

# 11 TRENDS IN PHILANTHROPY FOR 2023



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FOR PHILANTHROPY

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# Contents

The Rise of Collaborative Funding .....	5
Rethinking What Capacity Building Should Be — and Who Should Decide .....	8
Disaster Philanthropy is Transitioning for the Long Haul .....	12
For-Profit News Outlets are Exploring Nonprofit Models .....	16
New Organizational Structure Models are Toppling the Staff Pyramid .....	20
Policymakers are Paying Increasing Attention to Moving More Money Faster .....	23
ESG Backlash Will Affect the Future of Philanthropy and Impact Investing .....	27
Will Philanthropy Stay Focused on Racial Equity? .....	31
More Nonprofit Employees are Moving to Unionize .....	34
IRS Delays and Other Barriers to Data Mean Real Risks for Nonprofits .....	37
The Public is Holding Nonprofits Accountable to Living Their Mission and Values .....	41



# 11 Trends in Philanthropy for 2023

**T**he philanthropic sector is an ecosystem: a web of interdependent actors, infinitely variable, striving constantly to build something greater than the sum of its parts.

In biology, ecosystems are made up of organisms — living things that are themselves made up of individual cells and multi-part systems working together as a single whole. Each organism is unique, responding differently to fluctuations in its environment.

The same is true in philanthropy. Each nonprofit, foundation, donor, community, or network is affected differently by our national and global zeitgeist. But as each player adapts to changes in that context, the sum of those many reactions can become a force of its own.

That’s why the word “organism” — and its forms, “organization” and “organize” — seems to be at the heart of this, our seventh annual *11 Trends in Philanthropy* publication. The issues we cover this year zoom in on how the forces rippling across our ecosystem are playing out at the level of individual organizations. Public accountability, investment decisions, distributed leadership — these are questions that each person and each partnership must answer for itself.

Philanthropy is also getting organized and reorganized. Funding collaboratives, unionized labor, new governance structures — individual actors are making moves, coming together to cause change on a broader scale. As ideas and methods gain attention, they introduce yet more dynamism to the environment.

Today, we see this push-pull at work. In 2023 and beyond, we’ll see how it plays out.



# The Rise of Collaborative Funding

by Tamela Spicer and Malik Robinson

**T**hroughout the history of the United States, people have leveraged their social capital and financial resources to benefit their communities. Whether it was the mutual aid societies of the late 1700s (Duran, 2001), the rise of United Ways in the industrial age, or giving circles of the 21st century, collaborative giving isn't new in the sector. What is new, however, is the rapid growth of funder collaboratives among institutional funders and the amount of funding they're moving into the sector.

Some attribute this growth “in part to wealth accumulation over the past decade coupled with increasing interest in new ways of giving” (Powell et al., 2021, p. 4). This movement from traditional methods of resource development and distribution to more collaborative efforts can bring increased efficiency and effectiveness. *Releasing the Potential of Philanthropic Collaborations*, published by the Bridgespan Group in 2021, demonstrated the increased pace of establishing new collaboratives, noting that over half of those surveyed launched collaboratives after 2015. The greatest acceleration happened in 2020 when 16 survey respondents established collaboratives, “the highest number of organizations established in a single year” (Powell et al., 2021, p. 4).

## What is Collaborative Funding?

Collaborative funding is a way “to align ... philanthropic giving based on shared long-term goals, geographic areas of interest, beneficiary

populations, or some other commonality” (Milken Institute, 2020, para. 2). The long-term focus of collaborative funding often centers on creating systemic change by building resources and movements. It's a recognition that “participants in a philanthropic collaborative can magnify their capacity to address large-scale social, economic, and environmental challenges and better contribute to change” (Rockefeller Philanthropy Advisors, 2021, para. 1).

An example: Bringing together resources, expertise, and willpower is what The Audacious Project seeks to do through its collaborative. Housed at TED, The Audacious Project builds partnerships with over three dozen individual donors and institutional funders “to match bold ideas with catalytic resources” (2022, para. 3) — including some of the biggest names in philanthropy, such as Mackenzie Scott, the Bill and Melinda Gates Foundation, and the Skoll Foundation. Launching projects in a cohort style, The Audacious Project has invested in everything from climate change to immigration justice. In 2021 alone, the collaborative moved \$920 million into the social sector across the globe.

Big investments are what drive Blue Meridian Partners, a “collaborative philanthropic community whose partners share the costs, risks, and successes of performance-based investing ... to improve the lives of young people and families living in poverty in America” (2022, paras. 1-2). Investing no less than \$100 million in each nationwide initiative, Blue Meridian Partners —

which includes Charles and Lynn Schusterman Family Philanthropies, Aviv Foundation, the Duke Endowment, as well as many of The Audacious Projects' supporters and others — is providing capital to scale projects with a proven track record.

Not all collaboratives are designed to move such big ideas, some focus on creating change in a specific area. Birthed in 2020, the Michigan Justice Fund is “dedicated to advancing justice reform and the economic mobility of individuals with criminal convictions in Michigan” (2022a, para. 4). Although housed at the Community Foundation for Southeast Michigan, this young collaborative includes 14 funders from across the state and the country. Grants made in 2021 ranged from over \$300,000 to research prosecutorial decision-making, down to \$50,000 for a doula initiative to support women giving birth while incarcerated (Michigan Justice Fund, 2022b).

### Collaborative Funds Increase Emphasis on Black, Brown, and Indigenous Leadership

The scale of gifts from collaboratives ranges significantly, much like traditional philanthropy, yet there are key differences in collaborative funding. The Bridgespan research (2021) identified some key areas that distinguish collaborative funding from traditional philanthropic giving, including an increased focus on funding systemic issues and racial justice, as well as more diverse leadership with collaboratives. The researchers noted that “nearly half of the funds reported being led by people of color” (Powell et al., 2021, p. 7). In comparison, people of color comprised only 10% of CEOs and leaders across U.S. foundations (Philanthropy News Digest, 2020).

With increased leadership from communities of color, it would make sense that collaborative funders place a higher priority on racial justice. While the Bridgespan study (2021) did not identify specific dollar amounts given to racial

justice, respondents did identify the category as the top funding priority, and “almost all of these funds referenced racial inequities, centered Black, Indigenous, and people-of-color (BIPOC) populations, and/or challenged engrained power hierarchies when describing their change objectives” (Powell et al., p. 6).

This focus on challenging traditional power dynamics and moving money to BIPOC communities could significantly change the landscape and impact of nonprofit organizations. It also represents a dramatic shift from historically low funding for racial justice which “has consistently been low — only 10 percent to 20 percent of the scale of the larger racial equity set, and barely 1 percent of all funding” (Philanthropic Initiative for Racial Equity, 2021, p. 8).

## “The long-term focus of collaborative funding often centers on creating systemic change by building resources and movements.”

The Black Equity Collective is one example of the intentionality of centering philanthropic leaders of color to impact “Black-led and Black-empowering social justice organizations in Southern California” (n.d.a, para. 2). The only philanthropic network in the state of California “solely dedicated to Black issues, to empowering Black voice, and investing in Black leadership and Black organizations” (n.d.b, para. 1), the Collective seeks an investment of \$60 million by 2030 (n.d.a).

### Redefinition is at the Heart of the Work

With all the money that collaboratives are moving into the sector, there are opportunities to create real change and potentially solve complex social issues like food insecurity, racial inequity,

and climate change. Yet, as noted in *The Stanford PACS Guide to Effective Philanthropy* (2021), “the concentration of funds and decision-making authority may have negative consequences as well by enshrining parochial strategies and cozy relationships with particular grantees” (p. 202).

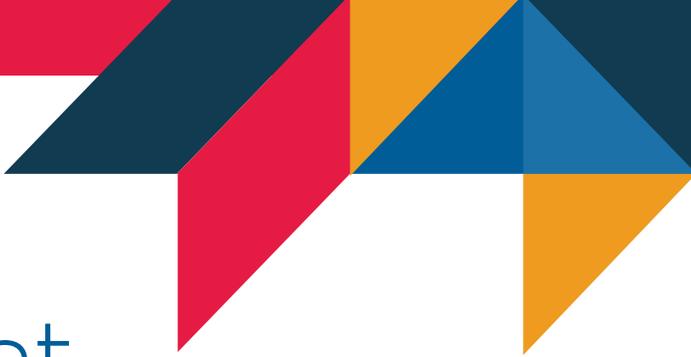
With years of handwringing over the power dynamics in philanthropy, Fozia Irfan (2022) reminds us that to truly shift power requires “redefining expertise, risk, and impact. It would centre the communities we serve, giving them the power to be involved in decision-making, removing barriers to access, and providing a culture which is supportive. It may mean redefining what issues are important — as funders we value change as an indicator of success” (para. 9).

For the growing collaboratives, redefinition is often at the heart of the work. For Big Bang Philanthropy, “a group of like-minded funders working together to find and fund organizations with the best solutions to the toughest problems of poverty” (n.d., para. 1), that means co-funding projects, minimizing paperwork in the grantmaking process, and encouraging their collaborative partners to provide unrestricted funds in all of their giving.

As collaborative funding continues to grow, the Bridgespan Group encourages us to imagine the possibilities: “If U.S. billionaires gave an additional one-half of 1 percent of their wealth to collaboratives, that would amount to roughly \$22 billion annually” (Powell et al., 2021, p. 14) flowing to nonprofit organizations across the globe. Imagine the impact. ■

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# Rethinking What Capacity Building Should Be — and Who Should Decide

by Tamela Spicer and Trish Abalo

**E**ver since Lester Salamon rang the first alarm bell about organizational infrastructure challenges in 1999, noting that “U.S. nonprofits face a crisis of effectiveness” (p. 12), the sector has tried to come to terms with what capacity building is and how best to do it.

While the work of capacity building has grown over the past several decades, philanthropy has failed to agree on a single definition. It has been defined simply as any “actions that improve nonprofit effectiveness” (Blumenthal, 2003, p. 5), or, from the funder’s perspective, “as the funding and technical assistance to help nonprofits increase specific capabilities to deliver stronger programs, take risks, build connections, innovate and iterate” (Grantmakers for Effective Organizations [GEO], 2016, p. 3).

Often driven by institutional funders, capacity building could include training for members of the board of directors, developing a strategic plan, or even building a website. However, this traditional, foundation-funded capacity building is increasingly criticized for its origins in white dominant culture (EchoHawk, 2019; Community Wealth Partners, 2021; Le, 2020; Littles, 2022, Taylor, Coolidge, & Valerio, 2022)

and its continued practice of serving white-led nonprofits. Power and equity are at the center of a growing movement to reimagine the language and practices of capacity building.

## Centering Equity in Capacity Building

As pointed out in a 2018 report by the Delta Vision project, traditional models of capacity building “often overlook the roles and responsibilities of funders, policy-making entities, and system actors .... [and are] inadequate for communities of color” (p. 2). As Vu Le reminds us, “what we are doing may have worked in the past, but it may be irrelevant or even harmful to do the same things now” (2020, para. 6).

In an effort to reduce the harm that traditional models of capacity building may cause, Le and the leadership of RVC (Rooted in Vibrant Communities, an organization Le founded) called for a new definition of capacity building in a 2020 article in the *Stanford Social Innovation Review* (Nishimura et al.). Grounded in equity and power sharing, the RVC team focuses their idea of capacity building on “the process of building and strengthening the systems, structures, cultures, skills, resources, and power that organizations

need to serve their communities” (Nishimura et al., 2020, p. 32).

This rethinking of capacity building was picked up by GEO in their 2021 report, *Reimagining Capacity Building: Navigating Culture, Systems & Power*, wherein they called upon funders to rethink traditional models of capacity building that are built on practices designed by and for a sector that is overwhelmingly dominated by white leadership. The inequity in the sector is an extension of what is baked into the broader society, yet “capacity builders may not explicitly consider how inequities might factor into the design and implementation of an initiative or project” (GEO, 2021, p. 33).

### Capacity Builders Call for Change

As the country and our sector continue to wrestle with dismantling white supremacy, capacity builders themselves are taking stock of their own work. In a 2022 article for Nonprofit Quarterly (NPQ), Melissa DeShields, CEO of Frontline Solutions, shared her own “crisis of conscience,” posing the question “who gets to decide what constitutes *effectiveness*?” (para. 8) as we seek to build capacity.

The 2022 annual conference of the Alliance for Nonprofit Management, the only membership organization in the country specifically for nonprofit capacity builders, called on participants to continue disrupting the status quo “in a hopeful way and create new futures in nonprofit capacity building” (para. 2). Marcus Littles, founder of Frontline Solutions, went one step further in a 2022 NPQ article, asking if we should “cancel capacity building” altogether due to the idea that it comes with an “often unspoken assumption ... that the funder knows best” (para. 6).

To combat this assumption, GEO (2021) proposes that funders and grantees intentionally co-create solutions in capacity building, balancing power as well as building trust-based relationships, peer learning, and encouraging longer-term support.

Still, many of the practices that have reinforced the existing power dynamic persist. A 2021 study from the Center for Effective Philanthropy, for instance, found that while many foundations note positive changes in funding practices as a result of the pandemic, “just 27 percent — are providing more *multiyear* unrestricted support” (Buteau et al., p. 13). Even fewer are doing so alongside capacity building/organizational effectiveness grants (Orensten & Gehling, 2021).

**“[T]raditional, foundation-funded capacity building is increasingly criticized for its origins in white dominant culture and its continued practice of serving white-led nonprofits.”**

### Redefining What Capacity Building Can Be

While this desire for more unrestricted funding of nonprofits is nothing new, the connection between those dollars and capacity building is part of the growing call to rethink this work. In *Making Capacity Building More Equitable: A Field Guide for Funders* (2021), Community Wealth Partners prefaced their report with the emphatic statement that “multi-year, unrestricted grants *are* capacity-building grants” (p. 3), particularly for BIPOC-led organizations that have historically received only a fraction of funding compared to their white-led counterparts.

Centering Black-, Brown-, and Indigenous-led organizations is at the heart of the growing call to rethink capacity building because “sustainable institutions are not built by identifying organizational deficits that racism and patriarchy have contributed to creating” (Little, 2022, para. 6).

Moving to a more asset-based approach that is set in the context of the broader system may help build trust and shift some of the power from grantmakers to nonprofits.

GEO (2021) suggests that shifting grantmaking to a race equity lens will help foundations and capacity building consultants move away from assessments that focus on pre-determined avenues of work and “readiness” and create greater access to the tools and resources that smaller organizations need for sustainability and growth. Williams (2021) reported that based on the IRS 2020 data, over 50% of nonprofits in this country operate with an annual revenue of less than \$50,000. Creating more access could have a significant impact on communities across the country.

Increased impact is what capacity building should be about and it will require a radical shift in assumptions and cultural norms moving forward. The sector is being asked to rethink the very nature of capacity building, such as centering care, wellness, and rest as part of racial equity (BIPOC Ed Coalition, 2021). The BIPOC Ed Coalition’s (2022) Sabbatical Program and the Transforming Solidarity Collective’s (2021) community dialogues on Rest & Liberation have provided dedicated time for nonprofit employees of color to care for themselves as a way of investing in capacity and sustainability in their organization while recognizing the inherent value of the people that make up nonprofit communities and transforming the culture at the root of systemic inequities.

“Given how entrenched racial inequities are in our field and the historical roots of ... inequities, we are long overdue for a reckoning — one that requires us to examine our own privilege and to reflect on the ways we can share power, honor cultural nuance, and reimagine systems and structures that currently reinforce inequities” (GEO, 2021, p. 47). ■

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# Disaster Philanthropy is Transitioning for the Long Haul

by Michael Layton, Kevin Peterson, and Katie Dietz

**A**s Payton & Moody (2008) observed, “Philanthropy exists because of two truths about the human condition: things often go wrong, and things could always be better” (p. 63). The orientation of philanthropic institutions could be divided into those that respond to disasters when things go terribly wrong, and those focused on long-term development, aiming to make things better over time.

The traditional approach to climate-related disaster philanthropy has been simple and predictable: disaster strikes, followed by media attention and an outpouring of generosity with a touch of coordination; then, attention shifts, perhaps to another disaster — and generosity is directed back to business as usual (New Venture Fund, n.d.). Within this tradition, philanthropic actors have had well-defined roles: some engage in humanitarian emergency disaster relief, and others see themselves as having a distinct role in promoting longer-term community improvement.

Now, the game and the playbook are changing.<sup>1</sup> However, the former is changing with shocking speed and the latter is evolving slowly. Globally, disasters are occurring with greater frequency and ferocity. Since 1980, the U.S. alone has had

332 weather and climate disasters where total damages *for each event* reached or exceeded \$1 billion (in 2022 inflation-adjusted dollars), for a total cost of \$2.275 trillion (NOAA National Centers for Environmental Information [NCEI]). Each decade, the average number of events occurring annually has increased at truly shocking rates.

So far, the 2020s are shaping up to be even worse. NCEI reported 22 events in 2020, 20 in 2021, and 15 in the first nine months of 2022.

As the respites between disasters shorten, key actors — like the Center for Disaster Philanthropy (CDP) and many community foundations — are helping to drive the understanding that emergency response alone is unequal to the threat posed by recurring disasters (CDP & Candid, 2022). In addition, more philanthropic actors are focusing on facilitating shared learning in this space and incorporating considerations of equity.

Here are three compelling examples of how philanthropy is beginning to step up its game, drawing from domestic and international experience.

<sup>1</sup>The Center for Disaster Philanthropy provides such a playbook at <https://disasterphilanthropy.org/disaster-philanthropy-playbook/>.

## Philanthropy Preparedness, Resiliency and Emergency Partnership

Low-income communities disproportionately suffer a greater impact from the social, health, and economic costs of disasters. Resiliency can best be cultivated by enhancing the capacity of community leadership.

The Philanthropic Preparedness, Resiliency and Emergency Partnership (PPREP) was developed by The Funders Network (TFN) in collaboration with CDP in 2014 to bring together community foundations in a peer-learning model that emphasizes community leadership. Focusing on a 10-state Midwestern region, “PPREP works to embed an equity lens into the cohort’s learning about preparedness, response and recovery practices and policies” (n.d., para. 2).

## Atlantic Hurricane Season Recovery Fund

Due to climate change, hurricanes are becoming larger and more frequent. To address the full range of needs associated with these storms, both immediately and over time, CDP created the Atlantic Hurricane Season Recovery Fund in 2017.

Working closely with communities, CDP staff identify available resources and unmet needs. The fund supports initiatives and organizations on the ground that prioritize communities facing systemic barriers to equitable recovery. Looking beyond immediate responses, it focuses on meeting medium and long-term needs, including “rebuilding homes and livelihoods, mental health services, and other challenges identified by communities that arise as recovery efforts progress” (2022, para. 3).

## Mexico Earthquake Recovery and Disaster Preparedness Fund

In 2017, when devastating earthquakes hit Mexico, the Inter-American Foundation (IAF),

**“The good news is that the philanthropic infrastructure of disaster philanthropy has grown more sophisticated in its response to the growing threat of natural disasters. The bad news is that funding for those efforts has remained stagnant.”**

an autonomous U.S. government agency, and the Charles Stewart Mott Foundation already had a longstanding effort to strengthen the community philanthropy sector in Mexico. This work led to a relatively new program to promote cross-border collaboration, now called Connecting Communities in the Americas.

In the wake of the earthquakes, U.S. community foundations wanted to help their sister organizations across the border. Until then, neither the IAF nor the Mott Foundation had funded disaster relief, but it was clear that their Mexican community foundation partners were taking on a key role not only in providing relief but laying the groundwork for medium and long-term recovery.

Thus, the Mexico Earthquake Recovery and Disaster Preparedness Fund was born (Boyer et al., 2018).<sup>2</sup> The ability to catalyze local, national, and international resources months after the earthquakes struck indicated that there was a realization among donors that longer-term development had to take into account natural disasters.<sup>3</sup>

Now, just four years later, this fund has evolved into the Partnership for Disaster Recovery and

<sup>2</sup> Michael Layton was a senior program specialist for the IAF at this time and played a key role in creating this initiative.

<sup>3</sup> The partnership was one of the finalists in the P3 Impact Award, “to recognize and honor leading public-private partnerships (P3s) that improve communities and the world.”

Resilience (PDRR), expanding the partnership between the IAF and the Mott Foundation to include the Tinker Foundation, The Philanthropic Initiative, and the Climate and Land Use Alliance. The partnership is working to fund major needs in Central America, the region with the second highest risk for natural disaster in the world. The IAF has identified a cohort of organizations that will work to address climate change and resilience from different, innovative perspectives. Moving forward, these organizations will benefit from connections and peer learning.

## Conclusion

There are three key takeaways from this research:

1. Philanthropy-serving organizations (PSOs) and funding collaboratives are taking on an increasingly important role in philanthropy's response to disasters, especially before they strike. CDP, TFN, CCA, and the PDRR play a vital role in mobilizing resources, disseminating knowledge, and facilitating peer learning. PSOs provide the vital, connective tissue between community-focused responses and national and international actors.
2. Community foundations, in their capacity as place-based, long-term philanthropic actors, are evolving into on-the-ground leaders in preparedness, response coordination, and laying the groundwork for resilience and rebuilding. In the case of Mexico, where the capacity of municipal governments is often woefully underdeveloped, community foundations were the key leaders and

conveners from the initial humanitarian response through rebuilding and developing resiliency.

3. The need for strengthening and increasing support for both PSOs and community foundations in their focus on equity in disaster preparedness and recovery will only increase in the years to come, as the consequences of climate change become more daunting and their impact upon the most socially vulnerable becomes more acute.

The good news is that the philanthropic infrastructure of disaster philanthropy has grown more sophisticated in its response to the growing threat of natural disasters. The bad news is that funding for those efforts has remained stagnant. According to the 2022 *Measuring the State of Disaster Philanthropy* report, resilience and preparedness funding accounts for about 2% of total grantmaking (p. 8).

Leaders in this field understand both the importance of strengthening responsiveness and resilience equitably and how to do it — via advocacy and capacity building. The open question is whether more philanthropic dollars will support those efforts.

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# For-Profit News Outlets are Exploring Nonprofit Models

by Tory Martin

**J**ournalism's traditional advertising- and circulation-focused revenue model is crumbling. Even billionaire owner Jeff Bezos' interest and investment haven't saved *The Washington Post* from budget problems (Mullin & Robertson, 2022). As for-profit outlets large and small look for ways to stay afloat, many are turning to philanthropy as a safety net.

The Johnson Center first reported on growth in the nonprofit media landscape in 2019's *11 Trends in Philanthropy* report. That piece, "Nonprofit Media is Experiencing a Growth Spurt — So is Philanthropy's Response" (Martin, 2019), primarily focused on the rapid proliferation of start-up nonprofit news outlets and the response from individual philanthropists (small-dollar donors and billionaires alike).

If anything, that trend has sped up since we first wrote about it, especially among providers of local news. According to the Institute for Nonprofit News (INN), 65% of the nonprofit news outlets that launched in 2021 had a local focus, compared to 57% the year before (2022). In total, the number of newly-launched outlets from 2017 to 2021 effectively doubled the number launched in the previous five years — 135 new outlets, compared to the 69 outlets that appeared between 2012 and 2016 (INN, 2022).

This year we're looking at a different aspect of the news landscape and its increasingly close

relationship with philanthropy. In the for-profit news space, legacy brands and 21st-century digital natives alike are moving to explore, adapt, and adopt the nonprofit model. We identified three emerging models that indicate a shift in the future of news media.

## The First Emerging Model: Nonprofit Status

Few have taken the dramatic step of giving up their for-profit status completely, although this has happened. In May 2019, *The Salt Lake Tribune* (established in 1871) became the first legacy paper in the United States to announce its intention to fully convert from a corporation to a 501(c)(3) nonprofit (Mele, 2019). In philanthropy's backyard, the *Chronicle of Philanthropy* announced in May 2022 that it will break away from its for-profit parent, Chronicle of Higher Education, Inc., to become an independent nonprofit.

Yet the most activity seems to be in evolving ownership structures.

## The Second Emerging Model: Nonprofit Ownership

Many for-profit news outlets are holding on to their for-profit status while moving under the ownership of a nonprofit organization. For instance:

- ***The National Review***. Even the magazine's founder and longtime editor William F.

Buckley, Jr., acknowledged *The National Review* never made any money. In 2005, he “divulged that *The National Review* had lost about \$25 million over 50 years, or about \$500,000 a year” (Shapiro, 2005). In 2015, the nonprofit National Review Institute took over ownership of *The National Review* magazine and website. *The National Review* remains for-profit.

- ***The Philadelphia Inquirer***. In January 2016, Gerry Lenfest donated *The Philadelphia Inquirer* to the Philadelphia Foundation along with a \$20 million endowment for its support (The Lenfest Institute, 2016). The paper remains a for-profit corporation, but with a complex management structure that ensures its editorial independence from its philanthropic revenue stream (Mele, 2019).
- ***DCist, Gothamist, and LAist***. In February 2018, nonprofit public media pillars in three large markets — WAMU in Washington, D.C.; WNYC in New York City; and KPCC Southern California — worked in parallel to acquire *DCist*, *Gothamist*, and *LAist*, respectively. These three popular, hyper-local, digitally-native publications had struggled to stay afloat as standalone for-profits (Huang, 2018; WAMU, 2018; WNYC, 2018).
- ***The Chicago Sun-Times***. In January 2022, public media behemoth Chicago Public Media (which operates WBEZ) leveraged \$61 million in philanthropic investment to acquire *The Chicago Sun-Times* and convert the nearly 75-year-old paper into a nonprofit. “The newsrooms will operate separately,” according to the announcement’s press release, “with their own editors and maintain their editorial independence” (Berger, 2022, para. 12).

### The Third Emerging Model: Philanthropic Partnerships to Support For-Profit Journalism

Media outlets looking to bolster their operations without structural change are increasingly turning to foundations.

Foundations are allowed to make grants to for-profit organizations such as news outlets as long as those grants substantially support the foundation’s already tax-exempt mission (IRS, 2022a). Another word for this type of activity could be “program-related investments” (IRS, 2022b).

**“[A]s commitments [to support journalism] increase, philanthropy will need to be careful not to fall into old patterns that could undercut its intentions.”**

In September 2017, *The New York Times* repositioned Deputy Managing Editor Janet Elder to develop a new internal department exploring philanthropic partnerships. In 2020, the *Times* announced a total of \$4 million in grants from the Ford Foundation, Stavros Niarchos Foundation, and the William and Flora Hewlett Foundation to support the three-year Headway Initiative, the paper’s first majorly grant-funded project (Bauder, 2022).

Gannett Co., the largest newspaper publisher in the United States, also appointed a new senior executive position devoted to philanthropic partnerships in 2019 (Mele). *The Associated Press*’s Lisa Gibbs is building a similar department (Bauder, 2022). *The AP*’s efforts have recently resulted in more than \$8 million in philanthropic commitments to support the outlet’s climate coverage (Bauder, 2022).

*The AP*, *Chronicle of Philanthropy*, and *The Conversation* announced a new partnership and a \$3.6 million grant from the Lilly Endowment in September 2020. Their joint work to cover and distribute news about philanthropy is “aimed at advancing the public’s awareness and understanding of the people and organizations

trying to solve some of the world’s most pressing problems” (Associated Press, n.d.).

## New Opportunities, Old Habits

There’s no question that philanthropic support for journalism is growing. However, as commitments increase, philanthropy will need to be careful not to fall into old patterns that could undercut its intentions.

- **Supporting Local vs. National News.** Many funders are entering this space to reverse dramatic losses in local news coverage. Yet, according to INN, “gains in philanthropic support to nonprofit news is most densely concentrated among larger national and global organizations” (2022, para. 3). Foundations make up only 40% of revenue for locally-focused nonprofit outlets, while they account for 59% of revenue for nationally/globally-focused nonprofit newsrooms (INN, 2022).
- **General Operating Expenses.** In *Philanthropic Options for Newspaper Owners: A Practical Guide*, Nicco Mele notes that philanthropic structures created to support both *The Salt Lake Tribune* and *The Philadelphia Inquirer* are explicitly forbidden from supporting those papers’ operating expenses or covering their deficits (2019, p. 9 & 12). While funders may feel this establishes a necessary barrier between themselves and news content, the policy could leave newsrooms cut off from a critical source of core support.

A free and independent press is widely acknowledged to be a critical pillar of a functioning democracy. Funders seeking to sustain this important work must ensure their methods match this mission. ■

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# New Organizational Structure Models are Toppling the Staff Pyramid

by Mandy Sharp Eizinger and Tory Martin

**T**he single-executive model has long dominated organizational structures in all three sectors: business, government, and philanthropy. Of course, examples of co-leadership and distributed leadership models have always existed, providing important foils to the default, pyramid-shaped hierarchy. However, among the many forces and values currently disrupting philanthropy, a push to reject organizational structures that are seen as overly burdensome, regressive, and even harmful is gaining ground.

Today, nonprofits are increasingly embracing non-traditional structures such as co-leadership, co- or multi-executive directorship, worker self-direction, and fiscal sponsorship as opportunities to create more sustainable and mission-driven programs.

## Co-Executive Directors and Co-Leadership Models

In their article, “Innovations in Talent Investment for Individuals, Organizations, and Communities,” Sharp Eizinger et al. (2022) highlighted the emerging trend of co-leadership and distributed leadership models and their benefits, such as “supporting more diverse talent and making leadership roles more sustainable” (para. 15) in an often lonely, under-resourced, and multi-hat-wearing role. This trend is flourishing.

For instance, Kathy Im (2021), director of Journalism & Media at the John D. and Catherine T. MacArthur Foundation, reported on the proliferation of co-leadership models among grantee partners in “Reimagining Nonprofit Leadership Models.” Im named half a dozen organizations with two or more executive directors, also writing that “we notice that leaders who are not bound by traditional notions of organizational structure are also more likely to be empathetic and proactive about the mental health and personal well-being of leaders and staff” (para. 8).

The Bridgespan Group also interviewed three organizations that had adopted a co-leadership model to better understand their experiences: Catholic Family Service in Alberta, Canada; East Yard Communities for Environmental Justice in Commerce, California; and ProInspire in Washington, D.C. Bridgespan shared their findings in March 2022, revealing these organizations’ desire for collaboration, skill-sharing, and power-sharing, all in concert with their values (Chary).

## Worker-Ownership Models

Camille Kerr (2022) explained, “In a worker cooperative, democracy is baked into the model. Worker co-ops are structured in such a way that each worker-owner has an equal vote, and they directly choose—and serve on—the governing

board” (para. 5). This structure eschews traditional workplace roles, hierarchies, and systems of decision-making in favor of something better aligned with the solidarity economy. “Movement builders,” wrote Kerr, “are developing worker cooperatives as living examples of what a reimagined economy based in mutual care can look like” (2022, para. 3).

The Sustainable Economies Law Center (SELC) in Oakland, California, launched as a worker self-directed nonprofit in 2009. Their policies include a decentralized governance where “Each program is run by a semi-autonomous circle of staff and volunteers, nested within larger circles of accountability. Our decision-making processes enable each staff member to propose projects and take significant leadership roles, optimizing individual autonomy and collective responsibility” (n.d.a, para. 6).

Thanks to clamoring interest in their model, SELC hosted multi-day convenings in 2017 and 2019, to introduce nonprofits to worker self-direction. Those programs spawned the Nonprofit Democracy Network for like-minded organizations. The network offers training, peer connection, and network building for nonprofits looking to adopt or launch a worker-ownership model (n.d.b).

In Michigan, after restructuring to a low-profit limited liability company in 2016, Data Driven Detroit (D3) spent nearly six more years exploring the worker-owned model and developing a plan for implementation. D3 transitioned to a fully worker-owned cooperative in 2022. According to their website (2022), “This structure allows us to better live out and preserve D3’s values in day-to-day operations” (para. 6).

### Fiscal Sponsorship

The Nonprofit Democracy Network is a fiscally sponsored program of SELC. Fiscal sponsorship is another structural alternative that can substantially lessen an organization’s administrative burden. In such a relationship,

**“[N]onprofits are increasingly embracing non-traditional structures such as co-leadership, co- or multi-executive directorship, worker self-direction, and fiscal sponsorship as opportunities to create more sustainable and mission-driven programs.”**

programs, initiatives, and whole organizations can operate under the tax status of another organization, utilizing as much of that organization’s administrative and programmatic support as the two parties agree to. A 2021 report from New Venture Fund also points out how fiscal sponsors can support racial equity by serving as critical intermediaries.

Social Impact Commons (SIC), launched in 2019 as the first national infrastructure group devoted to advancing the fiscal sponsorship model, estimates that there are at least 600 to 1,000 fiscal sponsors operating in the U.S., and likely many more (T. Squire, personal communication, November 4, 2022). So, while it’s impossible to say for certain whether the incidence of fiscal sponsorship is growing, it is possible to say that interest surely is. Also, according to SIC, attendance at the annual conference of the National Network of Fiscal Sponsors has been growing 20–30% year over year for the last decade.

### What’s Driving the Change

Bridgespan’s case study (2022) noted why these models are gaining traction now: “... the pandemic has pushed—and allowed—nonprofits to experiment with new ways of working; to consider new ways to share power and to center proximate Black, Indigenous and people of color (BIPOC)

leaders; and to focus on succession planning more intentionally in innovative ways in response to the ‘great resignation’” (Chara, para. 3).

In our research for this article, it became clear that many other factors are contributing to the change, as well. Organizations adopting these new models all have their reasons; some are unique, but many echo one another.

- **Disrupting the cycle of burnout.** The executive director role is notoriously lonely, with individual leaders frequently called upon to be all things to all people. Dividing up the responsibilities of a single position across many people or roles can ease the mental, emotional, and workload burden so that leadership becomes more sustainable and rooted in both skill and experience.
- **Advancing Diversity, Equity, and Inclusion (DEI).** Michael Courville, Natalie Blackmur, and Michael Arnold of Open Mind Consulting (2019) asked the important question, “Is there a relationship between organizations’ efforts to be more diverse, equitable, and inclusive, and the practices and cultural orientation required of distributed leadership?” (para. 2).

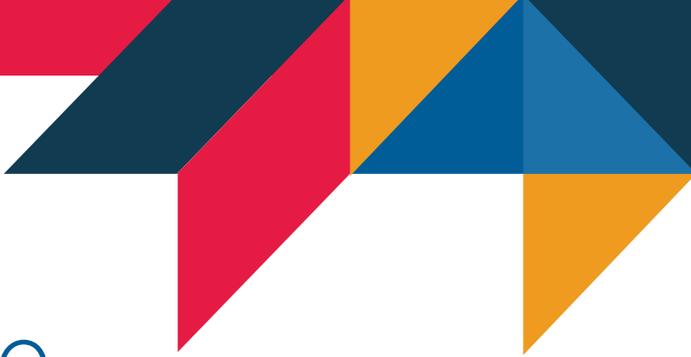
Many nonprofit practitioners are embracing these new organizational models as a means of advancing DEI goals. Creating new leadership roles within an organization automatically means there are more such roles available in the field; new leaders do not have to wait for current leaders to leave their positions.

- **Succession planning and gradual leadership transitions.** Jari Tuomala, Donald Yeh, and Katie Smith Milway (2018) found in their research that “[nonprofit founder] transitions that paired a founder in a continuing role with a successor from inside the organization proved to be the most successful of all transition models we examined, based on revenue growth through the transition, retention of the successor, and self-reported performance” (para. 6).

In each example provided, the key to successfully transitioning from a traditional, single-executive model to a new organizational chapter seems to be two-fold: both preparation and ongoing learning and evolution are essential. Whether this trend drives a larger evolution in the field of philanthropy remains to be seen. ■

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# Policymakers are Paying Increasing Attention to Moving More Money Faster

by Jeff Williams

**W**hile the wealth gap in the U.S. has been widening for decades, conversations about that wealth, the rise of billionaires, and growing income inequality broke into the mainstream of public attention through the Occupy Wall Street movement in the fall of 2011 (Volle, 2022).

Today, parallel conversations within the philanthropic sector tend to be focused on the funding landscape. Across the last 10–15 years, we’ve seen increased attention to foundation payout rates, the declining number of individual donors, and the growth of donor-advised funds (DAFs). The common thread in those conversations is an increasingly frequent discussion about moving more money from funders to operating nonprofits — and moving it more quickly along that path.

This trend is best understood as a reprise of conversations that have happened before — and a conversation that has multiple perspectives. The new shift is in the role Congress seems eager to play.

## New Urgency for Giving in the 2010s and 2020s

In 2010, at the same time that Occupy Wall Street was capturing the public’s attention, two related

movements to encourage wealthy donors and foundations to give more were starting up:

- **Patriotic Millionaires** was founded to advocate for ending the Bush-era tax cuts for wealthy Americans (n.d.). By 2020, Patriotic Millionaires had joined with other advocates to push Congress to raise the private foundation payout requirements from 5% of assets to 10% for three years, primarily in response to the COVID-19 pandemic (Daniels, 2020).
- Bill Gates, Melinda French Gates, and Warren Buffett launched the **Giving Pledge** (n.d.a) with their own commitment and encouraged others to join them in “a promise by the world’s wealthiest individuals and families to dedicate the majority of their wealth to charitable causes” (n.d.b, para. 1) during their lifetimes. As of December 2022, 236 individuals and families have publicly joined the Giving Pledge.

The second half of the 2010s saw a series of public speeches, white papers, and books on the same subject. The starting gun sounded with Anand Giridharadas’ provocative speech to the Aspen Institute in July 2015, “The Thriving World, the Wilting World, and You,” followed by his book *Winners Take All* in 2018.

Darren Walker of the Ford Foundation wrote “Toward a New Gospel of Wealth” in 2015 as well; his follow-up book publishes in 2023. Other voices published soon after: David Callahan’s *The Givers: Wealth, Power, and Philanthropy in a New Gilded Age* appeared in 2017; and 2018 saw both Rob Reich’s book, *Just Giving: Why Philanthropy Is Failing Democracy and How It Can Do Better*, and an August article in *The New Yorker*, “Gospels of Giving for the New Gilded Age” (Kolbert).

These voices elevated a discussion — accelerated by the pandemic — that created another set of nonprofit advocates. The Crisis Charitable Commitment launched in 2020, seeking to “double the amount of charitable dollars going to nonprofits without creating an unreasonable burden on the donor” (para. 2). Their four-part strategy centered around a call for Congress to include an emergency charitable stimulus in the omnibus COVID-19 relief legislation, a commitment from donors to commit 1% of their assets to democracy-related organizations, more widespread adoption of the Giving Pledge by billionaires, and renewed consideration of a national wealth tax.

#HalfMyDAF also launched in 2020. Like the Giving Pledge, #HalfMyDAF sought public commitments from DAF holders to donate half of their DAF balances to operating nonprofits by September 30 of that year.

Many foundations have taken steps to move more money faster in a variety of ways. Walker’s essay and related advocacy work from the Philanthropy Roundtable (Florino, 2022) both highlighted these proactive steps. Walker’s Ford Foundation led a unique effort in 2020 (joined by four other major grantmakers) to issue investment-backed bonds to enable them to immediately increase their payouts (Kavate, 2020). And a global survey by Rockefeller Philanthropy Advisors and NORC at the University of Chicago (2020) found that, while perpetuities remained the clear first choice, “more than two in five (44%) of the organizations

established in the 2010s were set up as time-limited entities” (p. 9).

### The Debates are Long-Running, So Why Call This a Trend?

That said, it is important to note that the debate about moving money differently within the sector is still a debate — and it’s not a new one. cursory Google searches show that conversations about the trade-offs inherent in time-limited versus perpetual foundations could be found in *The New York Times* in 2009 (Johnston), and in “how to” guides for managing spend-down foundations from the Philanthropy Roundtable in 2002 (Piereson). No consensus exists as to whether one strategy is more impactful than the other.

**“[D]uring the 2009-2010 Congressional session, fewer than five bills specifically referenced DAFs. By the 2017-2018 session, that number increased to 15; in 2019-2020, the number increased again to 21.”**

On the regulatory front, private foundations did not have a minimum payout rate until the Tax Reform Act of 1969 set it at 6%; an amendment in 1981 created the current 5% minimum threshold (Kavate, 2020). Alternative views on payout rates, perpetual foundations, or both can be found in documents such as *Beyond Five Percent: The New Foundation Payout Menu* from the Beldon Fund and partners (Waleson, 2007) or the *Stanford Social Innovation Review* article, “A ‘Balancing Test’ for Foundation Spending” (Abichandani, 2020). Articles from Council on Foundations (n.d.a), Philanthropy Roundtable (Florino, 2021, 2022), and Independent Sector (2021) explore the potential downsides of a

mandated increase and even enthusiastically support maintaining the 5% rule.

So, if these discussions are not new, and they are not settled, why call this a trend? Because one extremely important entity is also taking an increased interest in philanthropy over the last ten years: the U.S. Congress.

### Congressional Interest in Moving More Philanthropic Dollars

During the pandemic, Congress sought to bolster philanthropic giving with a special carve-out in the CARES Act (2020), temporarily adding a charitable deduction for all filers, regardless of itemization status.

Other efforts focused more on regulation. For example, during the 2009-2010 Congressional session, fewer than five bills specifically referenced DAFs. By the 2017-2018 session, that number increased to 15; in 2019-2020, the number increased again to 21.

In the most recent Congressional session (2021-2022), Sen. Angus King (I-ME) introduced the Accelerating Charitable Efforts (ACE) Act. Although the ACE Act died in committee with the end of the 117th Congress, its proposed changes could be sweeping. The ACE Act would set minimum payout rates for DAFs (Council on Foundations, n.d.b) and introduce the idea of changing the immediate tax benefits to donors regardless of when monies are distributed onward to operating nonprofits, among other provisions. Many observers expect continued interest and discussion in the new Congress on similar topics.

Both within the sector and without, this increasing attention to moving more money faster is about the role of philanthropy in civil society in general — and the role of philanthropy in responding to the Great Recession and the COVID-19 pandemic, in particular. Though the pressure for philanthropy to spend more, and more quickly, is more likely to increase than

decrease, the proper policy response to those calls and the mechanics of those changes — and their unintended follow-on consequences — remain very unclear. ■

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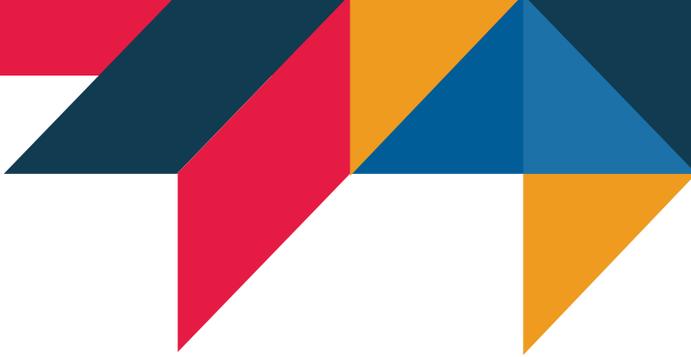
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# ESG Backlash Will Affect the Future of Philanthropy and Impact Investing

by Michael Moody

**F**or several days in September and October of 2022, the comic strip “Dilbert” made fun of something called “ESG” (Quinson). For instance, employees in the comic worried about their company’s low ESG rating and tried to improve it by promoting a person of color (even though that person “identifies as white”) and by adding a non-binary member to their board.

Something showing up in Dilbert is probably a sign that it is trending in our culture wars. Another, more reliable indicator is when *The Economist* does a multi-part, special report on the topic, as it did on ESG in mid-2022.

But what is this ESG thing that Dilbert paints as so absurd, and that *The Economist* thinks deserves such a deep dive?

## What is ESG and How Does it Relate to Philanthropy?

The acronym “ESG” stands for “environmental, social, and governance.” Those three terms are general categories covering the range of criteria that can be used to evaluate for-profit corporations, often to determine if an investor should invest in, or divest from, that company. Environmental criteria might include the

company’s total carbon footprint or how it addresses waste or pollution. Social criteria can relate, for instance, to the corporation’s labor practices or its contributions to charity and community engagement. And governance criteria might look at board diversity or salary differentials and transparency (Investopedia, 2022).

ESG is part of a larger shift in the corporate world — one especially driven by younger investors and consumers — toward impact investing and corporate social responsibility (Barman, 2016). ESG specifically has become popular in the past couple decades (PitchBook, 2022), with even the world’s largest asset manager, BlackRock, deciding to prioritize consideration of ESG in its trillions of dollars of investments. BlackRock’s decision has stirred quite the controversy, however (Goldstein & Farrell, 2022), which shows there is a robust debate over ESG’s definition, measurement, and proper use (Foroughi, 2022). Two of the three “most popular” articles in *Stanford Social Innovation Review* in 2022 had “ESG” in the title.

ESG is an increasingly relevant issue in philanthropy because any philanthropic organization that has an endowment must make choices about how that endowment is invested

— or at least work closely with the experts who make those choices. This applies to endowed private foundations of course, but also to public charities with endowments — Harvard’s exceeds \$50 billion (Ma & Simauchi, 2021) — and public charities that sponsor donor-advised funds (DAF).

It has become gradually more common for endowed private foundations to invest at least a portion of their endowments in ways that conform to their philanthropic missions (Council on Foundations-Commonfund, 2021), something that was traditionally called “mission-related investing.” In doing so, they embody what has become an old saw in the field: to try to “do good with the 95% not just the 5%.” Foundation investment managers are screening out tobacco or fossil-fuel companies, for example (McClimon, 2022). Recently, Lukas Walton, grandson of the Walmart founder, committed 90% of a \$1 billion family foundation endowment to ESG investments (Cao, 2022). DAF sponsors like Fidelity Charitable give donors the option of investing their endowed funds in ESG-aligned ways (2022).

A handbook produced by Rockefeller Philanthropy Advisors puts it this way: “Impact investing is a powerful force that is reshaping how philanthropy defines its operating models, ... Without impact investing, the kind of systems change we need to solve deeply persistent challenges and inequities will continue to elude us” (Godeke & Briaud, 2020, p. 10).

## The Backlash

ESG has always been somewhat controversial. Early critics were often from the political Left, arguing that companies were engaging in “greenwashing” — providing misleading or incomplete (or sometimes false) information about their sustainability practices — in order to get higher ESG scores and to attract eco-conscious consumers and investors (The Economist, 2021). While this critique continues (Taparia, 2022), most of the recent backlash

has come from the political Right — and it has become much more vociferous.

A *Wall Street Journal* op-ed by former Vice President Mike Pence, published in May 2022, called on fellow Republicans to fight against ESG and the “woke capitalism” it represents. Later that summer, Florida Gov. Ron DeSantis pushed through legislation forbidding ESG considerations when investing any state funds, such as pension funds. Other states such as Texas and Louisiana have made similar moves, including pulling funds from BlackRock explicitly because of ESG (Guynn, 2022). And following the recent elections, the Republican majority in the U.S. House of Representatives is promising legislative action to combat ESG (Meyers, 2022).

## “To help navigate the difficult waters ahead ... we need better, more long-term data on the performance of ESG investments.”

While there are several types of criticisms leveled against ESG in this current backlash, the most common are:

- **ESG perpetuates “wokeism” and “cancel culture.”** Critics argue that ESG is merely a way to impose “woke” progressive ideals and restrictions outside of normal political channels, and that it unfairly discriminates against certain companies and encourages people to “cancel” them as “enemies” (Green & Kishan, 2022).
- **ESG investments underperform and prioritize politics over free markets.** While both sides cite different data on this point, critics claim that ESG-approved investments financially underperform, thus harming investors, consumers, and others (Keeley, 2022). More generally they argue that ESG interferes with free markets, and forces

companies to try to please activists rather than shareholders.

- **ESG measurements are faulty and easily manipulated.** Many anti-ESG arguments focus on the quality of the ESG measurements themselves, pointing to examples where companies like ExxonMobil get rated higher than ones like Tesla (Taparia, 2021). (This last example led Elon Musk to call ESG a “scam.”) The “greenwashing” critique fits here as well, noting how rating systems can be easily fooled by savvy corporations.

### What This Will Mean for Philanthropy

This rapidly intensifying backlash against ESG considerations will affect philanthropy more and more as impact investing by philanthropic institutions continues to grow — as most expect it will — and as younger donor-investors continue to use both their giving and their investing as integrated tools for social change. This will likely be another way that philanthropy gets increasingly drawn into the nation’s “culture wars” (Behrens, 2022). In fact, it’s already happening: the Philanthropy Roundtable’s October 2022 Annual Meeting featured a keynote panel discussion on “ESG: An Insidious Threat to Free Society and Philanthropy” (2023, para. 2).

To help navigate the difficult waters ahead, it is clear we need better, more long-term data on the performance of ESG investments. For nonprofit and foundation endowments, this data is vital because lower returns theoretically

mean less money available for grantmaking or nonprofit programs, even if the investments are also advancing the mission. Improving our ESG metrics and rating systems will also certainly help philanthropic institutions and socially conscious investors. Some are calling for ESG ratings to consider more highly a company’s philanthropic work, for instance (Joss, 2021). Finally, some proponents are trying to turn down the heat of the debate by developing clearer and more widely shared definitions and terms, or even using a different label besides “ESG” (Horoszowski, 2022; Kishan & Schwartzkopff, 2022).

The most optimistic views see philanthropy playing an even larger role in the future of ESG. Debra Schwartz from the John D. and Catherine T. MacArthur Foundation, for example, envisions more philanthropic funding to support the development of better measurements and additional network connections or learning opportunities for impact investment professionals, as well as even more intentional investments by philanthropic institutions (2022).

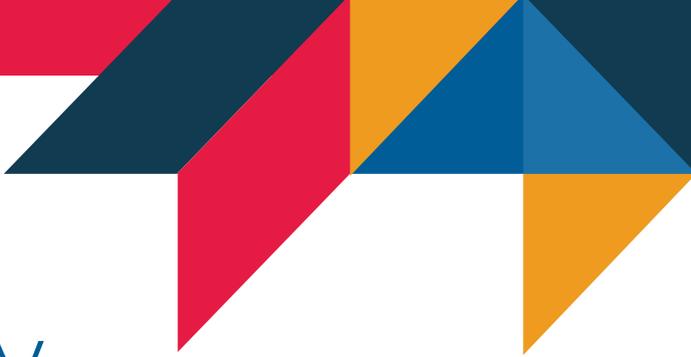
However it eventually affects philanthropy, the debate about ESG doesn’t seem to be going away anytime soon.

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# Will Philanthropy Stay Focused on Racial Equity?

by Teri Behrens

 One of the oft-mentioned benefits of philanthropy as practiced in the U.S. is the ability of private donors and foundations to be responsive to changing needs. Indeed, philanthropy can move quickly in response to natural disasters, for instance, or in the case of local emergencies like building fires or infrastructure failures. We saw countless foundations and individual donors and families leap into action as waves of coronavirus rocked the globe (for greater details, see Candid’s *Philanthropic Response to Coronavirus (COVID-19)* dashboard, n.d.).

One of the downsides of this flexibility, however, is the opportunity for faddism in philanthropy. In *Philanthro-Fads: Trends in Philanthropy That Do—and Don’t—Work*, Suzanne Skees (2014) identified philanthropy trends she saw from her position in a family foundation: prize philanthropy, micro-finance, funding women and girls, social entrepreneurship, and cash transfers each had their moments in the philanthropy spotlight.

A review of the conference themes for one of the largest state associations of grantmakers reflects these changes in attention. One can look over the list of keynote speakers and identify which book was published that year, with the author making the speaking circuit.

As one example, when Edgar Villanueva’s book, *Decolonizing Wealth*, was published in 2018,

land acknowledgments became common, and Villanueva was a popular conference speaker. But how many donors and foundations actually shifted their giving to support Native Americans? According to research by the Center for Effective Philanthropy, very few. Even at the height of the pandemic, when Native communities were suffering disproportionately, two-thirds of nonprofits serving these communities received no additional support (Buteau et al., 2021).

As another example: Anand Giridharadas was a popular speaker after his 2018 critique of philanthropy, *Winners Take All: The Elite Charade of Changing the World*, was published. However, we have yet to see significant changes in payout rates or in regulations that address the concentration of wealth and the influence of megadonors.

That said, the evidence does show that fads in giving have their place — and their impact. Five years after the viral Ice Bucket Challenge “soaked the world” with \$115 million in support for the ALS Association (2019), independent evaluators concluded that the one-time influx of cash had been transformative for the field. The ALS Association used that money to increase annual research funding by 187% by 2019, expanded its clinical network by 50%, and discovered five new genes related to the disease, among other major accomplishments. Interest from donors may have

been short-lived, but their impact will be felt well into the future.

### Racial Equity: Philanthro-Fad, or Fundamental Shift?

Philanthropy's response to today's racial justice reckoning raises the question of when foundations and donors are being truly responsive, reflecting on and changing current practices and priorities, and when they are simply jumping on a trend that might not last. The number of conference sessions, public statements, and research on racial justice has skyrocketed in recent years. But how much of this represents real change and responsiveness to entrenched and emerging needs, versus wanting to *be seen* as responsive and connected to community — to be part of a trend?

At the Johnson Center, we have been struggling for several years now with how we should cover philanthropy's changing relationship to racial equity as a giving/funding priority within our annual *11 Trends in Philanthropy* reports. There is, unquestionably, a large amount of activity going on here. The question is whether that activity — the numerous pledges, equity statements, and realignments — represents a true trend in our sector, or rather a moment in time.

There is room for hope. There are examples of foundations and collaboratives that have made commitments to racial equity and are following through with actions. Data support reasons for optimism:

- At its 2019 annual conference, the Council of Michigan Foundations (CMF) invited its members to join a collective and ongoing equity journey that remained a focus of conferences in 2020, 2021, and 2022. CMF has committed (n.d.), with the launch of its strategic framework in 2020, to center its work in equity, with racial equity specifically imperative.
- Three Chicago-based organizations (Chicago Beyond, Grand Victoria Foundation, and

**“[R]esearch shows that funding for racial equity has risen dramatically over the past two years especially, although a few major donors such as MacKenzie Scott and the Ford Foundation may be skewing the data.”**

the John D. and Catherine T. MacArthur Foundation) launched the Abundance movement in April 2022. In their press release, they describe it as “a movement dedicated to shifting how philanthropic dollars are allocated to Black-led and Black-centered organizations. Philanthropic organizations that join the Abundance movement will commit to significantly raising their annual payout to Black-led work by the start of 2025, with growth year after year” (MacArthur Foundation, 2022, para. 2)

- The 2021 Philanthropic Initiative for Racial Equity report found that while funding for racial equity and racial justice was a small portion of foundation funding, it “grew steadily from 2011 through 2018. During that time period, funding for racial equity more than doubled from \$2.12 billion in 2011 to \$5.15 billion in 2018. Funding for racial justice nearly tripled, from \$331 million in 2011 to \$926 million in 2018” (Cyril et al, para. 9).
- Candid's research (2022) shows that funding for racial equity has risen dramatically over the past two years especially, although a few major donors such as MacKenzie Scott (who gave over \$567 million to various organizations in 2020-2021 [Hadero, 2021]) and the Ford Foundation (that gave \$1 billion to support its Building Institutions and

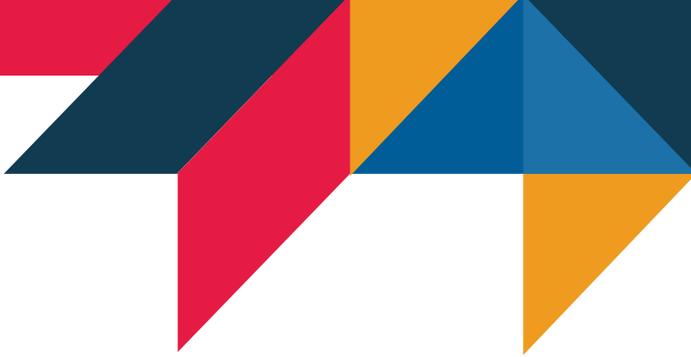
Networks Initiative, or BUILD [Giving USA, 2022, p. 96]) may be skewing the data.

Is the focus on racial equity a trend? We saw a similar emphasis on racial justice after Hurricane Katrina laid bare the inequities in health care and housing that led to disaster for Black people in Louisiana. That interest faded as new stories grabbed the headlines and philanthropy moved on to other topics.

However, it appears there has been movement toward greater funding of racial equity and a continuing focus on it. We are less than three years out, so it may be too soon to call, but the available evidence supports the idea that this is a shift in the sector that may endure. If not, it will become part of the trend of philanthropy following trends. ■

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# More Nonprofit Employees are Moving to Unionize

by Tory Martin and Pat Robinson

**U**nionization efforts at massive, international corporations like Starbucks and Amazon have grabbed headlines — and time on judicial dockets — all over the U.S. After decades of declining enrollment and evaporating influence, union sentiment is on the rise. “Seventy-one percent of Americans now approve of labor unions,” Gallup’s Justin McCarthy reported in August 2022. “Although statistically similar to last year’s 68%, it is up from 64% before the pandemic and is the highest Gallup has recorded on this measure since 1965” (para. 1).

It is far too early to say whether the U.S. is on the cusp of a new dawn for organized labor. U.S. employees’ overall participation in unions continues to decline — the Bureau of Labor Statistics (2022) cites the loss of 241,000 union members in 2021. But there are some signs that suggest it may be headed for a great turnaround. The National Labor Relations Board reported that “2,510 union representation petitions were filed with NLRB’s 48 Field Offices” in Fiscal Year 2022, “a 53% increase from the 1,638 petitions filed in FY2021” (para. 1).

While most of the national conversation understandably focuses on the role and popularity of unions within the corporate workforce, a parallel movement for unionization is taking place within the nonprofit sector, as well.

## The Nonprofit Professional Employees Union Sees Substantial Growth

The International Federation of Professional and Technical Engineers (IFPTE) Local 70 was established in 1998. In 2018, in honor of its 20th anniversary and its rapid growth over the previous decade, IFPTE Local 70 rebranded as the Nonprofit Professional Employees Union. From 2010 to 2017, NPEU’s membership jumped from 70 nonprofit professionals to 250 (NPEU, 2018). Today, NPEU counts around 1500 members representing nearly 50 organizations (Sabbaghi, 2022).

Those organizations run the gamut, from the Economic Policy Institute and National Women’s Law Center to Food & Water Watch and the ACLU. That spectrum is reflected by the wide array of unionized nonprofits across the field. Indeed, organizations of all mission areas — from museums to think tanks, universities, and environmental groups — have been steadily joining the union movement.

NPEU even disputes the BLS statistics on declining union membership. According to Zane McNeill from Law @ the Margins in March 2022, NPEU’s then-president (now international vice president) Katie Barrows “believe[s] that the BLS statistics do not reflect gains in new industries, such as the non-profit sector, which she has seen major growth in the past few years” (para. 5).

## Nonprofit Unions are Reaching Beyond Salaries and Benefits

Unionization efforts are coming from both sides — from nonprofit employees eager to engage in collective bargaining and from existing labor unions eager to expand membership. As early as 2000, Jan Masaoka (now CEO of CalNonprofits) noted in *Nonprofit Quarterly* that “labor unions are increasingly attracted to community-based nonprofit organizations. One reason for labor’s interest is the rapid growth of the nonprofit sector, both in terms of the size of its workforce and the amount of revenue generated” (para. 2).

Today, many observers are commenting on the fact that nonprofit practitioners are increasingly interested in unionization not only as a way to boost salaries and workplace power but as a means of achieving a host of social goals (Karlin, 2022; Lindsay, 2022; Nonprofit Employees United, 2022; Small, 2022). Sid Davis of GrantStation wrote that

COVID-19 highlights the fact that unionization is about more than pay. But it’s also about more than healthcare. Newly unionized workers have negotiated anti-discrimination and anti-harassment policies, flexible scheduling, leadership development, remote work policies, DEI (diversity, equity, and inclusion) commitments, and more. Unionization can also result in the improvement or creation of severance packages. (2021, para. 5)

One mission area where this trend is gaining considerable ground is within the art world. In 2019, ArtNet’s Catherine Wagley reported on the wave of unionization happening within art museums:

What makes this shift a ‘movement, not a trend’<sup>1</sup> ... is the fact that workers from across different institutions, many of whom had not spoken to one another in the past, are exchanging strategic advice and sharing information about pay and

benefits. In the process, they are attempting to thwart the art world’s own exclusivity in a way that could have a lasting and widespread impact. (para. 8)

**“Unionization efforts are coming from both sides — from nonprofit employees eager to engage in collective bargaining and from existing labor unions eager to expand membership.”**

In the past three years, staff at some of the best-known art museums in the country have established unions, including the Philadelphia Museum of Art, the Art Institute of Chicago, the Solomon R. Guggenheim Museum, and the Museum of Tolerance (Small, 2022; Wagley, 2019). Workers at the Museum of Modern Art first unionized in the early 1970s; today, MoMA houses five unions (Wagley, 2022).

## What Could Move This Movement Forward

Don Howard, president and CEO of the James Irvine Foundation, and Rachel Korberg, co-founder and executive director of the Families and Workers Fund, tried to persuade philanthropy to support workers’ rights in a 2022 op-ed for *The Chronicle of Philanthropy*. “State and federal governments have the primary responsibility for expanding collective bargaining rights and strengthening labor protections,” they wrote. “But philanthropy can help by supporting groups that raise awareness of labor laws, monitor enforcement, and help workers advocate for reforms” (para. 12).

<sup>1</sup>The authors wish to acknowledge that members of unionization efforts within art museums have chosen to use the word “movement” over “trend” to convey their seriousness and long-term commitment to their goals. Our annual *11 Trends in Philanthropy* report uses the word “trend” to imply a shift in the field. This word choice alone does not intend to imply any conclusion regarding the value or staying power of any particular efforts.

Similarly, Hayley Brown (current president of NPEU) and Katie Barrows (2022) argued that “Donors have recognized the effectiveness of these organizations and have chosen to contribute accordingly. When progressive nonprofit staff form unions, they make their organizations more credible by compelling them to practice what they preach” (para. 9).

The arguments are there, but whether they will ultimately change hearts and minds, or inspire those who were not otherwise considering worker collectives to seek them remains to be seen. What may also prove difficult is tracking this trend within philanthropy over time, as BLS does not provide nonprofit sector-specific employment statistics at all, let alone specifically for unionized nonprofit employees.

The nature of work and the workplace will continue to undergo a radical reimagination in the wake of the global pandemic. Countless nonprofits and funders are engaged in these conversations with their team members and with the communities in which they work. For partnerships committed to building community wealth, sector leadership talent, and workplace equity, unionization may become a more intriguing and popular tool. ■

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# IRS Delays and Other Barriers to Data Mean Real Risks for Nonprofits

by Jeff Williams and Alexandra Akaakar

**F**or decades, the nonprofit sector has lagged behind its for-profit and government sector peers across both public and private data sources. Want to know how many car dealers are in your area? Even dating back to the 1980s — 40 years ago! — interested parties could purchase lists from private data providers or access lists of licensed auto dealers from state government sources in both paper and electronic form, and in paper form for multiple prior decades.

Want to know how many private foundations are in your area, or how many nonprofits focus on environmental issues? Good luck. Unless you have a massive computer system or are willing to pay hundreds or thousands of dollars for extracts from a very small number of providers, it is just as difficult to answer these questions today as it was in the 1980s.

To date, progress has been slow but steady. While the Foundation Center started publishing data in print about private foundations across the nation in 1960 (Enterline Fekeci, n.d.), it wasn't until the early 1980s that a similar effort cataloged data on nonprofits: the National Center for Charitable Statistics (NCCS) was created as a research

division of Independent Sector in 1982 (Urban Institute, 1999).

Guidestar, a website founded in 1994, released a searchable electronic database of nonprofits with limited financial data in 1996, making that information available to anyone with internet access (Carnegie Corporation of New York, 2005). Charity Navigator, a free nonprofit evaluating service, followed a few years later in 2001 (n.d.). It would take another 15 years — and a federal lawsuit — for the IRS to release complete Forms 990 (the annual tax returns filed by charities) in raw form *en masse* in 2016 (Howard).

However, the progress we have made in understanding and using nonprofit sector data since 2016, through the efforts of a small but growing number of researchers, networks, and policymakers is increasingly on shaky ground. While basic 990 data is now widely and freely available, their work is shining a light on how much *other* data is still missing about the sector.

Making matters worse are the pandemic-related delays in the processing and release of Form 990 returns by the IRS. If the paucity of data continues, it will have severe consequences for the nonprofit sector and its mission-driven work.

## A Wave of Online Platforms Make What Data There Is Accessible

The flood of electronic 990 data that hit the sector in the 2010s created a wave of innovation in data access. Dozens of university researchers, nonprofit and for-profit entrepreneurs, and journalists created and enhanced charity search and information sites, such as Cause IQ (launched in 2014), The Accountability Project at American University (established in 2019), CitizenAudit.org, and Grantmakers.io.

These innovators contributed to the positive part of this trend: with access to the raw Form 990 series information directly from the IRS, many data actors were able to create websites and publications, drawing attention to the available data. The nonprofit sector needed this basic, 990-based data to create and share actionable knowledge at scale and with organizations of all sizes.

Prior to 2016, most of the national lists of nonprofits were based on extracts of a limited number of fields from the actual IRS Form 990 records. After the IRS began publishing the full 990s in electronic format, *every field* on the 990s became accessible electronically, unlocking detailed information about financial audits, policies and procedures, and free-response text questions that were essentially inaccessible before.

These providers and reports started with basic information about nonprofits: “How many nonprofits are there?”, “Where are they located?”, and, over time, moved into investigative journalism, advocacy, and benchmarking purposes (e.g., “Is our endowment larger or smaller than other foundations with similar missions?”, and “How does our payout rate compare to our peers?”).

## Risks are Emerging as Data Disappears

The tools and platforms now predominantly exist to make nonprofit sector data more accessible and useful to everyone. However, our progress as a field is under threat, primarily due to mounting

**“[M]ost initiatives that track philanthropic data are both the *only* source of the information they provide and rely heavily on grants and foundation funding to continue. When research teams, centers, or funding disappears, data sets and analysis often do, too.”**

delays in the IRS’ release of the most recent batches of Forms 990.

Prior to 2020, nonprofits already experienced a 14- to 18-month delay between when they filed their Form 990 (due approximately five months after the close of a fiscal year) and when the IRS was able to fully process and release it to the public. However, due to inadequate staffing and resources within the IRS itself, and the aftermath of the pandemic, additional delays are mounting. In September 2022, Candid reported that for 990s filed for tax year 2019 and later, the processing delay for most organizations is now well over 36 months (Clerkin & Koob).

This lengthening delay, the limitations of the Form 990 itself, and other challenges in our data ecosystem highlight critical gaps in our knowledge that are only worsening as time goes by.

- **Forms 990 are primarily financial forms, so detailed information about nonprofit service areas or populations of interest is missing or woefully inadequate.** For example, 990s cannot tell us whether a nonprofit operates in a single location or many locations, nor what populations the nonprofit serves.
- **Many federally collected data sets do not collect, or report, data on nonprofit**

**organizations.** All state labor departments, as well as the federal government, report on both employment and unemployment by industrial sector on a monthly or quarterly basis. However, nonprofit employment is not broken out as a separate sector in these regular reports. This creates a massive hole in nonprofit data — one of the largest sectors of the economy.

- **Detailed information about foundations and nonprofits relies on a web of independent actors, with very little redundancy.** The most comprehensive data about charitable giving comes from the annual Giving USA report, with more concentrated views from projects such as the Association of Fundraising Professionals’ Fundraising Effectiveness Project or the Blackbaud Institute Index quarterly update.

However, most initiatives<sup>1</sup> that track philanthropic data are both the *only* source of the information they provide and rely heavily on grants and foundation funding to continue. When research teams, centers, or funding disappears, data sets and analysis often do, too.

And in the end, all of these efforts rely first and foremost on the availability of up-to-date data. Open990.org closed in late 2022, citing the lack of that data as its “most urgent issue” (para. 3). The site’s 170,000 monthly web visitors will now have to look elsewhere to find the information they

need, and the public has lost one of the providers of easily accessible nonprofit data.

In late 2022, organizations called upon the IRS to seek the resources necessary to clear the backlog and improve and expand overall reporting on the nonprofit sector. These organizations included:

- the National Association of State Charity Officials,
- the IRS Advisory Council, and
- the Aspen Institute’s Program on Philanthropy and Social Innovation, which convenes a Nonprofit Open Data Collective (of which the Johnson Center is a member, along with Candid, Independent Sector, Charity Navigator, and the National Committee for Responsive Philanthropy, and others).

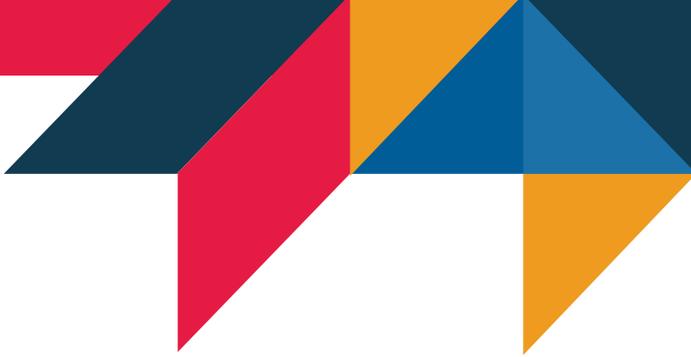
At the same time, myriad efforts exist across the sector to expand and improve how we hold and make accessible our own data (see, for example, the GivingTuesday Data Commons, n.d., and the Johnson Center’s compiled *Use Cases from Publicly Available IRS Form 990 Data*, 2022). As we enter 2023, the future is unclear.

Staff, donors, clients, and policymakers alike expect to be able to find as much information about a foundation or nonprofit from their phone as they can about a car or a vacation destination — and as a sector, philanthropy remains light years behind its peers. ■

<sup>1</sup>See “Appendix A: U.S. Databases on Philanthropy” for more information. <https://www.dropbox.com/s/sbpym1z9neafb3/generosity-commission-data-appendix.pdf?dl=0>

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# The Public is Holding Nonprofits Accountable to Living Their Mission and Values

by Julie Couturier and Angie Vuyst

**I**n July 2022, Public Allies, a national nonprofit committed to “advancing social justice and equity by engaging and activating the leadership of all people” (para. 1), laid off 30 employees and closed nine of its 22 sites without notice (Rodriguez, 2022).

Ninety-two percent of those employees were people of color; 58% were Black women, according to alumni (Woods, 2002). Ironically, months earlier, Public Allies received a \$10 million gift from MacKenzie Scott to support the organization’s Racial Equity Fundraising Campaign (Woods, 2022). Then-CEO Jaime Ernesto Uzeta cited restructuring in an announcement of the changes, but Public Allies program alumni claimed that those laid off were targeted for openly voicing concerns about Uzeta’s negligent oversight of operations and programs (Woods, 2022).

Public Allies supporters and alumni quickly rallied against the changes, creating a website to support affected Public Allies sites and staff. Among other things, they demanded accountability for the CEO’s perceived inability to align with Public Allies’ stated core values and mission. Uzeta resigned a few weeks later (Save Public Allies, 2022).

Public accountability is woven into the fabric of many social structures. Public officials in government are directly accountable to their constituents and must be elected and reelected by those they serve. In the nonprofit sector, organizations are meant to be accountable to their boards, donors, community partners, staff members, grantees, and volunteers. However, the methods for holding a nonprofit organization accountable — for their actions, fiscal choices, community relationships, etc. — have not always been so clear, accessible, or publicized.

That seems to be changing now.

## [Making Forms 990 Available Online has Broadened Nonprofits’ Financial Transparency](#)

The shift began in the early 2000s, with an increased focus on fiscal accountability in nonprofit organizations following a series of scandals in the sector. Issues at United Ways in Washington D.C., New York City, and Charlotte, North Carolina (Melen, 2020) — among other events — heightened insistence that organizations practice their values and mission internally and externally.

During this time, the Internal Revenue Service Form 990, an annual tax return filed by charities, became more widely used as a tool for public transparency. In 2008, the IRS redesigned its format to make the Form 990 more informative and understandable. When the IRS began releasing Forms 990 data *en masse* via the internet in 2016, public accessibility improved (Howard, 2016). The result has been increased transparency into how individual organizations and the whole of the sector receive, distribute, and use charitable dollars:

- A journalist at *The Boston Globe* identified over 1,100 nonprofits nationally that had reported some form of fraud or embezzlement to the IRS — few, if any, of whom had previously received media attention (Strohecker, 2018).
- The New York Attorney General’s Office routinely uses this information to recover state funds from fraudulent organizations. In one example, over \$640,000 of recovered funding has been rerouted to breast cancer research (James, 2022).

(See *Use Cases from Publicly Available IRS Form 990 Data* for these and other examples, Dorothy A. Johnson Center for Philanthropy, 2022.)

Form 990 has its limits, however. The connection between financial information and the mission often gets buried behind financial management issues; Form 990 gives little insight into how an organization lives its mission in its daily internal operations. This is one reason why sector actors — including the Johnson Center — are now pushing for even more data on philanthropy and more partnership with communities to share it (Schuman Ottinger & Williams, 2022). That said, financial accountability is only one piece of the puzzle.

### Nonprofit Leaders’ Actions Must Live Up to the Mission, Too

Nonprofits may never be influenced by such direct public accountability measures as

## “Publicly-stated missions are a form of accountability — something to measure an organization’s and a leader’s actions against.”

elections, but public pressure can be powerful. There are an increasing number of examples — like Public Allies — where nonprofit organizations and their executive staff have failed to reflect their mission in their work, and that misalignment has garnered national media attention. Under pressure to prioritize stated values over high-profile leaders, these organizations have been forced to respond:

- In 2019, Morris Dees, co-founder of the Southern Poverty Law Center, one of the nation’s most prominent civil rights groups, was ousted for misconduct after nearly 50 years with the organization. A letter signed by staffers alleged “a widespread pattern of racial and gender discrimination” (Moser, para. 11), including sexual harassment claims and mistreatment that went unaddressed.
- TIME’S UP, a nonprofit organization that “aims to create a society free of gender-based discrimination in the workplace and beyond” (2022, para. 2), grew out of the #MeToo Movement. Yet, according to an investigation from *The New York Times* (Kantor, 2021), leaders within the charity advised former New York Gov. Andrew Cuomo on handling his sexual assault allegations. To many TIME’S UP supporters, those leaders’ actions appeared at odds with the organization’s stated mission. Public outcry forced CEO Tina Tchen to resign (Kantor, 2021).
- In November 2022, The Trevor Project board of directors removed Amit Paley as CEO. Paley’s vision for the organization was criticized by staff, claiming “his focus on growth was compromising the quality of counseling that

the organization offers to LGBTQ youth in crisis” (Redden, 2022, para. 3). Staff had been raising concerns about “workplace well-being, professional development, prioritization performance metrics, and resourcing compensation — particularly as they impact our BIPOC, transgender, nonbinary, and disabled team members” (Redden, 2022, para. 4).

The internet and social media have played undeniably significant roles in these outcomes. It is clear now that even long-time executives are no longer considered unassailable, which is having a snowball effect in every sector. The difference here may be the particular nature of mission-focused work. Publicly-stated missions are a form of accountability — something to measure an organization’s and a leader’s actions against.

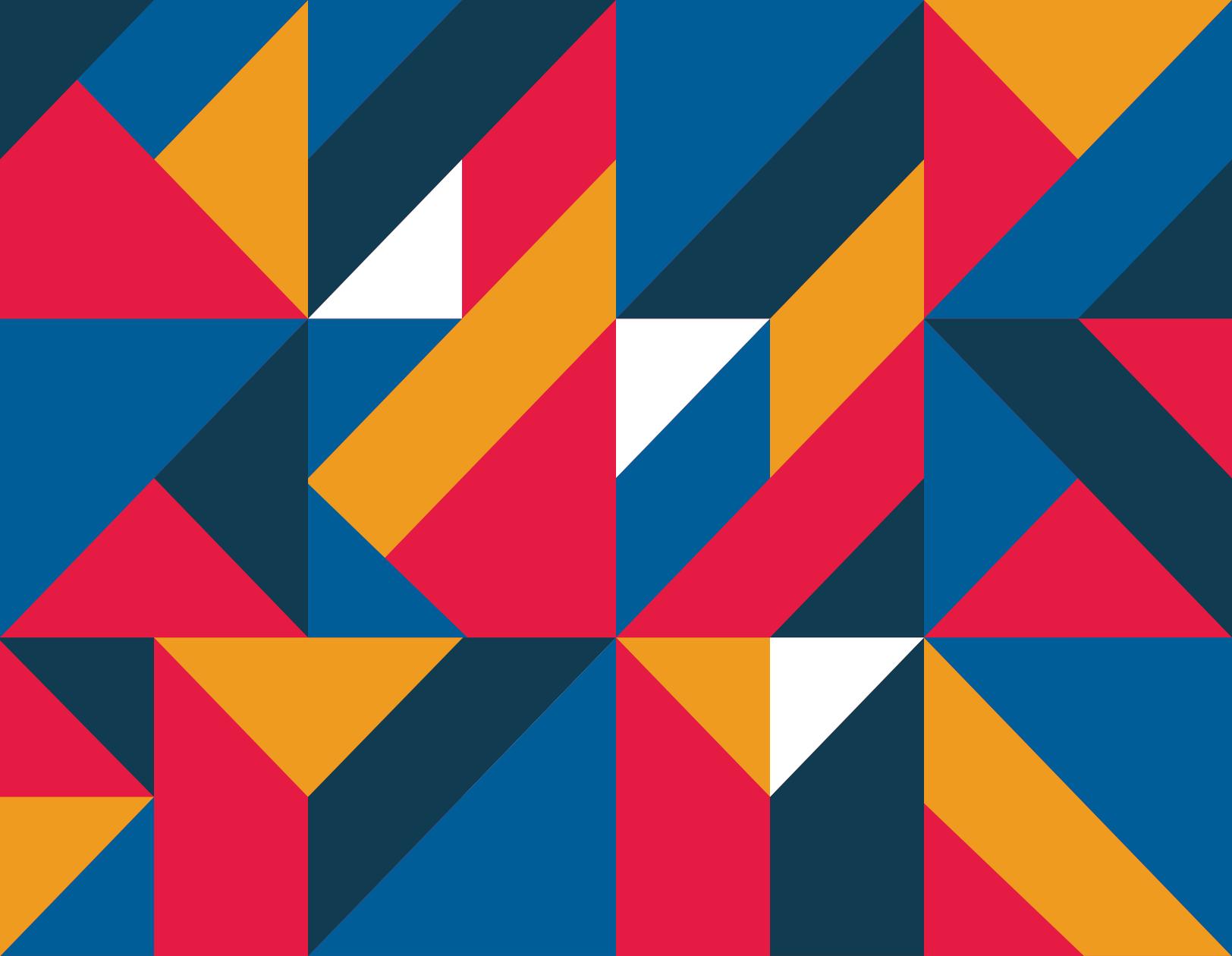
## Conclusion

Other stories have arguably happier endings; “accountability” is not inherently meant to be punitive. It is intended to lead to improvements and growth. At the beginning of 2018, for example, the Washington, D.C.-based Center on Budget and Policy Priorities publicly advocated for a national paid family leave program — but offered their employees only two weeks of paid parental leave. By the end of the year, CBPP’s staff had formed a union and won a new contract guaranteeing 12 weeks of paid family leave (Rosenberg, 2020). In this case, organizational leadership was ultimately seen as supportive of staff and willing to change.

Further, many nonprofit boards already hold themselves accountable by including community representatives in their decision-making — as staff, volunteers, advisors, and as board members themselves. As more nonprofits and foundations open up their operations to all their stakeholders — embracing greater inclusion, strategies like participatory grantmaking, or changing how they monitor and evaluate their programs — more people will come to expect and wield opportunities for accountability. Whether and how these efforts lead to more significant mission impact has yet to be seen.

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