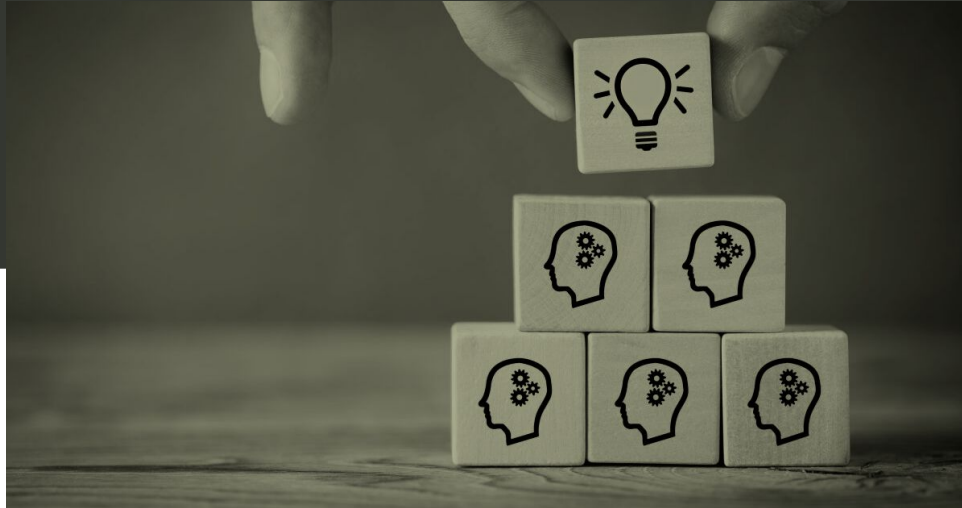


Foundation Boards: Five Key Questions

10.29.19 | Linda J. Rosenthal, JD



Phil Buchanan wants American foundations to know that he has important advice for them as this tumultuous year in philanthropy (and the world) winds down.

In *Five Questions Every Foundation Board Should Be Discussing Right Now*, the president and CEO of the Center for Effective Philanthropy (CEP) echoes the trademarked slogan of Farmers Insurance: “We know a thing or two because we’ve seen a thing or two.” Mr. Buchanan and his colleagues “have seen the inside of more foundation boardrooms than just about anyone.”

Foundation board meetings, he observes, tend to be formulaic: “I am struck by how often the agendas seem pro forma. Too many seem a cut and paste job from past agendas – in September we always do this, in February we always do that – packed with items but not necessarily focused on the most crucial issues of the moment.”

While there’s no need to rip up any meeting plans for late 2019 or into the new year, he advises board chairs to *add in* the “pressing, strategic questions raised by the current context and environment.”

Crucial Foundation Board Topics

There are five philanthropy issues the Center for Effective Philanthropy’s leader sees as “especially crucial at this very moment”:

- What should our response be to a decline in individual giving?
- How are we getting feedback on the internal climate and, more broadly, the performance of the CEO?
- Who isn’t in the room who should be?
- What does the current political moment mean for how we operate?
- How are we hearing from nonprofits and other key stakeholders – including those we seek to help?

Cautioning that these five selections are not the *only* important topics ripe – (overdue, actually) – for thoughtful and serious consideration, he nevertheless suggests they are a good and necessary

start.

In this post, we'll focus on issue one.

Foundation Action and Individual Giving Decline

Many observers predicted that the expansion of the standard deduction in the 2017 tax act would lead to a drop-off in individual charitable giving. In [*Giving USA Report Has Troubling News*](#) (July 16, 2019), we reported on the data showing that – indeed – there was a decline in giving among small- and mid-level donors in 2018. That pattern has continued in 2019.

Phil Buchanan believes these worrying numbers mean the nonprofit sector may be entering a new “normal” instead of just a phase or temporary dip. After the Giving USA report was published, and after publication of Mr. Buchanan's [thoughtful article in August 2019](#), the Internal Revenue Service [posted its own data](#) that confirm these figures. Specifically, “data released by the IRS for 2018 individual tax returns filed through July 2019 show significant year-to-year changes due to the IRS tax law.” There is a big jump in the number of filers using the standard deduction, and a notable decrease in charitable deductions claimed.

Mr. Buchanan [calls attention](#) to another flashing red-light prediction that may exacerbate the fallout from the individual-giving decline. [Candid](#) (the new entity recently created by the merger of GuideStar and The Foundation Center) issued [a recent survey](#) showing that “more than 80 percent of foundations expect their giving to be flat or to decline in 2019.” Buchanan cautions that – if not addressed and corrected – this may have a “one-two punch to nonprofits that will have significant negative consequences ... [at this] ... especially challenging moment.”

This “... retrenchment on the part of foundations, at exactly the moment nonprofits are being hit by a decline in individual giving, is [a pattern we have seen before...](#)” He explains the unfortunate history on this point in his book, [Giving Done Right](#). Foundations – “mistakenly believing it's their fiduciary responsibility” to preserve their assets and endowments – make the plight of financially struggling nonprofits worse. American foundations, he says, should act as “counter-cyclical forces” because “... after all, what's an endowment for if not to provide this kind of flexibility and ability to take the long view?” He notes this is what the Rockefeller Brothers Fund and the MacArthur Foundation, among others, did “during the Great Recession a decade ago.”

Accordingly, Phil Buchanan recommends that foundations immediately *increase* levels of financial support, especially to “key grantees whose goals most closely align with their own.” He also suggests that these awards be “unrestricted and multi-year.”

This is compelling advice from a man who has “seen a thing or two” in his

many years in philanthropy. And we would add a reminder: The 5 percent annual foundation-payout rule is a floor, not a ceiling.

Conclusion

In later posts, we'll discuss Phil Buchanan's additional areas of critical concern that foundations should address as soon as possible.