Private Foundations Bulletin

Harnessing AI: Strategies for Governance and Impact

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Today, one of the hottest topics of conversation is Artificial Intelligence (AI) and its ability to enhance our way of life. This is no different in the private foundation community. While not yet widely adopted by the foundation community, AI has the potential to revolutionize the way in which foundations operate.

Our upcoming webinar *Responsible AI Adoption by Philanthropic Organizations* on October 16, 2024 will focus on how to harness the power of AI. In the meantime, here are some key steps to get started.

Setting the Stage

In general, AI is software that allows computers to perform tasks that simulate human intelligence. As foundations determine how AI can best fit into their operations, they should develop governance strategies and safety measures. This will help create a clear direction for how AI can be utilized to improve operations, efficiency and influence. Some examples include supporting foundations in their analysis of grantee data and program results as well as automating administrative tasks. Adoption of AI will allow foundations to make better decisions and provide more meaningful impact to the communities served.

Developing an AI Policy

As part of any implementation, a foundation should develop a comprehensive AI policy to help reduce risk and optimize efficiency. Following are key considerations for developing an AI policy:

- Identify objectives and implementation strategies that are consistent with the foundation's mission and programs.
- Incorporate AI into one of the governance committees for proper oversight.
- Provide training and support to all AI users.
- Implement cybersecurity measures to protect internal data from being compromised.
- Ensure compliance with existing laws and regulations. And, stay abreast of changes.
- Update existing disaster and recovery plan to include new AI procedures.

Improve Operations, Efficiency and Impact

Foundations can utilize widely available software that has been developed using large language models, a type of AI that can recognize and generate text, among other tasks. An example of this is Microsoft's Copilot, which is embedded within Microsoft 365 applications, such as Word, Excel and Outlook utilizing AI to assist with various tasks. The following are a few use cases of AI for private foundation and grantmaking organizations:

Automation Solutions and Communication: AI can automate time-consuming and manual procedures. For example, AI-powered chatbots and virtual assistants can provide automated support and information, including responses to frequently asked questions, more targeted guidance and simplified communication processes. Foundations can automate personalized communications, such as emails with grantees, employees, board members and other partners and vendors.

Grant Management and Program Evaluation: Foundations can utilize AI to automate data entry and grantee evaluations, among a variety of other administrative tasks. Grantee evaluations will become easier and more effective in examining grantee budgets, financial statements and the overall financial health of the organizations they fund. As work becomes more efficient, employees can reduce administrative work and focus on more programmatic, strategic work.

Forecasting: By being able to more effectively analyze grantee data, foundations can evaluate the impact of their donations for each program. It will also allow foundations to better forecast where funding is needed most. This will make it easier to assess the success of initiatives and identify areas for improvement. Grant management systems that include AI will allow foundations to function more efficiently, generate funding more effectively and have stronger influence within the communities served.

Going Forward

Understanding how to fully leverage AI today and what's possible for the future will enable foundations to set up for success. This will come in the form of improved governance, operational and cost efficiency influence and enhanced impact. As AI technology continues to advance in accuracy and reliability, foundations that use it will continue to streamline administrative processes, improve decision-making and lower the cost and time spent on operations.

As the world of philanthropy continues to develop, foundations who strategically embrace AI will be better positioned to drive meaningful change and achieve their long-term goals.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to private foundations. Please call 212.286.2600 or email any of the Private Foundation Services team members below:

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