

Key Findings

- **Although 86% of respondents reported a decrease in assets in 2008, half of respondents will maintain or raise their level of grantmaking in 2009.**
- **Four out of five grantmakers report receiving more grant requests in 2008 than 2007.**
- **More than half of respondents have reduced their own foundation/corporate giving operating budgets.**

Despite the dramatic economic disaster that is affecting families, nonprofits, businesses, and philanthropies alike, grantmakers in the Washington region are making adjustments to keep critical funds flowing into the community. While their own assets have dropped, in most cases, because of declines in the stock market, many foundations are managing to maintain—or, in some cases, increase—their levels of giving.

According to the survey, many Washington Grantmakers (WG) members give more than the IRS' 5% mandatory minimum annual payout and understand the need to consider raising the payout rate when times are tough.

It is important to note that when assets decline drastically, **a foundation can increase its payout rate substantially and its giving can still decline.** As one respondent put it, "a foundation that has lost 40% of its value can give 8% instead of 5% and it will *still* be less money in grantmaking than it was a year ago."

Grantmakers are finding ways to make their limited dollars go further for nonprofits, evidenced by the fact that **57% of respondents will increase their funding for general operating support.** By giving grantees more flexibility with their grants, foundations enable nonprofits facing leaner budgets to be more creative and more responsive to changing needs.

Change in Assets

Grantmakers reported on their change in assets during 2008. **An overwhelming majority (86%) of respondents reported a decrease.** For 72%, that decrease ranged between 11% and 40%. The greatest number of respondents reported a 21% to 30% decrease¹. 8% of respondents said that their assets had dropped more than 40%. A handful of foundations (10%) saw their assets rise.

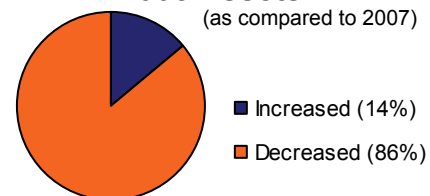
Among those foundations whose assets changed in 2008, **77% attributed that change to declining return on investments or other effects of the economic climate.** Grant payout affected the change for 11% of respondents while 4% of respondents said a shift in investment strategy was behind the change.

Looking back five years, **nearly half of respondents (48%) said their assets have declined since the beginning of 2004.** Just 15% of respondents said their assets have remained stable, while a surprising 34% said their assets increased over that period.

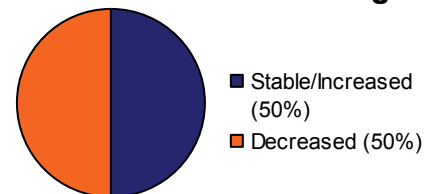
¹ This result parallels the results of a Council on Foundations national survey, conducted in January, which reported foundation assets falling by 27.8% in 2008.

2008 Assets

(as compared to 2007)



2009 Grantmaking



Grantmaking in 2009

Grants Budgets

Nearly one-third (32%) of respondents said their grants budget would remain about the same. Some grantmakers are increasing their budgets—16% said their budgets would be slightly larger, increased by 5% to 15%, and one organization reported a considerable budget increase.

Still, after wrapping up an economically turbulent year without knowing when the climate will improve, grantmakers had to prepare grants budgets for 2009 accordingly. **Nearly half (48%) of Washington Grantmakers members reported that they were reducing their 2009 grants budgets as compared to 2008** - 24% planned a slight reduction of 5% to 15%, 12% planned a reduction of 16% to 45%, and 12% planned a reduction of 46% or more. One respondent "had to cease the operation of our foundation due to the economic crisis, particularly in the real estate sector."

Number of Grants

Despite falling assets, nearly half (48%) of grantmakers said they would give about the same number of grants in 2009 as 2008. Half said they would give fewer grants. Only one foundation said it would give more grants.

Capacity Building and Sustainability

When giving diminishes, nonprofits suffer and many are forced to eliminate programs or close their doors. Foundations are in a unique position to try to strengthen nonprofits to help them weather the economic storm. Survey respondents already use or plan to use a variety of strategies to foster sustainability and build capacity. Grantmakers will:

- Increase funding for general operating support (57%)
- Support leadership development for staff/board members (43%)
- Facilitate or support their grantees in restructuring, alliances, mergers, or other collaborations (37%)
- Help with strategic planning (33%)
- Provide in-kind support in lieu of funding (26%)
- Conduct programs on capacity building for nonprofits (28%)

Other avenues of support will include:

- Contributing to grantmaking collaboratives
- Helping grantees locate other sources of support
- Helping grantees develop survival plans
- Leveraging public funding

Funders Speak Out

Several regional foundations have written open letters to explain their actions and intentions, and to emphasize their commitment to meeting community needs.

The Eugene and Agnes E. Meyer Foundation's February 19 letter said "[T]he foundation's board of directors was unwilling to allow a precipitous decline in grants during a time of unprecedented community need. To prevent that, we are operating with a much smaller staff and have made a major policy change in how our grant target is calculated. Even with those changes, our grants in 2009 will still be down by approximately 11 percent - or about \$1 million."

In its February 12 letter, the **Consumer Health Foundation** explained "It is our intention at this point to...continue our policy to exceed the 5% distribution level as required by the IRS and basically hold steady our funding levels for grantmaking... Increase our support of advocacy efforts and our commitment to providing general operating support... Deepen our capacity building work with underserved communities...Explore how best to leverage our staff's knowledge as a resource... Work closely with the Washington Regional Association of Grantmakers, the Nonprofit Roundtable, and others involved in developing collective ways to support the nonprofit sector in our region."

Funding Requests

Most grantmakers (81%) said they have received more funding requests last year than the year before. Only two foundations said their requests have decreased.

Rising requests have been in the areas of:

- Human Services (57%)
- Education (43%)
- Health (21%)
- Arts (21%)
- Environment (11%)

Based on grantmaker observations, nonprofits seem to be broadening their fund development. Looking at changes among requests for support over the past year, grantmakers have noticed more requests:

- From organizations new to the grantmaker (58%)
- For emergency or gap funding (47%)
- For general operating support (42%)
- For capacity-building funding (16%)
- For help exploring consolidations or mergers (11%)
- From start-up organizations (11%)

Economic Impact on Grantmaker Operations

Nonprofits are not the only organizations forced to change the basic way they do business. Because of decreased assets, many foundations are making significant internal changes. Caution is the order of the day. As a result of the economy, respondents have:

- Reduced their own operating budgets (51%)
- Frozen hiring (36%)
- Frozen salaries (31%)
- Laid off staff (13%)
- Closed their philanthropic program (2%)

The recession has “made us more cautious and introspective in the grantmaking process,” said one respondent. Another echoed, “we are being very cautious as we don’t know what the future holds.” Yet another said, “we are cautious in our long-term planning and are focused on the next year and emerging needs in our community.”

Many respondents said the economic crisis has prompted re-examination of philanthropic strategies and priorities. “We hope to continue funding at roughly the same levels even though our asset base is substantially eroded. This will be reconsidered at each semi-annual meeting,” said one respondent. Another respondent is concerned that grants will be affected if the organization isn’t able to collect on multi-year pledges from donors hit hard by the recession.

According to one respondent, **“it is likely that we will still have to dip into the corpus to maintain our current level of grantmaking. In effect, we have been doing this for a number of years, so we need to calculate how much longer this will be sustainable.”** Another respondent echoed this concern for future viability of their grantmaking. “If the economy does not improve and the business does not become profitable, the entire program could be eliminated.”

Looking to 2010

Knowing that the economic crisis may still be worsening, grantmakers must think more strategically about their future grantmaking. While 41% of respondents said it’s too early to tell, 26% said they expect their 2010 budget to be about the same as 2009, and 20% said their 2010 budget will be smaller. Other foundations (13%) expect their 2010 grant budget to be slightly larger than this year’s budget.

About the Survey

More than half of Washington Grantmakers’ members responded to the survey, which was conducted between Feb. 2 and 13, 2009. The 55 respondents represent independent foundations, corporate foundations, corporate giving programs, community foundations, and public foundations in the District of Columbia, Northern Virginia, and suburban Maryland.

Respondents’ organizations represented a wide spectrum of asset bases, from less than \$1 million (4%) to more than \$100 million (34%), with many (24%) falling in the \$15 million to \$30 million asset range.

Note: For many grantmakers, annual giving budgets are derived from the value of assets in the previous year.

One respondent commented on the serious nature of changes to grantmaking and what it means for grantees: **"This is a drastic restructuring of our grant-giving capacity and will probably last for a while; we are concerned about the effects on nonprofit organizations dependent on foundation support."** Another grantmaker underscored concern about "the ability of our grantee partners to survive the economic downturn."

Many grantmakers are revisiting discussions of the IRS guideline that foundations spend 5% of their assets on grantmaking. According to respondents, 7% see that 5% as a ceiling for expenditures, while 52% view it as a floor. Many others think individual foundations should interpret the guideline differently according to their own goals and purposes.

One grantmaker said, **"The money was intended to be given away to help others; the need for help is greatest now."** Another respondent echoed that sentiment: "Now when the need is even greater—this is the time to support communities in great need."

Making the Most of a Crisis

Grantmakers understand that now is the time their support is most critical. A year from now, will total giving in our region be up, down or about the same? No one can really predict, but what we do know is that this is a moment of both uncertainty *and* possibility.

It would be a mistake to view this recession as only an obstacle to get past—a hurdle to leap before we return to business as usual. This economic crisis is an opportunity. Change tends to wait until something simply has to give, and that time is now.

As a community, grantmakers are asking themselves and their partners from other sectors: How can grantmaker support of the social profit sector be even more effective and efficient? Can we adapt our practices in order to consistently do more with less? How can we best share our successes and harvest the fruits of our failures to help fellow funders invest more wisely? Are we making the most of our knowledge as well as our dollars?

If we work together to answer these questions, history may show that the current crisis was a key chapter in philanthropy's evolution.



**Tamara Lucas
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Washington
Grantmakers

Providing Leadership

To lead Washington Grantmakers' efforts to identify responses in the short term and advance the discussion on the changing role of philanthropy long term, WG has established a braintrust on philanthropy and the economy.

The members are:

- Alan Abramson** (Aspen Institute and George Mason University)
- Carol Thompson Cole** (Venture Philanthropy Partners)
- Thomas Chapman** (HSC Foundation and board member of Consumer Health Foundation)
- Michela English** (Fight for Children)
- Julie Rogers** (The Eugene and Agnes E. Meyer Foundation)
- Margaret Siegel** (Advisor to Foundations)
- Kathy Whelpley** (The Community Foundation of the National Capital Region)
- Nat Chioke Williams** (Hill-Snowdon Foundation)

Chair: Margaret O'Bryon (Consumer Health Foundation)