

# Predictable, Really

## New tax bill shuns charities, despite calls for reform

It should come as no surprise to readers of this column that the new tax cut bill has nothing in it for charities. It has been predicted here for quite some time. Sure, there's a companion bill with some charitable provisions. But just about everyone in Washington, D.C., knows that particular piece of legislation is dead on arrival.

The charitable sector has taken a beating at the hands of the Senate Finance Committee for the past two years. Committee Chairman Charles Grassley, R-Iowa, has made it a personal mission since his first days in Congress to eliminate the charitable deduction in every form, except the 501(c)(3)s tied loosely to the political parties. While he has never espoused that publicly, it's quite clear by his actions.

Grassley has pushed umbrella organizations for his particular brand of "reform," which he has said includes alleged abuses with donor-advised funds, supporting organizations, and nonprofit credit counseling services, non-cash donations, such as facade easements and other real estate transactions and transactions, such as those dealing with life insurance and corporate tax shelters.

At Grassley's urging, Independent Sector created its Panel on the Nonprofit Sector to push for "reforms" in the manner in which charities operate. Many in the sector capitulated, agreeing publicly that the sector needed greater transparency and accountability. Millions of dollars and a thick report later, none of the provisions are in Grassley's tax bill.

Many organizations pushed back, demanding that

laws on the books be enforced before more are passed. That splintered support in the sector, just what those seeking to eventually eliminate the deduction had planned.

This is not the first time the sector has been rallied by Congress only to be left as a punchline. The CARE Act passed the Senate 95-5 in April, 2003. The House of Representatives passed companion legislation, the Charitable Giving Act, H.R.7, by 408-13 in September, 2003. It became the first bill to not be allowed to go to conference after passage by both chambers and continues to languish.

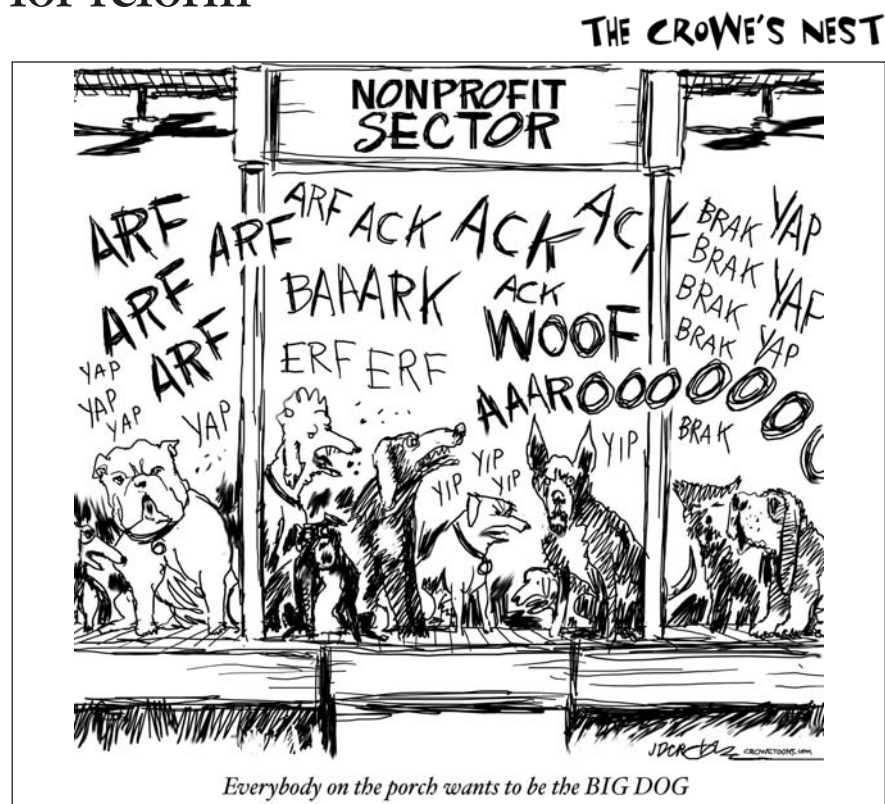
But, the provisions of the CARE Act changing the way to account for car donations passed in another form, raising revenue for the federal government.

That's what this "reform" is about, too. The point is not to "reform" charities but to eliminate the deduction. What this has done is ignite hostility between charities. It's the old divide and conquer strategy.

The seed is now planted in the minds of many Americans that they need to be suspicious of char-

ity. On the large scale, the nation is at the start of another hurricane season and some of the American Red Cross's corporate supporters have backed away because of Grassley's very public smears of the charity. When that storm hits, and it will, who is going to respond? It certainly won't be the federal government. It's already proven it can't do it.

You've done a heck of a job Chucky.



### COMMENTARY RICK COHEN

# Excellence In Philanthropy

## Helping to build, or sometime rebuild, American democracy

Amidst the cacophony of over-hyped consumer press releases competing with the drumbeat of charitable scandals, there is some excellent work occurring in the halls of America's foundations. The press quite reasonably dismisses the foundation sector's public relations puffery and gives inordinate attention to the philanthropic miscreants.

As a result, what shows promise of putting America's 80,000 grant-making foundations on a course of relevance and importance gets lost in the shuffle. Digging through the past month's news, the diligent reader might find glimmers of foundations continuing and improving on the practices of institutional philanthropy at its best and carving out new directions for philanthropy in the future.

Foundations are at their best when they are providing timely and useful assistance to build the capacity of their nonprofit grantees. Take for example two under-publicized items about foundations in Boston and Dallas providing assistance to nonprofits exploring cost-serving organizational mergers.

Nonprofits detest organizational marriages and consultants forced on them by heavy-handed foundation grantmakers. But in this case, the Boston Foundation and Fort Worth's Amon G. Carter Foundation simply helped fund studies of merger possibilities for nonprofits driven by economic and mission needs. Neither foundation made merger a

prerequisite for funding.

Sometimes simply offering nonprofits the assistance that they need, not what insular foundations ab alto determine nonprofits need, is the right formula for capacity-building.

In 2005 the Boston Foundation also decided to increase its spending from its own funds to 6 percent and established that as the rule for the donor-advised funds it manages. With an investment climate pushing the Dow over 11,000 and NASDAQ to five-year highs, the Boston Foundation is demonstrating that putting money on the street into the hands of nonprofits that deliver the goods is a pretty attractive contrast with the foundations that build their endowments to a point that looks to many nonprofits more like hoarding than stewardship.

At its best, sharp-eyed philanthropy points out areas where public policy, maybe overall societal attention is lacking and spells out how to take action. Sometimes it means shaking us out of our comfort zones and reminding the public of how far we have yet to go to catch up to our society's egalitarian rhetoric.

It shouldn't have been a surprise, but a study done by the Pittsburgh Post-Gazette in conjunction with the Women and Girls Foundation of Southwest Pennsylvania revealed exactly how little progress women have made in breaking the corporate glass

ceiling. The study revealed women holding 9 percent of corporate board positions, 9.8 percent of top executive positions, and only 1 CEO slot in 55 publicly-traded corporations in the region.

It's kind of a stark picture for women in the corporate world, thanks to some good investigative work by a small foundation. No less important were the results of a study conducted by the Northwest Area Foundation of St. Paul, Minn. Based on a survey of 2,400 people, the foundation concluded that it takes a family income of \$30,000 to \$40,000 to rise out of poverty, a striking contrast to the federal poverty number of \$19,806. That finding can become an empirically-based rallying cry for domestic anti-poverty activists.

Sometimes the foundation role is to fund advocacy that goes beyond the usual ideological divides and caricatures. Try the Wall Street Journal report on the growing opposition to crop subsidies, reporting on a meeting of the Alliance for Sensible Agriculture Policies. Participants ranged from Oxfam on the left to the libertarian Cato Institute on the right. According to The WSJ, the William and Flora Hewlett Foundation was among the politically ecumenical funders of this advocacy confab.

The NWA, Hewlett, and Women's Foundation initiatives are all great examples of foundations pushing society, pushing government to wake up about

conditions that have to be changed. It's sometimes passé to suggest that philanthropy can test out and push ideas for government action or replication, since so many people have written off – erroneously, to be sure – government as having a learning curve.

Maybe a cutting edge foundation practice is to endorse and support reforms that stem from the public sector itself. Back in 2002, some major Western Pennsylvania foundations – the Heinz Endowments, the Grable Foundation, and the local community foundation – publicly terminated grants that had been pledged to the Pittsburgh public school system due to school system dissension and turbulence. Times have changed, and the foundations have returned to the table committing an initial \$2.85 million to support the reforms of the new school system superintendent.

Despite a knee-jerk propensity to fund nearly anything involving "kids," most foundations won't go within a mile of grants for public schools, equating "public schools" - erroneously – with images of political and bureaucratic dysfunctionality. In this case, these foundations, plus the Buhl Foundation, have joined to create the Fund for Excellence in the Pittsburgh Public Schools to support the superintendent's school system reforms.

But excellence in philanthropy doesn't mean having to always yield a big above-the-fold publicity item tackling domestic poverty or agricultural subsidies. Sometimes, it's a matter of providing resources to the groups and regions that don't typically have the big-time access to foundation trustees and wealthy scions. Few newspapers reported on the announcement of the Paul G. Allen Family Foundation's grants for a farmerworker housing trust fund in rural Washington State and for the performing arts season of Helena Presents in Montana. Both exemplify grants that address needs of areas that are historically philanthropically undercapitalized and rarely capture the attention of major foundations.

What foundations can do with great impact is what some are doing now in their Katrina relief responses. A number of foundations are working on protecting the voice, vote, and rights of constituencies that have been displaced by the hurricane. Three nonprofits in Mississippi – Boat People SOS, the Mississippi Immigrant rights foundation, the National Alliance of Vietnamese Service Agencies – just received grants from the Knight Foundation to help Southeast Asian hurricane victims whose concerns don't typically get the attention of other Gulf Coast region groups. The grants pale next to the amounts absorbed by the biggest and now, in at least one case, nationally investigated first-responders, but it is a recognition of the long term need for building the capacities of community-based nonprofits representing indigenous populations.

Similarly, press coverage in The Times Picayune in New Orleans of the work of groups, like the Jeremiah Group and the Industrial Areas Foundation Katrina Survivors Network, challenges some of the rebuilding plans floated by New Orleans

powerbrokers and organizers among Katrina displacees in Memphis, Dallas, Houston, Jackson, and Baton Rouge in preparation for elections in the depopulated city. It is a testament to grassroots democracy.

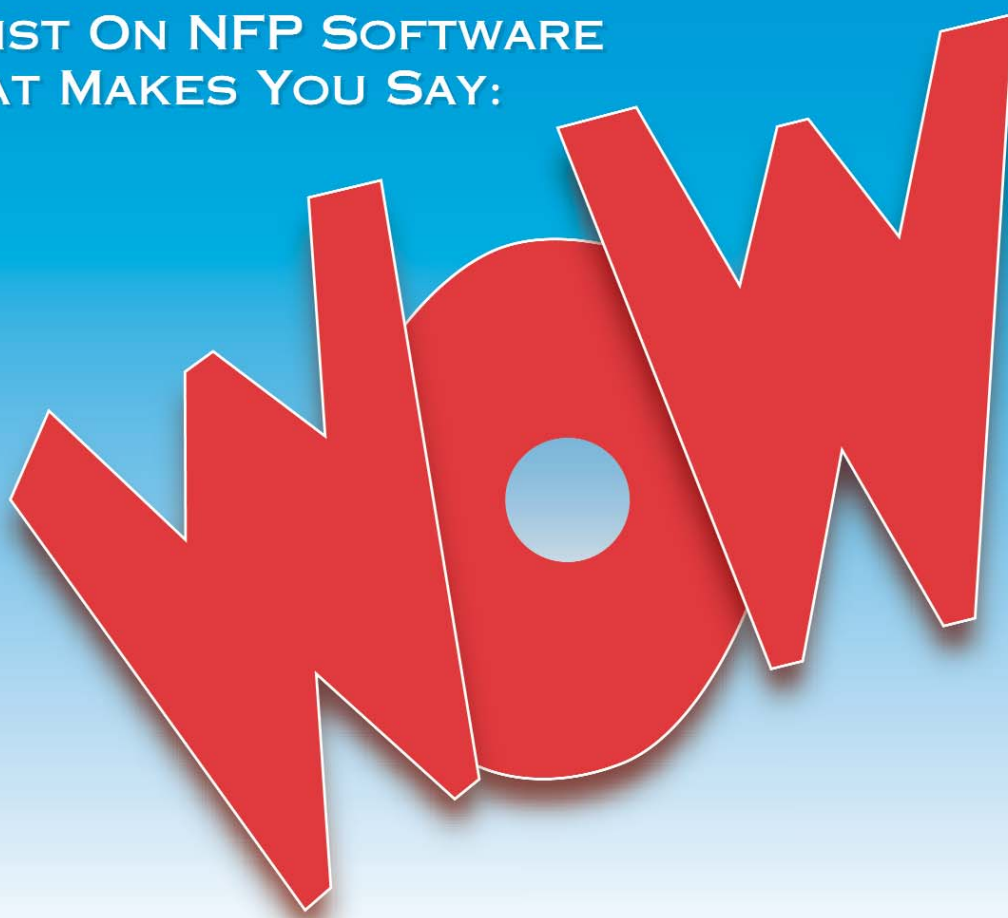
Foundations like the Unitarian Universalist Veatch Program at Shelter Rock that have made Katrina-related grants to these groups as well as PICO, the Jeremiah Group, and Neighborhood Housing Services of New Orleans exemplify potential foundation roles in building, or sometimes rebuilding, American democracy.

All the self-defense lobbying and public relations spin emerging from the foundation sector isn't half as powerful as some of the sotto voce reports of

foundations doing really good work. Digging through just one-month's news on foundations reveals great competitive yardsticks for philanthropy, foundations promoting nonprofit capacity, advocacy and social change, grassroots democracy, and true community building. If only these philanthropic role models could be heard above the din of foundations unfortunately more focused on protecting unnecessarily generous trustee fees, unjustifiably low grant pay-outs, and unwarranted self-indulgence.

*Rick Coben (ab irato) is executive director of the National Committee on Responsive Philanthropy in Washington, D.C. His email is rick@ncrp.org*

## INSIST ON NFP SOFTWARE THAT MAKES YOU SAY:



Serenic Navigator, powered by Microsoft Navision, is a fully integrated solution for your not-for-profit organization. It is a thoroughly modern alternative to historically significant, but now dated, competing products.

In Navigator, you will find the industry's most advanced suite of core financials, coupled with tightly integrated operational applications, such as Constituent (Donor) Management, Investment Management, and Grants Management. In addition, Navigator offers modern tools for delivering information to your auditors, board members, program/project managers, and funding sources.

### THE BENEFITS OF USING NAVIGATOR ARE WOW-INSPIRING:

- Minimize your audit woes forever with unparalleled analysis and inquiries
- Increase your operating efficiency with paperless approvals
- Eliminate redundant data entry
- Be proactive versus reactive
- Technology that will grow with you forever
- Stop using external, "best-of-breed" applications to fill gaps in your accounting software
- Realize long-term investment security from a product backed by Microsoft platforms
- Leverage your investment in Microsoft Office, Windows, and server platforms



### AN INDUSTRY INSIDER SPEAKS – TO WHICH WE SAY, "WOW!"

*"Today, no other not-for-profit solution can match Serenic Navigator for features, performance, and price point – it is one of the most complete solutions available."*

– J. CARLTON COLLINS  
PRESIDENT, ASA RESEARCH  
*(a subsidiary of Accounting Software Advisor, LLC)*

To learn more about Serenic Navigator, please visit [www.serenic.com](http://www.serenic.com). Those who review our website are routinely left with one overriding impression – WOW!



**SERENIC CORPORATION**  
*Enabling Strong Communities By Supporting Those Who Serve*  
[www.serenic.com](http://www.serenic.com)  
(877) 737-3642



Microsoft Office and Microsoft Windows are registered trademarks of Microsoft Corporation.