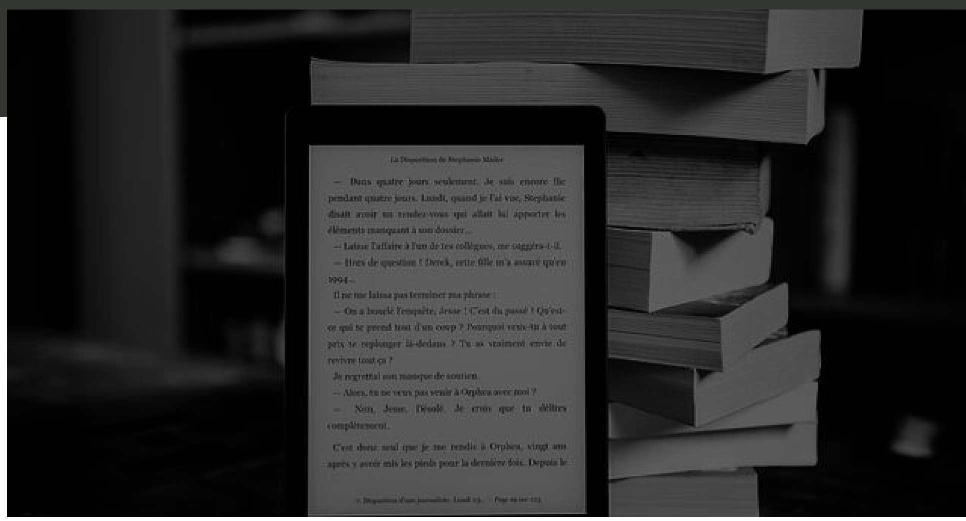
NONPROFITS: PRIVATE FOUNDATIONS

More Insight from Philanthropy Thought Leaders

09.22.26 | Linda J. Rosenthal, JD



It's been an "unprecedented wave of misery" for American philanthropy since Inauguration Day 2025.

The sector "is experiencing seismic disruption." The "…new US administration has aggressively slashed social spending, defunding and dismantling major domestic and international organizations and programs—and thus, the vital services they provide—in the process." On top of that chaos, "the tax-exempt status of nonprofits, funding for higher education institutions, and the tax status of philanthropic endowments are falling under threat."

Perhaps the only bright spot in this apocalyptic carnage is that it occurred in the age of the modern internet: "… our one big, beautiful, virtual library and instant-communications hub." There is a "world of expertise and advice at the click of a button."

Highlighting that point a week ago in *Philanthropy Thought Leaders: "Radical New Reality"* (September 15, 2026) *FPLG Blog,* we showcased the excellent contributions of the prestigious *Stanford Social Innovation Review* (SSIR). SSIR's Fall 2025 issue, labeled "*Philanthropy's Response to the Radical New Reality,"* included nine articles by noted scholars and sector leaders addressing this question: "How should philanthropy respond?"

The key selections urged immediate and dramatic upticks in foundation giving. See for example: *Philanthropy Must Accelerate Spending and Broaden Collaboration* (June 17, 2025) John Palfrey, President, John D. and Catherine T. MacArthur Foundation. ["The sector's response to the sharp withdrawal of government funding and to threats against basic freedoms should start with the easy answers." Pay out as much money as possible, as soon as possible.]

The Stanford Social Innovative Review is just one of many resources available free of charge online with mountains of information and advice just waiting to be discovered by an audience wider than its usual mailing or subscriber list.

The Center for Effective Philanthropy

Another treasure trove of valuable advice is the website of the Center for Effective Philanthropy (CEP), a 501(c)(3) nonpartisan organization that is well known and regarded "for its expertise with American charitable organizations as well as the foundations that historically have provided significant funding to them." Its mission is to provide "data, feedback, programs, and insights to help individual and institutional donors improve their effectiveness." It is based on the belief that "effective donors, working collaboratively and thoughtfully, can profoundly contribute to creating a better and more just world."

We've reported on the extensive research, survey data, and analyses relating to 2025 and culminating in a full report released on January 29, 2026: *A Sector in Crisis: How U.S. Nonprofits and Foundations Are Responding to Threats* [36 pp. PDF]. It has been cited across the charitable sector as a benchmark conversation about foundation-giving trends and practices during these extraordinarily turbulent times.

CEP leaders coined a special term – the "Current Context" – to describe the "…series of events led by the U.S. federal government — including legislative actions, executive orders, and budget decisions — that went into effect in 2025 with the potential for wide-ranging effects on nonprofits' funding and work. During data collection, this definition was provided to all survey respondents and those interviewed for [each] study."

After the publication of *A Sector in Crisis: How U.S. Nonprofits and Foundations Are Responding to Threats* on January 29, 2026, we posted these summaries and analyses:

- *Center for Effective Philanthropy Reports "A Sector in Crisis"* (February 6, 2026) *FPLG Blog* ["By the time the sun had set on Inauguration Day 2025, the experts at CEP knew that a Project 2025-themed agenda from the White House was going to spell big trouble for our sector. They sprang into action…."]
- *Insufficient Help From Funders For Beleaguered Nonprofits. Why?* (February 11, 2026) *FPLG Blog* [adding more detail and analysis about the research results]

There was also a flurry of blog posts by CEP personnel and other experts about that January 29th "Sector in Crisis" Report. See:

- *New Data Reveals a Sector in Crisis, But Steadfastly Mission-Focused* (January 29, 2026) Dr. Elllie Buteau and Seara Grundhoefer, *CEP Blog.*
- *A Sector in Crisis: CEP's Elisha Smith Arrillaga Exposes the Dangerous Disconnect Between Foundations and Nonprofits* [transcript included] (February 3, 2026), Eric Brown, philanthropy veteran and podcast host, interviewing CEP's Dr. Arrillaga ["'The tops of our heads are coming off.' Why? 'Nonprofits are facing record demand—higher than during

COVID—while getting LESS funding. Not just from government. From foundations too. And here's the disconnect that should keep every foundation leader up at night: 40% of nonprofits say funders have shifted priorities in ways that are less helpful at this dire moment.'" *** 'Even worse? 20% of foundations say they don't have much responsibility to help nonprofits navigate this moment at all.'"]

"The data from the Center for Effective Philanthropy report confirmed these statistics. Nonprofits – in dire need of help – are getting far less than they need. Many foundation leaders are unaware that their response has been underwhelming but (incorrectly) believe it's been just fine."

More 2026 Analyses, Observations

That alarming information from some of the nation's funders set the stage for prolific analysis and commentary in the CEP Blog over the spring and summer of 2026 by the leaders and key researchers of the Center for Effective Philanthropy as well from guest contributors.

The CEP Blog is a gold mine of information and perspective relating most particularly (but not exclusively) to the issue of foundation funding, the needs of grantees, and the unfolding in this era of unprecedented uncertainty, i.e., the "Current Context."

See, for example:

- *Three Misconceptions Impeding More Action from Funders* (January 13, 2026) Phil Buchanan, President and CEO of the Center for Effective Philanthropy
- *Rethinking the Spend-Down Debate: Mission First, Timeline Second* (March 31, 2026) Tracy McFerrin and Ben Zeno, Founders and Principals, Credo Advisors
- *A Call for Higher Payout from a Believer in Perpetual Foundations* (April 7, 2026) Phil Buchanan
- *Rethinking Payout: The Hidden Costs of Undervaluing Social Return* (April 16, 2026) Kendall Pettygrove
- Six Questions About 'State of Nonprofits 2026' (May 19, 2026) CEP Staff
- *Philanthropy in Prose: Why Better Grantmaking Matters Now More Than Ever* (June 4, 2026) Daniel Stid, Senior Fellow, American Enterprise Institute
- *The Debate That Belongs in Every Foundation Boardroom Right Now* (August 6, 2026) Kevin Bolduc, VP, CEP, Assessment and Advisory Services
- *To Strengthen Nonprofits, Fund Cost Clarity First* (August 13, 2026) Thaddaeus Hubbard, Principal, BSEG Advisory

Provocative New Series

Recently, the Center for Effective Philanthropy published, on the CEP Blog, the first two installments of a new and notable four-part series. See:

- *The Tidal Foundation: Unmooring Philanthropy From Perpetuity Versus Spend Down* (September 10, 2026) Rickke Mananzala, President, New York Foundation and Carmen Rojas, Ph.D., President and CEO, Marguerite Casey Foundation

- *When the Tide Should Rise: Deciding When Mission Requires More* (September 17, 2026)
  Carmen Rojas, Ph.D., Rickke Mananzala, Ian Fuller, and Trish Adobea Tchume

The authors are the chief executives and board chairs of the New York Foundation and the Marguerite Casey Foundation. They discuss how America's foundations can and should dramatically increase their payout rates during this time of existential crisis.

"Approaches to foundation spending have too often been organized around a false choice. Foundations are expected to preserve assets in perpetuity while spending at or near the IRS-required 5% minimum, or to spend down by deploying resources over a fixed period and closing."

For this issue so currently significant in philanthropy, there is a "middle ground" between (a) whether to exist in perpetuity or (b) spend down assets within a set time frame.

These guest experts are not "arguing against either path, but asking whether treating them as the only options has become too limiting for the decisions foundations face now." These guest contributors to the CEP Blog "believe there is another way."

The new concept is what they call a "tidal foundation." This chosen metaphor is appropriate "because tides rise, recede, and replenish in relationship to the forces around them and the shores they touch. A tidal foundation treats stewardship not as a fixed decision about duration or payout, but as a living practice of calibration. It asks how resources should align with the communities our missions call us to support and the critical periods when increased funding can make a meaningful difference."

Conclusion

In the first post (September 10th), the authors "introduced the tidal foundation as an alternative to the fixed choice between perpetuity or spend down." In the second post, they "… get a bit more practical: How do board members and leaders decide when the tide should rise?"

Coming up on September 24th, "investment leaders from the New York Foundation and Marguerite Casey Foundation will explore how tidal stewardship extends beyond payout to aligning investments with mission, public purpose, and opportunities for local impact."

– Linda J. Rosenthal, J.D., FPLG Information & Research Director