

Nonprofit Sector Featured in New Slate Series

08.28.18 | Linda J. Rosenthal, JD



Slate Magazine has been a “daily magazine on the web” for over two decades. The publication describes itself as a “general-interest publication offering analysis and commentary about politics, news, business, technology, and culture” featuring a “strong editorial voice and witty take on current events.”

One of Slate’s earliest projects was the Slate 60 series which featured the top-giving philanthropists in the United States. The idea was to rank and laud the largest annual gifts of Americans – to set up a “competitive philanthropy” contest, so to speak – on the assumption that such a feature “might encourage more of them.”

Over the 15 years that Slate promoted this project, the notion of “competitive philanthropy” did not pan out. Charitable giving rose and fell more or less consistent with how well the economy performed (at roughly 2% of GDP), with peak giving in 2001, and dramatic drops after the crash in 2008.

Another important finding did emerge, though, from this experiment. There was confirmation that “the funds the rich were giving went largely to institutions that tended to the needs and prerogatives of the rich and privileged”: More than half of the donations by the ultra-rich were given to plump up the large endowments of their top-level alma maters, to “hushed museums in the form of very expensive donated art, or to other places that rich old people tend to congregate, like cultural arts centers and high-end hospitals.”

The Slate 60 series ended in 2010. Now, after a period of reflection on that well-intentioned but unsuccessful premise, Slate has returned to the drawing board to come up with a *new* idea focusing on America’s philanthropy sector.

Deep Dive Into Nonprofit Sector

In May 2018, Slate published [Introducing the Slate 90: A dive into the multibillion-dollar nonprofit sector](#), authored by Felix Salmon, noted philanthropy commentator.

The Slate 60 series had erred, first, by focusing not just on wealthy donors but on the top sliver of the ultra-rich, and ignoring most of the charitable donors in the United States: the “average individuals.” A second – and much more significant – problem with the Slate 60 project was that it “missed the bigger story of the billions of dollars in tax-free revenue that flow in and out of the coffers of nonprofit institutions in the U.S.”

The Slate 90 series, the magazine hopes, “will offer a more robust and useful portrait of the tax-free economy.”

The Slate 90 – the full list is in the article – are the 90 biggest American-based public charities (by revenue) in nine categories. If the list were made solely by revenue, it would be dominated by “a boring list of ‘eds and meds’ – education and health care.”

Not Just Fluff Pieces

The Slate folks colorfully describe the purpose and focus of the Slate 90 series:

The nonprofit-industrial complex has metastasized in recent decades, thanks to the multibillion-dollar incentives provided by the American tax code....Over time, as the sector ballooned and right up to the present day, lawyers and accountants found increasingly clever ways to squeeze as much of their clients’ activities into nonprofit entities as possible. And all along the way, they were aided by lawmakers, who rarely found a church or do-gooding organization they didn’t feel like helping out with a new tax exemption.

And here’s the crux of the inquiry:

How much economic activity has been maneuvered into tax-exempt nirvana? It’s almost impossible to measure. What do you get when you add up all the property taxes that aren’t paid by nonprofit universities? What’s the total amount of tax that credit unions would pay if they were banks? It’s tough to get simple answers to such simple questions—questions that have to be asked before we can even begin to decide whether the fiscal trade-offs are worth the cost.

The bottom line, then, is: Does society get enough bang for its buck out of these massive tax breaks?

The First Articles

In May’s inaugural installment, the Slate 90 goes behind the scenes of at least one charity in each of the nine categories. “Some of these institutions do great things with their non-taxed revenue; others do not.”

Perhaps the most interesting feature so far is about the top charity in the International, Foreign Affairs category: Food for the Poor, with revenue of some \$1.158 billion. If that name sounds a bit familiar, see our recent post: [CA Issues Cease-and-Desist Orders to Out-of-State Charities](#).

Food for the Poor (Coconut Creek, FL) is one of four out-of-state charities targeted by the California Attorney General for [alleged deceptive practices in fundraising](#). Each of these four nonprofits is “part

of a chain of distribution of soon-to-be-expired pharmaceutical drugs, donated by the drugmakers, to the developing world.” The gist of the AG’s claims is that they (1) used an accounting “ploy” that is misleading; and (2) touted these inflated figures to support fundraising appeals in California for additional (and, in at least one case, nonexistent) projects.

The executive director of Food for the Poor – which has appealed the cease-and-desist order – said: “We believe we have done nothing wrong and we are actively working to resolve the Attorney General’s concerns.” Details and documents of this case, including Food for the Poor’s appeal, are available at the California AG’s website, [here](#).

Conclusion

This intriguing new series which promises to take a “dive” into the “nonprofit-industrial complex” may trigger an interesting and useful discussion of the state of the American nonprofit sector. Or maybe not. We’ll follow it and see.