

Foundations falling short

Nonprofits should push grantmakers to be more open, diverse and generous.

By Rick Cohen
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Despite all the talk in recent years in Congress and state legislatures about nonprofit accountability, foundations remain virtually unregulated by the public, unaccountable to anyone but themselves, and virtually unfettered in what they might do with the funds the public has entrusted to their stewardship.

All the regulatory measures debated by Congress focused on foundations' operations and how they relate to nonprofits and the public, not on their accountability for how spend billions of dollars in tax-exempt resources.

The nonprofit sector should work to make foundations accountable to nonprofits, communities, the public at large and, particularly, the nation's disadvantaged and disenfranchised populations.

In the wake of Hurricane Katrina's devastation, foundations should focus on the most-disadvantaged populations.

The 80,000 elite foundations should make themselves more permeable and accessible to their target constituencies by bringing affected constituencies into foundation decision-making processes.

Instead of more high-priced public relations and advertising spin, foundations should open and subject themselves to honest public debate about their work.

Foundations also need to help build and strengthen democratic processes, grassroots organizations and community mobilizations.

And those foundations, now governed largely by boards consisting of super-affluent white men and white women who allocate tax-exempt resources, should make the composition of their boards more racially and ethnically diverse.

While the big foundations so far have prevailed in the legislative battle over their 5 percent annual payout because they could hire the most expensive Washington lobbyists, that doesn't make them right.

As the Dow inches toward 13,000, as billions in intergenerational wealth flow into philanthropy, the payout should total at least 6 percent and consist only of grants, not administrative costs.

The payout also should be extended to the donor advised funds and supporting organizations, and foundations ought to be mobilizing their endowments for market rate and below market non-grant investments in social change vehicles.

Unless we believe that foundations are run by a bunch of Platonic philosopher kinds and queens who simply know more and know better than the rest of us, it's time for foundations to accept the notion that they have to be held as accountable for their stewardship of more than a half-trillion in tax exempt assets no less than foundations and nonprofits call for accountability by corporate and government leaders.

Do foundations really make a difference for the people who need access to philanthropic largesse?

It's up to nonprofits to get active to make these concerns the linchpins of the public debate around the value of philanthropy.

Rick Cohen is national correspondent for The Nonprofit Quarterly. This article summarizes the findings of Building Strong Foundations, a report he wrote for National Committee for Responsive Philanthropy, where he was executive director.

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