Philanthropy, Impact, and Democracy

While foundations increasingly require (or at least encourage) nonprofits to evaluate the impact of their programs, we have limited knowledge of the impact of foundation investments on a macro level. To address this gap, the Philanthropic Collaborative recently released a report with analysis of both the short and long term impacts of foundation grantmaking on the U.S. economy. With a focus on foundation grants made within the U.S. in 2010 (totaling $37.85 billion), the report reveals impressive short term outcomes, as well as a “cascade of benefits in our communities over the course of decades.” Some highlights include the findings that nearly 500,000 jobs are created immediately following disbursement of foundation grants, and these disbursements will lead to the creation of at least 8.8 million jobs in the long term. For more statistics and analysis, see the full report.

This report comes at a critical time, as Congress and the White House continue to debate the role of the sector. Although perhaps not seeking to directly impact policy, many others are also engaged in the discussion around the role(s) of philanthropy in a democratic society. A recent piece in the Stanford Social Innovation Review lays out several nuanced perspectives.

Given the present low levels of confidence and perception of dysfunction in government, and the independent status of foundations, foundations may be well poised to play a role in “repairing” democracy. As the piece notes, foundations can and do play an important role in supporting unpopular issues, community and civic organizations, and minority views and opinions. However, some are concerned by the potential for unequal voice as a result of unequal wealth (held by foundations), and foundations’ lack of public accountability. With the concepts of pluralism and majority rule being essential to democracy, there also exists a fear that foundations may privilege plutocratic voice over civic voice.

Email us your thoughts on this intriguing topic.

Sources:
The Great Recession

Impact on Boston-area Philanthropy

The Great Recession, beginning in 2007, marked the most serious global economic decline since the Great Depression of the 1930s. This economic downturn had significant effects across all global sectors—effects that will resonate well into the future. In a recent report commissioned by the Boston Foundation, researchers at Boston College investigated the implications of the financial crisis on Boston-area philanthropy. In particular, they focused on the transfer of household wealth and the evolving philanthropic landscape of the Greater Boston area.

To better understand the effects of the Great Recession on philanthropy, the researchers at Boston College first examined what happened to household wealth during the economic decline. Between 2007 and 2009, 91% of households in Greater Boston experienced a decline in net worth, and those households with a net worth of under $100,000 experienced a larger loss of wealth than those with a net worth of $1 million or more. Despite these grim numbers, the implications on Boston-area philanthropy, on the whole, are very positive. The report found that the average household net worth increases with age, only dipping slightly in households headed by people aged 70-79. Older households are more affluent, and consequently were not hit as hard by the economic downturn as their younger counterparts. As a result, the older generations will be transferring more of their wealth in the near term, which will positively impact charitable giving.

To analyze the impact of their findings, the researchers at Boston College explored some emerging trends that will continue to change the way wealth is transferred in the future. An increasing number of donors are taking an entrepreneurial approach to philanthropy through setting up donor-advised funds. This vehicle enables individuals to play a larger role in their own wealth transfer by eliminating the hassle and administrative expenses of a private foundation. In addition, the report highlighted a shift from wealth transfer through bequests, to wealth being distributed during a donor’s lifetime. Currently, lifetime giving accounts for 13%-17% of wealth transfer. As shown in the chart above, by 2061, that amount is predicted to rise to 64% (assuming a 2% annual growth rate for Massachusetts GDP). As a result, the potential for charitable giving over the next five decades is quite large, and offers a vast array of opportunity for the Greater Boston region.

To access the full report, including the images above, click here: http://www.bc.edu/content/dam/files/research_sites/cwp/pdf/TBF_Report.pdf
Four steps to a stellar grant proposal

A post that we recently came across on a fundraising consultant’s blog reminds us of the importance of process in submitting grant proposals to foundations. While each foundation has its own guidelines and instructions, breaking the entire application process into these universal steps should make it all the more manageable:

1. Know what the foundation needs from your nonprofit
2. Follow a foundation’s instructions to the letter
3. Express yourself clearly and concisely
4. Submit your proposal early, if at all possible

Follow this link to read the full detail of Sarah Jackson's advice.

Philanthropy Buzzwords

At the end of 2012, Lucy Bernholz identified words that are becoming more a part of the philanthropy conversation. A quick look indicates how influential numbers and data are becoming in the jargon and work of the nonprofit sector. Are any new words or concepts rising to the top yet in 2013? Click here to see Lucy’s full commentary.

10. X
9. MOOCs
8. Hackathons
7. Fiscal Cliff
6. Resilience
5. Social-welfare organizations
4. Sense-Making
3. Data scientist
2. Flash-mob philanthropy
1. Data

Source: Philanthropy 2173