Philanthropy About to Enter New Era in State, Nation

Although Americans in general and West Virginians in particular have historically been generous in their philanthropic giving, even in recessionary times, with discretionary income dropping, there is evidence that the nation’s one million charities are facing a challenging holiday season.

A Nov. 28 Washington Post analysis suggests that as many as 100,000— one-tenth of all nonprofits may fail in the upcoming six months. Even large national institutions, including colleges and universities, have lost an average 25 to 30 percent of their endowments. Further, the Chronicle of Philanthropy reports that if history is an indicator, gifts in the $500,000 to $1 million range may be the most vulnerable as stock portfolios shrink. Never has the need for support been higher.

The news is not all grim, however. This recession may mark the dawn of a new era for philanthropy, forcing donors to rethink their priorities and charities to become more accountable and creative in their practice.

President-elect Barack Obama has pledged to mobilize his supporters to help nonprofits indirectly by expanding the AmeriCorps program to at least 250,000 members as part of an economic stimulus package. With nonprofits’ recession-driven cutbacks in staffing, technology and training, the president-elect also has promised to support legislation originally drafted by Sens. Edward Kennedy, D-Mass., and Orrin Hatch, R-Utah, to recruit 175,000 volunteers to help recover some of the sector’s lost capacity as it downsizes. The combined impact of the two initiatives would be 300,000 new positions.

Other new steps may include a loan fund with minimal taxpayer risk administered by the Corporation for National and Community Service and a massive mobilization of Generation “O” supporters to make a durable, year-long commitment to specific high-impact jobs in the nonprofit sector.

Supporting philanthropy, of course, is not simply an altruistic exercise; it will also help stimulate the economy. Like all Americans, employees of nonprofits spend money, and with a standard multiplier effect of an average four dependents per employee, that’s a multi-million-dollar boost. For example, consider a college or university’s direct and indirect economic impact on its home community and region — from payroll to student tuitions. Philanthropic support of such institutions remains important to keep them viable, too.

Philanthropy is entering a new dawn — from its past as charity to its future as a social investment. As donors consider their year-end giving, a new tool exists to help them evaluate the accountability, transparency and impact of their giving to a specific philanthropy.

An alliance of prominent philanthropists and entrepreneurs is developing a “Social Investing Rating” tool they hope will radically alter the way donors evaluate whether a charity is worth their money. It would assess not only how nonprofit groups spend their money but also whether their work is making a difference. The goal is to encourage donors to think more like investors — to consider their charitable donations as social investments, complete with risks and responsibilities. If the recession encourages more nonprofits to operate more like successful for-profits, it may be the silver lining behind the cloud.

Regardless of the rising and falling of economic times, philanthropy should not be something we commit to doing only when times are good and discretionary dollars are available.

Although donors may need to reorder some giving priorities, their essential motivation for giving should not be determined solely by the health of the economy. With its new paradigm, philanthropy as an investment in the future of your state, your community, our nation and the world is the one gift that will keep on giving long into the New Year.

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