapid changes in the world, some are turning to fear and even hate, while others look at opportunity and even love. We need the latter instead of the former.

This brings us to the issue of *bridging* and *breaking*, and the stories that we live by, and how to promote belonging or othering. While rapid change may be an adequate explanation for our increased anxiety, it does not by itself explain the deep polarization and fear that are sweeping the world. Natural anxiety and stress can become either productive or hateful. Our possible responses are largely influenced by the stories we inhabit. There is robust research that shows that when Americans, particularly white Americans, hear that we are moving toward a country where white will not be the majority, it pushes them to the right—and this is true even for liberal whites. This research is based on peoples' unconscious reactions. The conscious response is much more positive, especially from liberals.

The anxiety triggered by change does not just impact whites; it affects all people and, indeed, our living earth. Some will see the rise of white nationalism, supremacy, nativism, and other dominant ideologies as always having been there, just not with the space and permission to be expressed openly. But this is not likely the case. The kinds of changes we are discussing create a new set of responses and new stresses. And as we experience this anxiety, we will not, on our own, be able to figure out how to respond to it or even know what it is. We will need a story—a story that will help us name both the underlying anxiety as well as our appropriate reactions; it will give voice and shape to the anxiety.

There are two main types of stories that get used. One is a *breaking story* and the other is a *bridging story*.

Breaking

And while I am focusing on stories, we should address practices as well. What ethnic nationalist leaders like Trump in the United States and Modi in India talk about is the world being scary and in decline because of the other. They might describe the other as insects, an invasion, a wave. The point to raise in such stories is that the other represents a threat. That threat might include an economic aspect, but it is likely to speak to a more profound threat. A threat to one's very existence. Think of the Proud Boys in Charlottesville chanting "Jews will not replace us!" The perceived threat does not have to be real, but the anxiety and fear are likely to be. And the true threat in such cases is to the existence of the targeted group. This is the drumbeat of the far right. This is quintessential breaking. And once the environment is created, it is possible to pass discriminatory and hateful policies directed at those targeted groups.

There are several things to notice. One is that there is an anxiety that is turned into a fear about the future. This fear is attached to the undeserving other. There is also a romanticizing of some mythical past, and a claim that we will restore or return to that era. The future is scary, so let's reject the future in favor of a past that never really was and certainly never will be. What I am describing is *hard breaking*—which is the inclination to deny the humanity of others, and see them as a problem and a threat—and it can lead to placing children in cages, building walls, or even genocide.

The kinds of changes we are discussing create a new set of responses and new stresses. And as we experience this anxiety, we will not, on our own, be able to figure out how to respond to it or even know what it is. We will need a story—a story that will help us name both the underlying anxiety as well as our appropriate reactions.

Many will associate hard breaking with authoritarianism and ethnic populism. As people experience anxiety about change and the other, the ethnonationalist is likely to flirt with purity and cleansing, as the other is seen as not capable of being part of the *we*. Historian Ibram Kendi makes the point that hard segregationists are often in this space.[3]

It is also important to note that there is no natural other. The other is largely constructed by the stories we tell. While for thousands of years people lived in small tribes, these tribes were not like races or religions of today.

There are also forms of *soft breaking*. This is likely to be the kind of breaking that occurs within liberal spaces. It might entail not being willing to listen to others' stories—or assigning groups a role where they are not able to fully participate. The position of allyship, which at certain times may be appropriate, can also become a type of soft breaking. In this type of soft breaking, it may be suggested that friendly others called allies are in a permanent state of being outside, and that at best they are just junior partners, whose stories and concerns are not our main concern. The role they are assigned, then, is of being there only to provide support, and not really to be part of the central *we*.

The vast majority of stories and practices today are either hard or soft breaking. The liberal response to this othering too often engages in what I call *same-ing*, while the response from the far right is to try and retreat into a static and pure past. The liberal response is that the other who is being demonized for all the changes is just like us, and therefore no real change is necessary. This claim often seems hollow. Many people do not experience the other as just like them. Should we expect or want the country to stay the same as it becomes more diverse? Are our histories and experiences all the same? So, while the far right are likely to see Black, Brown, Asian, or nonheterosexual people as an existential threat, liberals may argue that we are all the same. Both positions are problematic—and wrong.

The liberal position has too often been afraid of difference and therefore is constantly looking for something that will erase any difference—like a focus on economics without questions of identity attached to it. The far right is likely to see *only* identity as the key issue.

One can have a position that recognizes economic concerns together with concerns that are associated with identity. An existential threat cannot be reduced to just material things.

As economist and philosopher Amartya Sen noted, when a group is attached to some characteristic, such as poverty or crime, their identity is likely to become more salient.[4] It is not identity that is the problem; the problem is *breaking*.

Bridging

The intervention for othering is not same-ing, but belonging. Belonging is based on the recognition of our full humanity without having to become something different or pretend we're all the same. We are always both the same (humanity) and different (human), and are also multiple and dynamic, constantly renegotiating who we are.

Belonging requires both agency and power to cocreate. But true belonging means we are not just creating for our group(s), but for all. One of the major ways of promoting belonging is by bridging. Bridging requires that we create space to hear and see each other. It does not require agreement. As the neuroscientist Robert Sapolsky states, we recognize each other by recognizing our respective sacred symbols.[5] Bridging is about creating compassionate space and practices where we can acknowledge each other's stories and suffering. We have to construct stories that allow space for others. Our story cannot just be about us in the narrowest way, nor can it reproduce othering by consigning an other to be just a villain in our story. At a deeper level, bridging is about co-constructing a larger *we*, with shifting differences and similarities. Through bridging, people experience being heard, being seen, and being cared for.

There are a couple of key things related to bridging. As my friend—cultural critic, author, and feminist—bell hooks and I have spoken about, bridges are made to be walked on. This means that the folks who bridge are likely to be challenged—not just by the others who oppose them but also by their own group. Some will insist that marginalized people should not have to bridge, as that is putting too much on them. And yet they may practice soft breaking, which also promotes a small *we*. I would not insist that any group bridge, but we should understand what the alternative is.

The question is often presented: Do I have to bridge with my enemy, with Trump, with Trump voters, with racists, with the devil? My response is to start with short bridges. Maybe that is your family, a group you have something in common with but where you need to practice more listening, more acknowledgment of their suffering, more understanding of what you share—not what divides you. As we get more practice, we can explore long bridges. But I also caution against assuming someone is the devil.

There are many things that I have not addressed here, such as bonding with your own group without hating a perceived other. There is also the question of power and institutional gaps. This is leaned into by linking bridging with explicit power building, although bridging by itself can also be a very effective way of building power.

There is also the issue of the level at which the bridging is taking place. Is it between individuals, groups, institutions, or something else? This will matter in how bridging is done. There is also the issue of trust. What is the right level of trust for bridging to work?

What I would say to people in philanthropy—and in movement building and civic engagement as well—is that while policies are important, the essence of the struggle is about who we are. For funders, you should be funding work to help people exercise this muscle. Don't only fund separate issues or separate groups.

Given that change is happening across so many domains, some may ask, Why focus on identity and othering, and not technology or climate? But this is a dynamic that is already changing. Young people are not only leading the way with a focus on climate but have much more inclusive acceptance and new understandings of difference and identities, including gender and neurodiversity. But part of the answer to the question above is about the stories we are fed. It's not that corporations or elites refuse to engage with the environment—it's that prioritizing our earth as part of our shared story would make their story of unchecked greed and building separate *wes* harder to sell. It may be more satisfying and expedient to blame a person instead of nature.

Can we imagine a world where we all belong and can all participate? Or are we consigned to a world of small, warring *wes*? Those who share the vision of a world of belonging must focus on a new story. Our existing institutions and story will not carry us to the future we want.

What we need instead is a compelling story that shows how all these issues are related. Can we imagine a world where we all belong and can all participate? Or are we consigned to a world of small, warring *wes*? Those who share the vision of a world of belonging must focus on a new story. Our existing institutions and story will not carry us to the future we want. There may be more questions and there is a lot to learn and do. The pace of change will not slow down. Let's get on with it.

For more information on bridging and breaking, see popular education tools that the Othering & Belonging Institute at UC Berkeley (formerly the Haas Institute for a Fair and Inclusive Society) has developed, including an animated explainer video and curricular modules designed for a variety of audiences (see haasinstitute.berkeley.edu/bridging-towards-society-built-belonging-animated-video-curriculum). You can also follow the Othering & Belonging Institute on Twitter @oandbinstitute.

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Notes

1. See, for instance, john a. powell, "Us vs them: the sinister techniques of 'Othering'—and how to avoid them," *Guardian*, November 8, 2017, www.theguardian.com/inequality/2017/nov/08/us-vs-them-the-sinister-techniques-of-othering-and-how-to-avoid-them.
2. Samuel P. Huntington, *Who Are We? The Challenges to America's National Identity* (New York: Simon & Schuster, 2004).
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4. Amartya Sen, *Identity and Violence: The Illusion of Destiny* (New York: W. W. Norton & Company, 2006).
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Platforms as a Model for Social Change

by Cyndi Suarez

Platforms abound all around us, but nonprofits have not yet fully explored their use. This article, which compiles a four-part series about platforms as a new model for social change, goes over the structures, management principles, and dynamics of platforms while surfacing some of the benefits, especially to the civil sector.

Editors' note: *This article has been adapted from a series published by* NPQ *online over the course of November 2019.*

PART 1 PLATFORM MASTERY: DESIGNING FOR INTERACTIONS

Many nonprofit leaders don't really understand their organizational forms. They function as if they're running an organization when, in reality, most of their work happens outside of their organizations with partners in structures that are actually more like networks. There are many reasons why understanding this is important, including the fact that leadership in such structures is more about influence than oversight. Now, there's yet another structure with which to contend—platforms.

Many of us are familiar with platforms. We use them in everyday life, from ride shares, to home shares, to shopping on Amazon or eBay. It's time to consider the affordances of this form in the nonprofit sector.

The most helpful book I've come across on platforms is *Platform Revolution*, by Geoffrey G. Parker, Marshall W. Van Alstyne, and Sangeet Paul Choudary, who have spent much of their careers "unraveling the mysteries of the platform model."[1] The book is helpful because it not only describes platforms, it provides guidance on how to develop them.

First, a definition: "A platform is a business based on enabling value-creating interactions between external producers and consumers."[2] This expands the possible organization forms beyond organizations and networks to one focused on creating the conditions for valuable, or successful, interactions.

In a sense, the platform is an inversion of the organization, as the authors note, "Because the bulk of a platform's value is created by its community of users, the platform business must shift its focus from internal activities to external activities."[3] The platform changes almost all traditional organizational practices.

When done right, platforms are ideal for social change because they maximize learning, prototyping, and diffusion. They are also prime for scaling because they can expand in size "quickly and easily."[4] A key part of getting it right is balancing "frictionless entry," the ability to join quickly and easily, with effective curation.[5] Essentially, platforms are valuable for the communities they hold and nurture. Increasingly, leaders need to have platform expertise, especially social change leaders.

Platforms are designed for meaningful exchange, and there are three types of exchanges: *information, goods and services*, and *currency*. While not all platforms provide for the exchange of products, services, and currency, all facilitate the exchange of information. This is the basic interaction. In fact, it is the decision-making point for entry, or further exchange. For example, Uber provides riders with information on driver availability and location, and it provides drivers information on rider availability and location. All of it happens on the platform.

The exchange of goods, services, and currency, however, can happen on or off the platform. For example, videos are exchanged on YouTube. Though Uber tracks information about its service, the service itself is offered off the platform. Currency exchanges, however, are typically linked to products and services exchanged on the platform. Further, though traditional currency may be exchanged, the more common platform currency exchanges are attention and reputation. In other words, the main type of currency on platforms is social capital.

Platforms are based on interactions and designed one interaction at a time. It starts with the core interaction—the interaction between participants, value unit, and filter. For example, though LinkedIn now enables multiple interactions, it began by helping professionals connect to one another. Its other interactions were layered over time.

There are usually two users in any core interaction—the producer and the consumer. However, "A well-designed platform makes it easy for users to move from one role to another."[6] For example, when one uses Airbnb to book a stay, one is eventually invited to host a stay.

The core interaction starts with the development of a value unit. In LinkedIn, this is the professional's profile. The value unit is then delivered to a consumer based on the platform filter, the curation function. In curating a platform, the focus is on "deciding who can create value units, how they are created and integrated into the platform, and what differentiates a high-quality unit from a low-quality one."[7]

In launching a platform, the core challenge is that users won't come to it until there is value, and it's hard to create value without existing users. After this, the challenge is in keeping the interest of users, both producers and consumers. Therefore, platforms rely on feedback loops, or "stream of self-reinforcing activity."[8] In the typical feedback loop, a flow of value units generates responses from consumers. Feedback loops are more dynamic than the outcomes used to judge the effectiveness of an organization because they occur in real time and allow for self-correction.

Though platforms are fueled by the exchange of value units, they do not control the value creation. Instead, platforms support value creation by building an infrastructure for exchange that lays out governing principles. For example, in a social innovation platform I'm developing, the principles are:

- *If you want to see something, make it happen.*
  To incentivize agency and responsibility

- *We're not seeking agreement, but resonance.*
  To disincentivize the fetish of agreement

- *Work with people with whom you vibe.*
  To incentivize generative behavior

Platforms grow, or scale, by layering new interactions on the core interaction. Ideas for new interactions typically emerge from experience, observation, and necessity. In particular, observation of user adaptations to the platform for identification of those that become increasingly useful alerts platform managers about which to integrate into the core interaction. Activities that are central to the core interaction—that is, useful to all or most users—are usually at the heart of the platform. Those that are only useful to some stay at the periphery, so that they do not interfere with the core interaction. Thus, platform development requires the balance of evolving the core interaction slowly, while allowing innovation at the periphery.

For example, I once worked at a political strategy center that spanned the six contiguous states of New England and New York. With the center's help, one of the states, Maine, developed a sophisticated leadership development framework that allowed it to amplify its impact by shifting all of its organizing work into its volunteer membership and having staff focus on creating and maintaining an infrastructure that supports leaders. In this way, the organization grew its membership from 7,000 to over 35,000 in a few years without additional financial or staff resources. Further, by creating a compelling leadership development experience that began with a low-friction entry of a $25 annual membership fee, the platform was able to fund its operation costs. As leaders moved up the leadership ladder, they received training and support to take on increasing responsibility. The organization's board was selected from its core group of leaders. This leadership ladder model was so successful that the strategy center brought it into its core offerings and began offering it to the other states.

On the other hand, an organization may have a platform and not realize its form or value. For example, years ago, a global platform for young women social entrepreneurs hired me to help them become a nonprofit organization. The platform had been launched fifteen years prior by a small group of women social entrepreneurs in San Francisco that was looking for entrepreneurship support. The group wrote down its model and posted it online. Over the next fifteen years, women across the world who identified as social entrepreneurs downloaded the model and launched their own networks locally. This platform of networks grew and began to connect with each other. The founding leaders were trying to change a form that already worked. Their efforts to become a nonprofit were shortsighted. They had inadvertently created a thriving platform.

PART 2 LAUNCHING A PLATFORM: SOLVING THE CHICKEN-AND-EGG QUESTION

As described in Part 1, platforms are organizational forms designed for the meaningful exchange of information, goods and services, and currency. Because they are designed to attract both producers and consumers, or *users*, rather than focus on creating units of value, they are ideal for innovation and scaling. Both are necessary for social change.

Platforms attract users—both producers and consumers—by structuring incentives for participation connected to the core interaction.[9] For example, PayPal first attracted customers, or consumers, by giving them ten dollars to sign up, which they could then use toward their first purchase with an online merchant. It also added a feature that allowed customers to ask online merchants to accept PayPal.

YouTube, on the other hand, launched with a focus on content creators, or producers, whom it incentivized with contests and by allowing creators to embed their videos off-platform. This served as a marketing tactic, as it spread the word about the platform. Viewers of the site, or consumers, eventually become producers as well. YouTube then built on the core interaction with producers by giving the top content creators a percentage of ad revenue.

> YouTube's unrelenting focus on producers helped in four ways. First, it seeded the platform with content. Second, it created a curation dynamic on the platform to identify quality content by letting viewers vote up or down on the videos they watched. Third, it leveraged producers to bring in consumers. Fourth, and most important, it created a set of content creators who had an investment in the platform, had a user following, and would not be easily incentivized to invest in another one.[10]

Platforms are based on meaningful interactions. They start with a core interaction—the main interaction, the highest value interaction. The core interaction is between participants, value unit, and filter (or curating function). Platforms are designed one interaction at a time and develop by layering other interactions over time. The best way to do this is through the use of *modules*—clearly defined subsystems that connect and communicate with each other through interfaces. In order for this to work, modules must be developed according to overall design rules. It is best to design modular from the start.

There are a few key strategies for launching a platform.

1. The **follow-the-rabbit strategy** involves using a demonstration project that is not on the platform to model success and attract users to the new platform built on the model's infrastructure. Amazon, for example, started off as an online retailer and then converted itself to a platform that allowed external producers.
2. The **piggyback strategy** focuses on creating value units and recruiting users from different organization(s). For example, PayPal piggybacked on eBay and was so successful that eBay eventually bought it.
3. The **seeding strategy** starts with supporting one kind of user, say producers, and then using the value created to attract other users, in this case consumers. Often the platform creates the first set of value units, which allows it to define the quality desired. For example, Google launched its app offerings by offering prizes to the creators of the best apps. This created high-quality value units, which attracted consumers.
4. The **marquee strategy** seeks to attract users considered important to the platform. Oftentimes, these are producers. For example, Sephora, the beauty store chain that sells its own products along with those of external producers, negotiates deals with some of these producers that limits the sale of their products to its stores.
5. The **producer evangelism strategy** is designed to attract producers who bring their own consumers along to the platform. It does this by helping producers serve their consumers better, and over time the producers benefit from the other customers on the platform. This is how crowdfunding platforms like Indiegogo and Kickstarter work.
6. The **big-bang adoption strategy** uses traditional marketing to attract interest in the platform. For example, Twitter tipped into success when it partnered with the SXSW festival, by the end of which Twitter use had tripled.
7. The **micromarket strategy** targets a small market of users that are already interacting. This is what Facebook did when it launched at Harvard University.

Once you've figured out which launch strategy, or combination of strategies, works best, the next task is figuring out *virality*—the way the platform grows and develops. For example, Instagram "converted all its users into marketers" by incentivizing them to share their photos on external networks.[11] Similarly, "your goal is to design an ecosystem where senders want to transfer value units through an external network to a large number of recipients, ultimately leading many of those recipients to become users of your platform."[12]

There are four key elements to begin the process of viral growth:

1. **Sender.** The sender is not necessarily talking about your platform, as in word of mouth, but spreads her own creations and indirectly generates awareness and interest in the platform.
2. **Value unit.** The value unit contributes to virality when it is spreadable, that is, it helps start an interaction on an external network. (You can also connect an opportunity to join feature to the value unit.) However, not all value units are spreadable; some contain confidential information.
3. **External networks.** These are networks outside of your platform that overlap with yours. Platforms often overlap each other, as with news sites' "Share on Facebook" button. Sometimes, those platforms seek to restrict overlapping so that their users are not overwhelmed with external offers. Platform managers must be strategic in identifying external, value-adding networks.
4. **Recipient.** Finally, if recipients find the value unit valuable, they may react, or better yet, share them further, thereby growing your platform.

PART 3 PLATFORM GOVERNANCE: PRACTICING DEMOCRACY

While not all platforms are big, many are, such that people who study them compare some to nation states.[13] Whether big or small, platforms are not only labs for innovation, they are spaces to practice shared decision making, which is central to democracy. In fact, applying platform expertise to social change efforts starts to look a lot like civil society.

Platform governance has been defined as "the set of rules concerning who gets to participate in an ecosystem, how to divide the value, and how to resolve conflicts."[14] Because platforms create value both on and off the platform, ethical governance, or governance where the platform does not rule selfishly, is critical.

Platforms are based on meaningful interactions, and interaction failures occur when good interactions fail to take place and bad ones succeed. There are four main causes of these failures: information asymmetry, externalities, monopoly power, and risk. As the phrase suggests, *information asymmetry* occurs when one user knows facts that others don't and uses it to his advantage, as in the case of counterfeit goods. *Externalities* are when costs or benefits accrue to people not involved in the interaction, such as when a friend gives your information to a company in order to gain a reward. Dropbox, for example, gives extra storage space to users who invite friends who sign up. This also includes the concept of public good, "whose value is not fully captured by the party that created it."[15] *Monopoly power* is advantage resulting from the capture of a valued good, such as access to resources. Finally, *risk* is the possibility of an interaction going bad, such as a user not delivering on her end of the interaction. All of these must be mitigated through governance.

There are four main sets of tools for platform governance: laws, norms, architecture, and markets. **Laws** are the explicit rules that "moderate behavior at both the user and the ecosystem level."[16] They include terms of service and rules of engagement and should generally be transparent.[17] For example, Apple allows users to share digital content with up to six devices or family members. This balances incentivizing the purchase of additional Apple products and services with allowing reasonable levels of sharing.

Platforms are essentially dedicated communities that are nurtured by **norms** that create the desired culture. This includes principles to guide interactions and actions. For example, the iStockPhoto community's norms include "feedback, high-quality content, open engagement, and a natural progression to greater levels of authority."[18] Norms are created by what platform designers call behavior design, "a recurring sequence of *trigger*, *action*, *reward*, and *investment*."[19] The trigger is a signal from the platform to the user that prompts the user to take some action, which produces a reward, and then asks the user to make an investment, usually of time, data, social capital, or money. For example, you may see a Facebook ad for an interesting vacation adventure. You click on it and receive useful information about how to bring that adventure closer to reality. In return, you provide information about yourself so that you can continue to receive more of this kind of information.

However, especially when dealing with public goods, "as a rule, it's desirable to have users participate in shaping the systems that govern them."[20] This has been shown to follow a pattern.

1. Clearly *defined boundaries* exist between who is and who is not entitled to community benefits
2. People affected by decisions regarding community resources can *influence decision making*
3. People who monitor community behavior are *accountable to the community*
4. *Graduated sanctions* are applied in violation of rules
5. Community members have access to *low-cost dispute resolution*
6. As community resources grow, *nested tiers* define governance, with simple issues addressed by small, local groups and complex ones by formally organized groups

In platform governance, **architecture** refers to well-designed systems that encourage and reward desirable behavior and correct for the aforementioned interaction failures. For example, Bitcoin digital currency and the blockchain protocol governing it offer unforgeable currency that is decentralized—that is, not controlled by a government, bank, or individual. In this case, "the blockchain protocol makes decentralized governance possible."[21]

The value exchanged on the platform **market** is usually in the form of social currency, giving something to get something. For example, when you offer fun via a photo post, you get people who like it and maybe even share it. Further, this may get you more followers, which builds your online reputation, which you can then leverage off-platform. When creating and sharing intellectual property that may be useful as public goods, a different aspect of market emerges. The platform must seek to balance individual ownership, which incentivizes idea sharing, with platform ownership, which enriches the platform ecosystem. This is a feature of risk, the reduction of which is always a platform concern. However, platforms must focus on minimizing risk for users, which maximizes value creation.

Platform governance must orient toward new value, not protecting the past. It must promote evolution. Therefore, the ultimate governance is, as a reviewer of Parker, Van Alstyne, and Choudary's *Platform Revolution* summarizes it, "'design for self-design'—that is, it encourages platform members to collaborate freely and experiment fearlessly in order to update the rules as necessary."[22] Platform managers must be on the lookout for signs of change. This includes new behavior by users, unanticipated conflicts among users, and encroachment by competitors. When change is spotted, information about it should spread quickly throughout the platform and encourage conversations about creative governance evolution. Governance should pay attention to speed and design both for issues that require a slow response and those that require a fast one.

PART 4 PLATFORM LIFE CYCLE AND METRICS

Metrics have a complicated place in nonprofit organizations, or in any efforts seeking social change. Trends have moved from measuring inputs, to measuring outputs, to measuring outcomes, to measuring impact.

Platforms amplify value and allow for clear measurement. They sidestep some of the challenges of measuring social change with their simple focus on curating high-quality interactions, which is also a key metric for a good society.

While a platform may be designed to track various indicators, the core metric is the number of satisfying user interactions. In other words, "Platform metrics need to measure the *rate of interaction success and the factors that contribute to it*."[23] With platforms, we learn to capture and measure network effects.

Metrics also correspond to the life cycle of the platform, or what phase of development it is in—from start-up, to growth, to maturity. Platforms in the **start-up phase** must track "the growth of their most important asset: active producers and consumers who are participating in a large volume of successful interactions."[24] Traditional metrics, such as revenues and cash flow, are not relevant in evaluating the strength of the platform in this phase.

In addition to the volume of successful interaction, platform managers should focus on the benefits that accrue to both producers and consumers. The purpose is to define success and failure, and identify how to improve the value of the platform for its users. There are three key metrics for this—liquidity, matching quality, and trust.

Platform *liquidity* is the state of minimum producers and consumers needed for a high percentage of successful interactions. "When liquidity is achieved, interaction failure is minimized, and the intent of users to interact is consistently satisfied within a reasonable period of time."[25] Though the formula, or the data collected to satisfy the metric, will vary from platform to platform, this is the first and most important milestone in the life cycle.

Matching quality is the accuracy of the process for seeking other users with whom to engage in successful interactions. "It is achieved through excellence in product or service curation."[26] This must be translated into a concrete quantity "with a clear operational definition."[27] One way to do this is to track users for a period of a few months to differentiate between different types and corresponding levels of activity. From this, the platform manager can determine a tipping point after which users become active. Then, the rate of users at this level can be tracked as a signal of platform strength.

The third key start-up metric is *trust*, the degree to which users feel comfortable with the level of risk associated with interacting on the platform. As with matching quality, it is achieved through curation. "A well-run platform is one in which participants on both sides have been successfully curated so that users are comfortable with the level of risk involved in engaging."[28]

Platforms that focus on content creation may require additional metrics. These include some measure for *co-creation*—"the percentage of listings that are consumed by users"—and *consumer relevance*—"the percentage of listings that receive some minimum level of positive response from potential consumers."[29]

In the **growth phase**, platform managers must ensure the vibrancy of the platform's core interaction, and that the inflow of new users is greater than the outflow of users, so that the platform grows. This relies on a balance of users, or the *producer-to-consumer ratio*. Any efforts to balance focus on active users ("those who've engaged in interactions on the platform at a specific minimum rate of frequency that you consider appropriate"[30]). One way to do this is to measure the *value of each user type*.

Producer value can be measured by monitoring frequency of *producer participation*, *listings created*, *outcomes achieved*, and *interaction failure*—the percentage of interactions that are initiated but not completed. "These models capture the mechanisms by which repeat producers provide recurring platform [value] without incurring additional acquisition costs."[31] On the flipside, "because repeat producers are especially [valuable] to a platform, well-managed platform[s] . . . work hard to create active repeat producers."[32]

Consumer value is tracked by monitoring *frequency of consumption*, *searches*, and *rate of conversion*—the percentage of searches that result in interactions. An additional metric is the *side-switching rate*, or the rate of conversion from one user type to another, as in from consumer to producer.

In **maturity**, platforms focus on *innovation*, or the growth of improvement. One way to identify necessary innovation is to look at the adaptations that users are creating on the platform and determine which are used widely enough such that they should be incorporated into the core interaction somehow. In this way, the platform expands on its core interaction.

Platform Metrics

PHASE	CORE METRIC	METRIC	Possible DATA
Start-up	The volume of successful interactions	**Liquidity**—The minimum number of producers and consumers needed for a high rate of successful interactions	Active producers Active consumers Successful interactions Benefits to producers Benefits to consumers
		Matching quality—The accuracy of the process for seeking other users with whom to engage in successful interactions	Users tracked to determine tipping point for active users
		Trust—The degree to which users feel comfortable with the level of risk associated with interacting on the platform	Producers and consumers curated for comfort on both sides of the interaction
Growth	The growth of successful interactions	**Producer-to-consumer ratio**—The balance between users **User value**—The value of each user type	Producer participation Listings created Outcome achieved Interaction failure Frequency of consumption Searches Rate of interaction conversion Side-switching rate
Maturity	The growth of improvement	**Innovation**—Improvements against a baseline	Developer adaptations

We hope that this article has piqued your interest in this alternative organizational form. We would like to keep this conversation going by inviting those who are already working on or developing platforms to describe the potential and requirements for the uses of platforms in the civil sector.

Notes

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20. Ibid., 169.

21. Steve Anderson, "Is Blockchain a Fad or a Big Deal?," Independent Insurance Agents and Brokers of American, Inc., September 1, 2016, www.independentagent.com/act/pages/newsletter/special edition september 2016/blockchain.aspx.

22. Skoob book review, accessed November 14, 2019, www.skoob.com.br/livro/resenhas/681823/recentes/.

23. Parker, Van Alstyne, and Choudary, *Platform Revolution*, 186.

24. Ibid., 187–188.

25. Ibid., 190.

26. Ibid., 191.

27. Ibid.

28. Ibid., 192.

29. Ibid.

30. Ibid., 195.

31. Ibid., 197.

32. Ibid.

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How Much Should I Ask For? Ten Points of Consideration for Foundation Grantees

by Barbara Chow and Ruth E. Levine

Many nonprofits are concerned about how much to ask for from a foundation, particularly when they are approaching a foundation for the first time. "Given all the variables at play," write Chow and Levine, "the process of setting funding levels can be a black box." Here, the authors lay out ten factors often involved in establishing the amount.

Of all the challenges grantseekers face, one of the most consequential is figuring out the right amount to request of a foundation. And, indeed, there is a whole backdrop to the grantmakers' decision making that may be hard to decipher for those not intimately familiar with the scene—and sometimes even for those who are. It doesn't help that each ask will likely be slightly different as you look to find alignment between what you are proposing and what the grantmaking institution cares about, and as you attempt to discern all of the dynamics at play.

Many grantseekers find that foundation staff are reluctant or unable to provide a target figure at the outset of a conversation about a potential grant. There are a variety of possible reasons for this. It could be because withholding information maintains a strong power dynamic on the part of foundation staff. Alternatively, program staff may be concerned that they are "overpaying" for the work they are supporting, or are hoping another foundation will also come in to share in the costs. It is also possible that internal negotiations are at play within the foundation, and the program staff themselves do not know what might be available. In thinking through grant amounts, foundation staff engage in a complex process of "budget hydraulics," where increases in one grant may come at the expense of increases (or decreases) in another.

All of this means that the prospective grantee is left guessing and gaming, neither wanting to ask too much and be seen as unreasonable, nor wanting to ask for less than they might be able to get.

This article is intended to draw back the curtain on the inner workings of at least some private foundations, and to encourage prospective grantees to put time into homework as they develop a budget ask. The information will be most helpful for grantseekers approaching a specific private foundation for the first time. And, toward the end, we offer suggestions for negotiating renewal grants.

The Budget Ask

Beyond the intrinsic merits of the work, its actual costs, and its alignment with foundation strategy, in many cases ten factors go into setting the amount available for a specific grant.

These include two kinds of considerations: project-specific issues that foundation staff are grappling with, and "atmospheric" questions having more to do with overall foundation circumstances than the costs and merits of individual grants.

Here are considerations that foundation staff think about when assessing the right amount for a particular project or general-support grant:

1. Can the nonprofit effectively use the grant funds given existing organizational constraints? So-called *absorptive capacity* has to do with the size, financial condition, and longevity of the potential grantee partner. For example, new organizations with uncertain financial prospects may receive lower levels of funding until a stronger track record has been established. Foundation staff may also worry that too much funding too soon could lead to boom-and-bust cycles, which could ultimately harm the nonprofit if the organization expands too quickly and then is unable to sustain itself at the higher budget level. Grantseekers should demonstrate that they have thought about these risks themselves and have ways to mitigate them.
2. Another factor to keep an eye on is *tipping*. Nonprofits that receive too much money from a single funder can jeopardize their tax status under certain circumstances. It is the nonprofit's responsibility to track this, but foundation staff do their best to mitigate the risk.
3. Overreliance on a single funder can undercut a nonprofit over the long haul. Foundations are conscious of the need for nonprofits to work on a *diversification of funding* base, and are careful to size grants appropriately. If this arises in discussions about funding levels, prospective grantees can ask foundation contacts for help with introductions to other funders.
4. Foundation staff may peg a grant to the level of funding provided to similar organizations for similar work. The *relative size* of a grant matters: if one grant to lead an advocacy campaign is sized at $500,000, it is unlikely that the next one will be $3,000,000, unless the circumstances are markedly different.
5. Allocations for *indirect costs* (i.e., overhead) have been a hot topic within the philanthropic and nonprofit communities. Many foundations will limit allowable amounts to 10 percent to 20 percent of the direct costs of a grant. However, a subset of foundations has been engaged in a process of reevaluating the notion of tracking overhead separately in favor of recognizing the full costs of program or service delivery. Given the variety of approaches, grantseekers should always consult published guidelines and foundation contacts to make sure they understand the foundation's indirect-cost policy.

Any negotiations about the size of a grant between foundation staff and a potential grantee take place in the larger context of a funding institution and its resources, rhythms, and grantmaking priorities:

6. Most foundation endowments are invested in financial markets and are therefore subject to *trends in the market*. Many foundations base their grantmaking budgets on an average over a multiyear investment window (e.g., three, five, or ten years), so market spikes or declines in any given year may not provide a stable indicator of foundation largesse. But in times of plenty, when grant budgets are on the rise over a few years, a foundation may have more flexibility to support higher funding levels.
7. Foundations occasionally shift programmatic priorities, which can open up opportunities for some while closing the door on others. One indicator that a shift is coming could be a *change of foundation leadership*. With some regularity, new foundation executives or board members review a foundation's programs and decide which ones are of higher priority and which ones may receive less attention or even face elimination. Look for signals within one to two years of a new leader's arrival. (New leaders don't always bring new directions, however. Mitigating against significant shifts within or between programs are the foundation charters or donor directives that established the foundation in the first place. In some cases, program areas are locked in place by donor intent, which means there is little discretion to make significant changes in the allocation for a given program or strategy.)
8. Many foundations develop and renew their strategies regularly (five- to seven-year cycles are typical). The most open-ended period is in the *early stage of a foundation strategy cycle*. This is usually the first three years after a strategy launch (or strategy refresh), when the foundation has identified a specific direction and is seeking grant partners who meet the initial screening criteria. Once those grantees have been identified (and assuming they are performing well), it becomes more challenging to access foundation dollars, as renewals of existing grants become a larger share of a program officer's portfolio. Obviously, this depends in part on whether the grant budget for a given area is rising, holding steady, or falling.
9. The nuts and bolts of a foundation's *accounting practice* matter. Some foundations count multiyear grants (e.g., twenty-four-month grants) against their current-year grants budget. Others charge only one year of a multiyear grant to their

budget. In the latter case, multiyear grants will often be first in line for funding in the subsequent foundation budget year. This is relevant, especially in the early phases of a strategy, because multiyear grants are initially much more expensive.

10. Finally, foundations sometimes find themselves with extra funds at the *end of their fiscal year*, opening the possibility for larger grants that might not have been available earlier, when program staff were still holding on to funds to address unexpected opportunities or challenges. Not all foundations operate on a calendar year, so understanding the specific grantmaking "year" of a given foundation is important. The timing of board meetings can also be a pivotal factor to pay attention to, pushing up end-of-year deadlines a few months before the actual conclusion of the foundation's fiscal year.

These factors influence an initial grant amount. But what about renewals? For current grantees eligible for a renewal, foundations will typically pencil in a flat-line amount. Grantees who wish to make a case for a higher renewal level could highlight the need to cover increases in salaries (consistent with cost-of-living increases), new opportunities for impact with additional investment, or the importance of offsetting a large funder's influence on the organization (by providing a more significant counterweight). With renewal grants, program staff are likely to be invested in the success of the organization's work and may be willing to negotiate for at least a one-time bump in the amount of the grant, or an extension of the grant term to provide more financial security.

While foundations don't tend to offer hints on how much to ask for on their home pages, grantseekers can gain valuable insights with a bit of homework. For instance, beyond keeping track of the peaks and valleys in the economy and the timing of a foundation's fiscal year, nonprofits can learn a lot from careful inspection of patterns in the grants database, which many (but not all) foundations make available online.

• • •

Given all the variables at play, the process of setting funding levels can be a black box. As we suggested in an earlier article, grantseekers may want to offer to prepare a "modular" budget, showing different amounts for different intensities and durations of a given project.[1] And, above all, grantseekers should be extremely cautious about proposing to do work for an amount of funding that is so low that it reduces the chances of success and/or requires cross-subsidy from nonprofit reserves. Not only does a "loss leader" create a potential short-term risk for the organization, it may also set up expectations on the part of the funder that the work is not in fact as costly as it is, making it harder in the future for anyone to obtain a grant of adequate size to cover the true costs.

Note

1. Ruth E. Levine and Barbara Chow, "Six Easy Questions to Ask Your Foundation Program Officer," *Nonprofit Quarterly*, September 26, 2019, nonprofitquarterly.org/six-easy-questions-to-ask-your-program-officer/.

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AMERICANS for the ARTS

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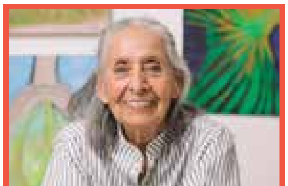
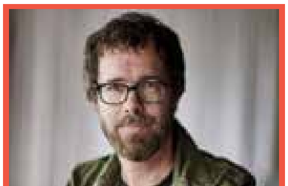
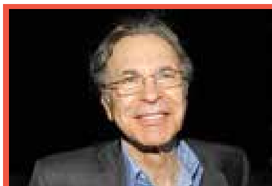


LUCHITA HURTADO
Carolyn Clark Powers
Lifetime Achievement Award

BEN PLATT
Ted Arison Young Artist Award



BEN FOLDS
Marina Kellen French Outstanding
Contributions to the Arts Award



HON. EARLE I. MACK
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NOKIA BELL LABS

NORTHWESTERN MUTUAL

OMAHA STEAKS

THE MARCUS CORPORATION

WARBY PARKER

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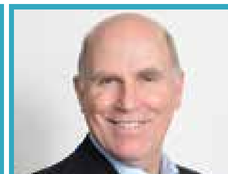
David Rockefeller
pARTnership Award



MICHAEL MARTELLA
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Leadership Award

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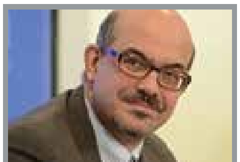

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FORMER EXECUTIVE DIRECTOR, MASSCREATIVE
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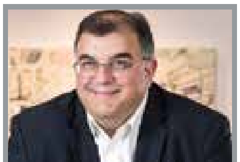
Arts Advocacy Award



GEORGE TZOUGROS
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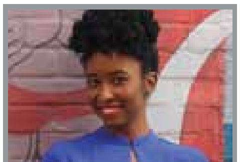
2019 Michael Newton Award



STEPHANIE JOHNSON-CUNNINGHAM
FOUNDER AND CREATIVE DIRECTOR, MUSEUM HUE
2019 American Express
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MARGIE JOHNSON REESE
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2019 Selina Roberts Ottum Award[1]

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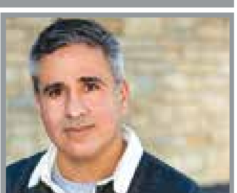

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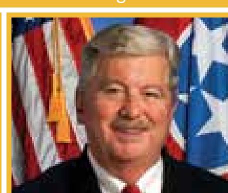
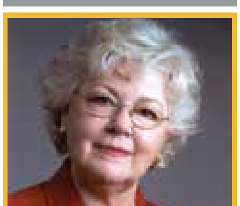
GARY HERBERT
Governors Arts Leadership Award

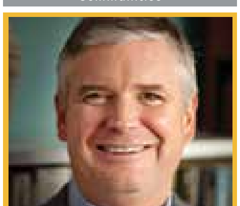


TENNESEE LT. GOV.
RANDY MCNALLY
Lieutenant Governors Arts
Leadership Award[4]

CALIFORNIA STATE SENATOR
BEN ALLEN
State Legislature Arts
Leadership Award[5]



GUILFORD COUNTY (NC)
COMMISSIONER KAY CASHION
County Arts Leadership Award[3]



BLOOMINGTON, IN MAYOR
JOHN HAMILTON
Local Arts Leadership Award

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HILLARY SCHIEVE
Local Arts Leadership Award

MICHAEL L. BIVINS
Citizen Artist Award[2]

JONATHAN GREEN
Citizen Artist Award[2]

KATE RAUDENBUSH
Citizen Artist Award[2]

(1) presented in conjunction with the National Endowment for the Arts. (2) presented in conjunction with The United States Conference of Mayors. (3) presented in conjunction with the National Association of Counties. (4) presented in conjunction with the National Lieutenant Governors Association. (5) presented in conjunction with the National Conference of State Legislatures.

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