

## Extending a Helping Hand

### Foundations retool their grant-making plans as the economy declines

By Ben Gose

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The Silicon Valley Community Foundation was just finishing its first plan for grant making this fall as the area's teetering economy started to unravel.

The foundation will focus grants primarily on five causes, but Emmett D. Carson, its president, says the foundation decided to "frontload" its spending on a single cause — local organizations that provide food and shelter.

In September, the community foundation announced it would give \$1-million to such charities to help them weather the economic crisis.

Then things got even worse. Housing shelters began reporting long waiting lists, and food banks told Mr. Carson that former donors had become clients.

The community foundation responded in October by doubling its commitment — adding another \$1-million as a challenge grant — with a goal of raising a total of \$3-million for shelters and pantries. The community foundation also plans to hold a meeting for charity leaders in early December, where the group will devise a strategy for publicizing the severity of the crisis and lobby for government support.

"The safety net is fraying before our eyes," Mr. Carson says. "We need to figure out a way to articulate what will happen to these organizations if we don't fix the problem."

### Bleak Outlook

Nationwide, only a fraction of foundations have changed their grant making to help charities grapple with the country's worst economic crisis in decades.

But the foundations that are making special or emergency grants often find that the outlook for their grantees is even bleaker than they realized.

And many of those foundations are making a second round of grants to provide additional help to the charities.

Charities that provide basic needs like food and housing face a number of challenges in the coming year: Government support is likely to shrink as states grapple with declining revenue. Shell-shocked investors may reduce their donations. And foundations with shrinking

endowments may reduce their grant making.

But in some hard-hit cities, foundations, especially community foundations, are stepping forward with special grant programs designed to keep providers of basic services afloat.

In Washington, the Community Foundation for the National Capital Region gave \$526,000 in late October to 40 charities that provide food, clothing, shelter, and medicine.

The community foundation then put forth an extra \$250,000 for emergency grants and challenged individuals, foundations, and corporations to match it.

If the matching-grant offer is successful, the community foundation will provide a total of more than \$1-million to charities that provide basic services.

Terri Lee Freeman, the foundation's president, describes the grants as merely a "short-term fix."

Washington charities fear fallout from the problems facing Fannie Mae and Freddie Mac, which were taken over by the government in September.

The two mortgage giants had been top grant makers in the region. Federal officials have insisted the companies will continue their charitable activities, but it is unclear whether their giving will decline.

"I ask the question: Has the nonprofit sector been forever altered because of what's happened in our financial markets?" Ms. Freeman says. "This doesn't look like it is going to go away in a couple of months."

In Phoenix, one of the cities hit hardest by home-price declines, the Virginia G. Piper Charitable Trust is giving \$1-million over the next five months to charities that provide direct assistance, including shelters, food pantries, and organizations that help families remain in their homes.

The foundation also plans to spend more than \$100,000 on a publicity campaign designed to encourage individuals to give generously this holiday season.

"You have the public sector staggering, you have donations down, and you have demands up and food costs up," says Judy Jolley Mohraz, president of the \$600-million Piper Trust. "The trustees felt that we simply could not do business as usual."

The Boston Foundation gave \$500,000 last month to local charities that help area residents in distress, including the Red Cross of Massachusetts Bay and the Greater Boston Food Bank.

The community foundation also held a forum for local charity and foundation leaders to discuss how best to help Boston's low-income residents.

"This is not the time to hold back," says David Trueblood, a spokesman for the community foundation. "This is a time more than any other when philanthropy needs to be aggressively pursued to try to close some of the gaps that are out there."

### **Role of Foundations**

While some foundations are increasing their emergency aid to charities, plenty of others are not making grants to help charities cope with crisis.

Many foundations have witnessed sharp drops in their endowments, and are contemplating reductions in giving, rather than looking for new causes to support.

The Weinberg Foundation, for example, announced last week that it would not consider any new grant requests until next April.

The Baltimore foundation said in a statement that it might lower next year's grant making as much as 10 percent, and that most of the funds it will award in 2009 have already been committed.

The foundation, which is restricted by charter to distributing no more than 5 percent of its assets per year, did say that when it resumes grant making, it may sharpen its focus on basic needs like food, shelter, and medical care.

Some foundations may not realize the severity of the problem: With the key end-of-the-year fund-raising season still ahead, some charities may not yet be expressing much pain.

And some foundations say they have plans in the works to help charities, but are holding off on announcements until their boards meet in the coming weeks to approve budgets for 2009.

Even so, Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy, in Washington, calls the response from private foundations "disappointing."

He says foundations that are reluctant to maintain or increase grant making at a time when their endowments are losing value should reflect on how much their investments have increased over the past 20 years, rather than focus on the declines of the past year.

"Growth for growth's sake should not be the goal of any foundation," Mr. Dorfman says. "This is a time for foundations to be proactive in responding to the needs of nonprofits. Just as you can tell a person's character by how he or she responds to a crisis, it is the same thing with foundations. In a crisis like this, foundations can demonstrate how committed they are to serving the communities they say they care about."

### **Changing Approach**

Some foundations are taking initial steps so that they will be in a position to aid charities facing shortfalls.

The Nina Mason Pulliam Charitable Trust, which splits its grant making between Phoenix and Indianapolis, has stopped accepting requests for contributions to capital or endowment campaigns.

Edward Portnoy, director of Pulliam's grants program in Arizona, says the foundation wants to free up money that could be used to meet crisis requests in 2009. The foundation is also considering modifying its grant-making guidelines so that it can give money to established charities that are struggling.

"Typically we don't give operating support to organizations that are more than three years old," Mr. Portnoy says. "We may have to revisit that."

The James Irvine Foundation, which focuses on California, will consider allowing grantees to change how they use the money the foundation awarded, says James E. Canales, the foundation's president.

A charity with declining revenue might be allowed to use a grant that had been intended to support a new project on operating expenses instead.

The Irvine foundation, which intends to at least maintain its \$79-million grant-making budget in 2009, is also exploring the idea of providing grants to community foundations in California that are leading special campaigns to bolster safety-net organizations, Mr. Canales says.

He says the foundation wants to strike a balance between helping charities through what could be a lengthy recession and maintaining its grant making to groups that work in education, arts, and community organizing.

"Our view is that this is going to be long-term work," Mr. Canales says. "We don't think we can make a handful of grants in the next couple of months, and say, 'Okay, we've dealt with the challenges our grantees are seeing, and now we can get back to business as usual.'"

A survey conducted in October by the Washington Regional Association of Grantmakers, in the District of Columbia, found that more than half of the association's 100 members, which include corporate giving programs and family and private foundations, intend to provide funds for operating support in 2009. Tamara Lucas Copeland, the association's president, says the interest in operating support shows that foundations understand the predicament facing local charities.

"It reflects a level of understanding that charities have to be able to be fluid in an economy that's up and down the way this economy is right now," Ms. Copeland says. "They just don't know where they're going to need to put their revenue."

### **Lack of Resources**

Some foundation officials maintain that foundations don't have the resources to bail out

charities, and that efforts to stabilize charities that provide basic services must be led by federal and state governments.

"You could have two communities with exactly the same needs, but one of them may not have their needs addressed because they don't have a foundation based there," says Lance E. Lindblom, president of the Nathan Cummings Foundation. "There is a real need to take a national approach to this situation."

Mr. Lindblom does believe foundations can play an important role in advocating for policy changes that could help charities that provide food and shelter, as the Silicon Valley Community Foundation is doing with its December meeting designed to bring attention to the challenges facing safety-net organizations. "I'm not saying that community foundations shouldn't be addressing these needs through grant making, but the major thrust should be the public-policy advocacy area when we have this kind of crisis," Mr. Lindblom says. "It's a more systematic approach to what these needs are, rather than triage by noblesse oblige."

Some foundation officials see a silver lining in the current crisis — they say it may force changes that experts have long called for, but which charities have lacked the will to carry out. Experts on the nonprofit world have long argued that there are too many charities and they are duplicating each other's efforts. If this recession lives up to its billing, weak charities are likely to be shuttered, and many others may merge with competitors to form financially stronger organizations.

"There just isn't enough money to sustain the sector in its current form," says Ms. Freeman, president of the Community Foundation for the National Capital Region. "But we need to provide incentives with a carrot, not a stick."

And, just as occurs in the corporate world, the recession may even turn out to a boon for top-performing charities, which can expand as their weaker counterparts pull back or fold.

Vince Stehle, a program officer at the Surdna Foundation, recalls that the last major economic crisis fueled a growth spurt for one of Surdna's grantees, TechSoup Global, a charity that helps other nonprofit organizations build sustainable technology systems. When the Internet bubble burst in 2000, the charity (then known as CompuMentor) was able to move into the offices of Netcentives, a for-profit upstart that had gone bankrupt, and hire from a huge pool of technology employees who had lost their jobs.

TechSoup now has 170 employees, up from 27 in 2000, and it estimates that it has helped charities save more than \$1-billion in technology expenses.

"Very frequently," Mr. Stehle says, "crisis yields opportunity."

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