Some things are inevitable and therefore predictable. Some people, for example, will behave unethically. So it stands to reason that when there are far more people engaged in philanthropy, the number of abuses of public trust will grow. And these abuses will attract far more media and public attention than the corresponding good accomplished by the vast majority of those in the field.

And there is nothing surprising about the growing focus on accountability among nonprofits, including foundations. This is creating new codes of ethics, new standards for basic compliance, new governance recommendations, and renewed interest by the IRS and Congress. The last time such a wave of activity occurred in the late 1960s and early 1970s, many structural changes were put in place that professionalized the field.

What will happen this time, in this new ecology? Here are three provocative possibilities, written from the perspective of 2025.

The Donor in the Driver’s Seat

The discussion within philanthropy regarding accountability took an unexpected turn in 2010 when The Boston Globe reported on the growing number of foundations that had stopped making grants and started their own programs. Given the legal pressures that all funders faced to demonstrate that they were responsible stewards of their resources, many of the foundation leaders profiled in the Globe series had decided that working with independent nonprofits wasn’t worth the trouble. It involved too many risks and too much wasted time negotiating with disparate, unconnected organizations around outcomes and impact. These foundations agreed that it was far more efficient to skip the middle man and create their own networks of nonprofits.

Some of these new funders took their inspiration from the Pew Charitable Trusts, which created more than a half-dozen new environmental organizations in the late 1990s and early ’00s. One funder, the D6 Foundation (composed of six Austin, Texas-based Dell multi-millionaires), even decided to follow the Trusts’s lead by organizing itself as a public charity, which would allow even more flexibility and diminished tax exposure in its philanthropic investments.

As its focus, D6 chose to scale up early efforts to create a home-interest mortgage-deduction program for the purpose of discouraging suburban sprawl, a growing political issue both locally and nationally. Cherry-picking staff from existing nonprofits, D6 built a new policy analysis unit, a field campaign staff, and a media shop. Working under the rubric of the Smart Growth Housing Initiative (SGHI), these three organizations spent several years generating reports, mobilizing community activists, and framing messages linking the environmental, economic, and social benefits of in-fill and transit-oriented development (particularly needed in their own hometown of Austin). This message also resonated strongly in lower-income urban communities as it created new incentives for home ownership. D6 exploited growing concerns about the loss of critical agricultural and wild lands to sprawl, and used its considerable political savvy to make this a broad social justice issue. As a result, the mortgage program was passed by a veto-proof majority in both the U.S. House and Senate in 2018.

Within a few years, D6 found itself described as "the Rockefeller Foundation of the early twenty-first cen-
A decade after becoming the first community foundation in a predominantly white area to adopt the Mexican *mutualista* (mutual aid) model, the Greater Cedar Rapids Community Foundation (GCRCF) announced in 2024 that it had more than doubled its endowment, and that its education and neighborhood safety programs had helped lower high-school dropout rates and decrease juvenile crime by more than 50 percent.

The GCRCF conversion in 2014 followed on the success of the *mutualista* model of community philanthropy pioneered by the El Paso Community Foundation. El Paso had emerged as a leader among a new generation of advocates who argued passionately that accountability in philanthropy must go way beyond avoiding unethical behavior. Rather, El Paso’s leaders believed that accountability really meant being responsive to all of the community’s stakeholders, not just serving as a conduit for donations from the ultra-wealthy. Renaming itself the El Paso Mutual Aid Society in the ’00s, it joined with others across the U.S. in experimenting with endowed community hubs that solicit money from residents of all income levels and play an active broker role for their constituencies. El Paso began using its assets to operate credit services, to provide sickness and death benefits, to represent and advocate for local residents, to coordinate remittance giving back to home communities in Mexico, and to offer social and educational programs to community members.

**Mutualismo, not Filantropía**

**SCENARIO**

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With the success of the *mutualista* in Cedar Rapids, many industry observers began to recognize the El Paso model as the new complement to earlier United Way and community foundation approaches. “Some people didn’t think that a model that emerged in Latino communities would translate so well to a predominantly white area like Cedar Rapids, but there is no denying the results,” said John Morgan, a philanthropy scholar at the University of Indiana. “*Mutualistas* are simply more fluid and dynamic than previous models for community philanthropy, and they are much more connected to all parts of the community.” The El Paso *mutualista* itself was adapted from earlier Mexican traditions of *sociedades mutualistas* and the mutual aid societies that helped Mexican-American immigrants adjust to the U.S. in the late nineteenth century. The twenty-first century version of the El Paso Mutual Aid Society started when the community foundation tried to accommodate many local residents who wanted to send remittances to Mexico. It gradually evolved to use workplace and community fundraising campaigns, partnerships with local businesses, traditional philanthropic and legacy giving, and collaborative funding with local private foundations to provide responsive, community-guided programming for its constituencies.

According to GCRCF executive director Simone Johnson, “In Texas, contributions from everyone, even very poor residents, helped create new bonds and an unbelievable spirit of fraternity in the community. But it isn’t just Latinos that want stronger connections between donors and the recipients of their giving. It took us awhile to work through the growing pains, but just like in El Paso and Corpus Christi, folks here in Cedar Rapids didn’t want some cold institution that just collected money from rich people and gave it at a distance to poor ones. They wanted a place that would bring people together to share and help each other—to build a real community that looks out for its own.”

- How community-driven should community foundations be?
- What’s keeping this model from taking off today?
- Have you seen other models for delivering resources to the people who need them that could be adapted to your philanthropy?

## The Decline of the Foundation

**SCENARIO**

Foundations were the main actors of U.S. organized philanthropy for so long—and their growth in the late 1990s was so startling—that their shift in role and steady decline in importance were among the big surprises of the early twenty-first century. In retrospect, however, what happened was the inevitable consequence of several converging forces—and the way the leaders in the field responded to them.
The ongoing government budget shortfalls caused by the war on terrorism put growing pressure on private giving to meet immediate needs; doing so didn’t require sophisticated philanthropy, just old-fashioned charity of the kind long-advocated by churches. This shift was accelerated by changes in government policy: increased IRS oversight, new and stringent Congressional regulations, and the relentless focus on standards driven by the philanthropic associations.

Most foundations reacted by simply funneling more administrative costs into addressing questions of accountability, defined as compliance with new rules and standards. Although some leaders on the margins argued for a more proactive response, few followed their lead in experimenting with grantee-community relationships. This combination of growing need and growing oversight had an unintended consequence: foundation philanthropy just wasn’t as fun and fulfilling for creative staff people and new donors alike. More and more of the wealthy said, “Thanks, but no thanks,” when their financial advisers encouraged them to consider a foundation, choosing instead the numerous commercial services offering support for large donor-advised funds or just doing their giving privately. (Besides, the abolition of inheritance taxes put less pressure on donors to give anyway.)

At the same time, more existing foundations run by their founders decided to spend down, rather than deal with the new hassles. And many big, older foundations, set up to operate in perpetuity, controlled their administrative costs by virtually eliminating anything but large grants to established organizations.

Ironically, the resulting deprofessionalization of philanthropy intensified the winner-take-all situation already prevalent in the nonprofit world. Big, professionally run nonprofits such as universities, museums, hospitals, and human service agencies reaped dual windfalls from donors that wanted to make a few large gifts rather than set up a foundation, and from foundations that chose to focus on a few relationships, rather than many. Innovative, startup nonprofits—the ones that are often closest to the ground serving communities and most in need of social “risk capital”—suffered the most.

- What would be lost if foundations were no longer the primary vehicles for organized giving?
- If foundations decline in relative importance, what, if anything, might take their place as a flexible form to practice strategic philanthropy?
- What signs would you look for that this scenario was starting to unfold? Is there any way you could influence it, if you chose to do so?
- What, if any, aspects of this scenario are positive, from your point of view?

Excerpted from Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists, by Katherine Fulton and Andrew Blau

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