

A review of philanthropy's recent literature and news sources reveals a number of current trends regarding how charitable foundations are reacting to the current economic crisis. Charitable foundations' current reactions to the economic crisis include:

- ✓ **Reducing grantmaking because of foundations' own economic struggles**
- ✓ **Keeping grantmaking steady despite foundations' own economic struggles and those of the community at large**
- ✓ **Increasing grantmaking because of the economic struggles of foundations' target communities and/or grant applicants**
- ✓ **Focusing grantmaking on the support of service areas where needs have grown because of the recession, such as programs that provide food and other "basic needs" or job training programs for those who have experienced job loss**
- ✓ **Reducing staff or suspending the hiring of new staff, and in many cases doing so to maintain the same levels of giving as in previous years**
- ✓ **Diversifying their investment portfolios and/or hiring new financial managers**

### **Reducing grantmaking because of foundations' own economic struggles**

- The Foundation Center, which provides information and conducts research about philanthropy, recently released an advisory titled *Grantmakers Describe the Impact of the Economic Crisis on Their Giving*. In this advisory several charitable foundations are asked about how their grant making in 2009 will be affected by the current economic struggles. Many foundations indicate they will decrease their grant making and, in some extreme cases, foundations will dissolve (McGill & Lawrence, 2009). Also noted is that some troubled foundations may be "victims of the alleged investment scam perpetrated by financier Bernard Madoff." (p. 3).
- "Significant declines in asset values will affect grantmaking by the majority of Ohio foundations and corporate funders in 2009, a new survey from the Columbus-based Ohio Grantmakers Forum finds. According to the *Grantmaking Outlook for Ohio 2009*, 90 percent of the ninety-two respondents reported that the value of their assets had dropped during the past year, while 60 percent expected to reduce the dollar value of their grantmaking. Roughly a quarter of respondents expected to maintain their grant budgets at 2008 levels, while only 10 percent expected to increase the amount they give. At the same time, more than 80 percent of respondents expected to review more funding requests in 2009, particularly from agencies that focus on human services" ("Most Ohio Funders," 2009, para. 1).

## **Keeping grantmaking steady despite foundations' own economic struggles and those of the community at large**

- The Foundation Center compiled a chart titled “In Their Own Words: 2009 Foundation Giving Forecast.” The chart gives an overview of how several large foundations are anticipating their grant making in the upcoming year to be affected by the current economic downturn. The chart includes comments from foundations themselves and/or items from published reports about those foundations. While several foundations have in fact stated that grants will be scaled back for the coming year, many foundations have made statements to the effect that they do not anticipate reductions in grantmaking for 2009, or that grantmaking will stay consistent with what it has been in previous years. (Foundation Center, 2009). The chart may be viewed online at <http://www.foundationcenter.org/focus/economy/forecast.html>

## **Increasing grant making because of economic struggles of foundations' target communities and/or grant applicants**

- *The Boston Globe* recently published an article titled “[Downturn Spurs Some Foundations to Give More: As Need for Aid Deepens, Groups Cut into Principal.](#)” The article mentions several charitable foundations that are increasing their grant making to respond to the needs of the current economic crisis, rather than decreasing their grant making because of economic struggles. The article describes Ken Nickerson of Boston’s Eos Foundation, as moved by seeing clients at a food pantry still insist on paying a small amount of money for their food. “Despite losing 30 percent of what a year ago was a \$50 million endowment, Eos will spend an additional \$15 million over the next five years to fight poverty in Boston. [Nicker’s] son and his wife have also contributed an additional \$10 million to Eos to begin to offset its losses” (Seege, 2009, para. 3). Other Boston area foundations are described as increasing their giving. “The Highland Street Foundation, which along with Eos and two other family foundations donated an additional \$1 million for hunger relief and fuel assistance late last year, also expects to increase grantmaking in 2009” (para. 8). Other foundations increasing their giving include The Women’s Fund of Western Massachusetts and the United Bank Foundation of West Springfield.
- Of the hundred largest foundations examined and described in the recent Foundation Center advisory titled *Grantmakers Describe the Impact of the Economic Crisis on Their Giving* “only two have announced that they intend to increase their giving in 2009: the Bill & Melinda Gates Foundation, which said it will increase giving in 2009 by raising its payout rate, and the John D. and Catherine T. MacArthur Foundation, which expects to maintain or increase its giving” (“Researchers Examine,” 2009, para. 2).

## **Focusing grantmaking on supporting service areas where needs have grown because of the recession, such as programs that provide food and other basic needs or job training programs for those who have experienced job loss**

- The February 26, 2009 issue of the *Chronicle of Philanthropy* printed an item titled “How Foundations Are Responding to the Recession: a Sampling of New Grants.” The grants listed include those that focus on core

human needs such as: emergency assistance for energy and utilities; grants to food banks and other agencies that provide food to needy families and individuals; funding or assistance to avoid evictions or foreclosures, including counseling and legal services; and funding for clothing and basic material needs (McCormack, 2009).

- In December of 2008, the Seattle Foundation “partnered with the United Way of King County to launch the Building Resilience Fund, which is designed to address both urgent and long-term community needs resulting from the region's ailing economy. Recipients include Neighborhood House, which was awarded \$210,000 to serve clients with a wide range of needs; Solid Ground, which will receive \$100,000 to help prevent evictions and foreclosures; the YWCA, which was awarded \$255,000 to assist women and children affected by domestic violence; Catholic Community Services, which was awarded \$150,000 to assist homeless families; and Hopelink, which will receive \$90,000 to help families stay self-reliant through crisis intervention and employment-related services” (“Seattle Foundation,” 2009, para. 2).
- “The Columbus Foundation has announced a campaign to raise \$1.2 million for emergency needs in central Ohio during February, which includes a public match... The critical need alert is focused on twenty nonprofits in the region, including food pantries, emergency shelters, and organizations working to address other basic needs” (“Columbus Foundation,” 2009, para. 2).
- The Denver-based Daniels Fund has announced \$3.1 million in first-quarter grants, including major awards to Colorado organizations that provide food to people in need (“Daniel’s Fund,” 2009, para. 1). Several food banks and a local Meals on Wheels group were among the recipients.
- The Ewing Marion Kauffman Foundation of Kansas City, Missouri has “Announced a new \$1 million effort to offer entrepreneurial training programs in communities that have been hit hard by layoffs and the recession” (Foundation Center, 2009).
- Several San Francisco Bay, California area foundations have sponsored a job training campaign, carried out through the area’s local Goodwill Industries, to help those looking to find work and/or to retrain and reestablish workers who have been displaced because of the recession. The “Jobs for Our Community Fundraising Campaign, [aims] to raise \$1 million in community investment by June 30, 2009 to meet the growing demand for Goodwill’s employment services” (“Bay Area,” 2009, para. 1). “The San Francisco Foundation has invested in Goodwill with a lead gift of \$20,000, the William and Flora Hewlett Foundation has granted Goodwill \$25,000, the Evelyn & Walter Haas, Jr. Fund has given the organization a \$10,000 grant and the S.H. Cowell Foundation has pledged \$25,000 to the Jobs for Our Community Campaign” (para. 2).

 **Reducing staff or suspending the hiring of new staff, and in many cases doing so to maintain the same levels of giving as in previous years**

- “To keep giving stable despite shrinking endowments and assets, ten large foundations, including the Hewlett, Packard, and McKnight foundations, are planning to increase their payout rates or establish cost-cutting

measures such as freezing salaries, leaving staff vacancies unfilled, or reducing staff benefits” (“Researchers Examine,” 2009, para. 3).

- “To keep giving levels on par with 2008, many... foundations have indicated that they are instituting cost-cutting measures. For example, the Silicon Valley Community Foundation announced in early February that it is ‘freezing salaries, putting a hold on open positions, reducing retirement benefits by 50 percent, and asking staff to absorb increases in medical insurance costs.’ It has also had to make “the difficult decision to lay off 14 staff members, which represents 14 percent of our workforce.” By taking these actions, the foundation expects to be able to maintain its giving level at roughly \$8 million in 2009” (McGill & Lawrence, 2009, p. 2).

## **Diversifying their investment portfolios and/or hiring new financial managers**

- The Council on Foundations recently released a report titled [Asset Declines and Investment Strategy Changes by Family, Independent, and Public Foundations](#) which stated: “Shaken by a decline in asset values that averaged 28 percent in 2008, some U.S. foundations are making changes in their investment managers and strategies and/or are further diversifying their asset mix” (“Some Foundations,” 2009, para. 1). The Council on Foundations lists the following highlights of the report:
  - “While nearly half of assets were held in equities at the end of 2008, more than two-fifths of respondents noted that the share of assets held in equities had dropped. Also, more than a third noted an increase in the proportion of assets held in fixed-income securities and cash.
  - Of the two-thirds of foundations using investment consultants, a quarter had either already changed consultants or were considering a change.
  - At least 60 percent of foundations noted that their target allocation has not changed since June 30, 2008, yet a quarter reduced their target allocation for equities and increased it for fixed-income securities and cash.
  - While the use of investment managers is nearly universal, nearly half had already changed managers or were considering making a change – in fact more than half of larger foundations (\$100 million or more in assets) had already made a change.
  - Roughly three-quarters of foundations indicated that they would maintain their investment strategy, but those making changes generally are becoming more conservative in their investments.
  - While 80 percent of foundations reported maintaining their level of diversification, those making changes have generally increased their diversification.
  - About 20 percent said that they were pursuing actions to reduce the investment fees associated with the management of their portfolios” (Wroblewski, 2009, para. 2).

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