

How is the economy affecting philanthropy in our region?

In October, 2008, the Washington Regional Association of Grantmakers surveyed its members to learn how the current economic crisis is affecting grantmaker assets and to determine the potential impact on giving in 2009. Just over one-third of the membership responded. The following is a small sampling of regional funders' views.

- **Four out of five respondents (80%) experienced a drop in assets from 2007 to 2008.**
- **More than half (57%) anticipate that their 2009 grants budget will be the same or only slightly less than their 2008 budget.**
- **Nearly half (47%) anticipate making fewer but larger grants in 2009.**
- **Half plan to increase funding for general operating support.**

What has happened in 2008?

- Most respondents (80%) have experienced some decrease in asset base between 2007 and 2008.
 - 29% have experienced a 1% to 10% decrease
 - 29% have experienced an 11% to 20% decrease
 - 19% have experienced a 21% to 30% decrease
 - 3% have experienced 41% to 50% decrease
- The most common reason for a drop in assets is decreased return on investments, cited by 74% of respondents. 9% of respondents listed grant payout as the reason for their drop in assets. 18% gave other reasons, including realignment of family priorities or corporate budget reductions.
- 20% of respondents actually experienced an increase in assets during this period. These grantmakers cited stable support from individual donors, grants received, or increased corporate budget for the rise in assets.
- Despite the general trend of diminishing assets, many respondents (38%) were able to keep their grants budget about the same in 2008 as it was in 2007.
 - Nearly one-quarter (24%) reduced their grants budget slightly.
 - 9% of respondents said their grantmaking was considerably smaller or drastically reduced.
- Some respondents said their grantmaking increased between 2007 and 2008. 18% reported a slight increase, 6% cited a considerable increase, and 6% said their grants budgets increased dramatically.

*** About the Respondents:** Two-thirds (67%) are independent foundations. Other respondents came from corporate foundations or giving programs (15%), community foundations (9%), public foundations and supporting organizations (9%).

More than half (55%) are located in DC, with 24% in Virginia, and 21% in Maryland.

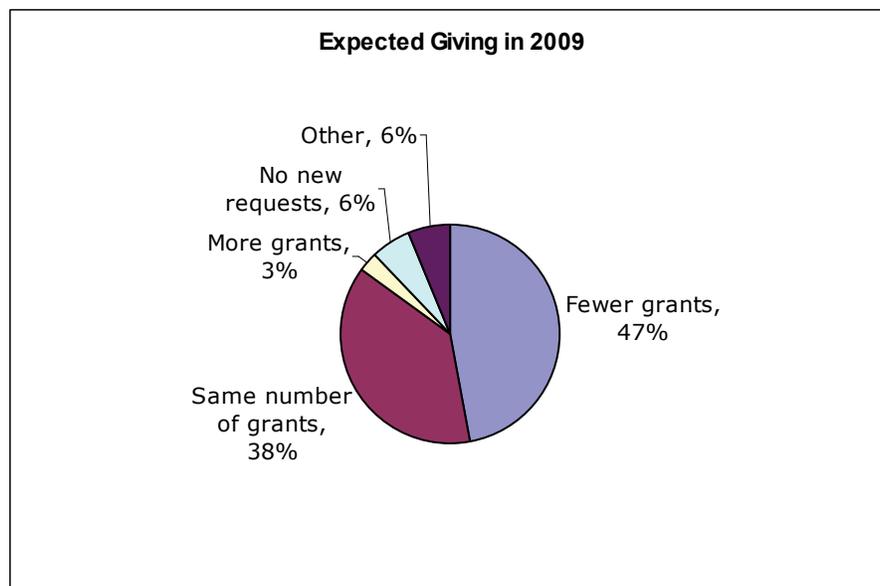
Respondents' organizations represented a wide spectrum of asset bases, from less than \$1 million to \$100 million or more, with the greatest number of organizations (29%) in the \$5,000,000 to \$15,000,000 asset range.

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

2009: What Does the Future Hold for Grantmakers?

While the financial crisis is far from over and we cannot predict what the end result will be, grantmakers must still create budgets and goals. In these tight times, how are grantmakers preparing to balance fiscal health with the needs of their grantees?

- More than one-third (38%) of respondents said they will still give about the same number of grants in 2009, while 47% said they will give fewer grants. 6% said they will not consider new requests until further notice. 6% said they are still developing a strategy. 3% said they will give more grants.



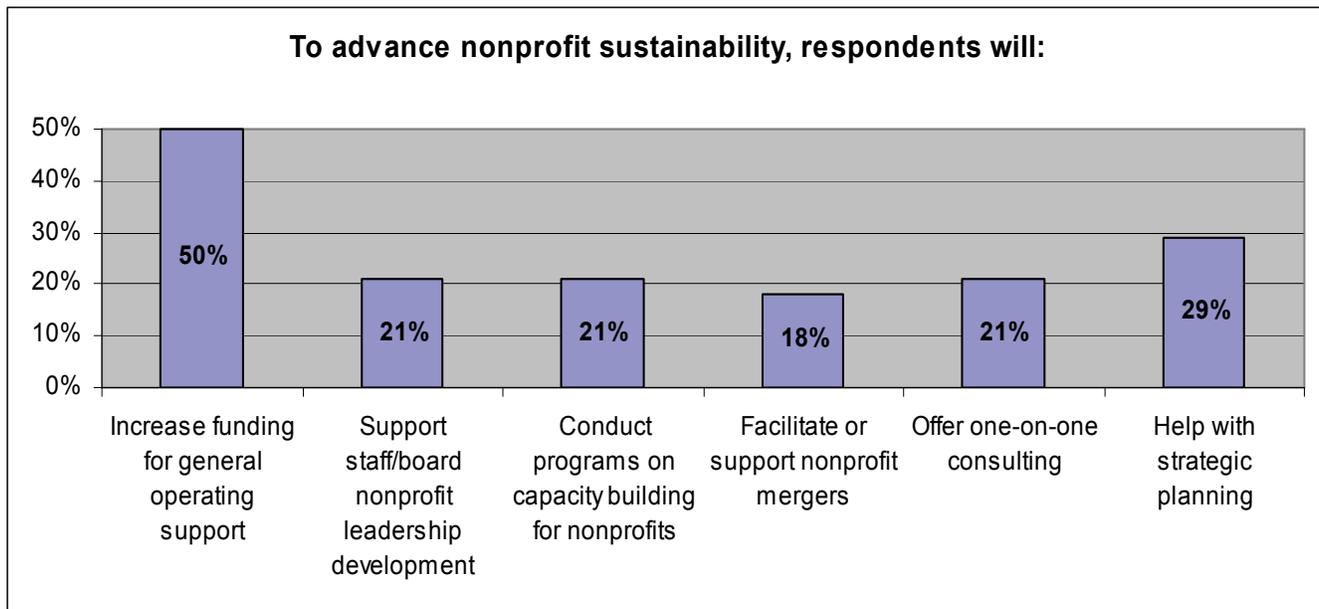
- More than half (57%) anticipate that their 2009 grants budget will be the same or only slightly less than their 2008 budget. Nearly one-third (30%) of respondents said their grants budget will stay about the same as in 2008. 27% said their grants budget would be 5% to 15% smaller, 17% said their grants budget would be 16% to 45% smaller, and 10% said their grants budget would be reduced 46% or more. 17% of respondents anticipate that their grants budget will be slightly larger, increasing 5% to 15%.
- Of those organizations that expect their grants budget to change in 2009, a majority (65%) say the reason is a change in the total value of foundation assets. Nearly one-third (31%) are simply concerned about the economic future and will therefore reduce their grants budget. 19% explain that a reduction is due to a change in company profits.

Giving in 2009

Some grantmakers are considering refocusing or reviewing their giving strategies. Increasing their general operating support grants, multi-year commitments, and advocacy efforts are all strong possibilities. Other grantmakers are scaling back, reporting "we're not making any multi-year commitments right now," or "we may have such a decreased amount of available funds that it will no longer make sense for us to accept unsolicited proposals."

Other concerns about future giving included:

- o "We're making a major decision about whether to continue the 5% payout." (A foundation may cut back if there has been overpayment in prior years.)
- o "We are deferring any new decisions for large grants until 2009."
- o "We are concerned about [other] foundations failing to meet existing commitments making planning harder for our grantees and for us."
- Respondents were divided on the question of whether they would refocus or review giving or funding priorities in 2009. 47% said they would refocus, while 53% said they would not. Among those who planned to refocus, some had already planned to review their strategic priorities while others were motivated by the recent economic downturn.



- Among respondents planning to make changes to their funding, 27% said they would offer new or expanded general support, 18% would offer new or expanded multi-year support, 18% would offer new or expanded advocacy support, 9% would offer new or expanded program support, 9% would offer new or expanded technical assistance support, and 9% would offer new or expanded challenge grants.

What Grantmakers Are Hearing

As nonprofits feel the economic crunch, grantmakers report receiving more requests from organizations from outside of their giving area, for general operating support, from start-up groups, and "for items we have stated we don't fund." Other comments include:

"More requests from organizations previously unknown or not funded for several years."

"All coalitions in our portfolio (about two dozen) and capacity building/training organizations are experiencing some level of cash flow problems."

"We're seeing concern and uncertainty from nonprofits. They're bracing for the worst case scenario. Funders seem to be in a holding pattern and are not making commitments until they know where they are needed."

"Our foreign grantees are experiencing hardship from the dollar devaluation."

- Two-thirds of respondents (67%) reported that inquiries have increased over the past year, while 24% said the volume has remained the same. 6% of respondents reported a decrease in funding inquiries.
- New funding requests were spread among a range of areas, with the largest number in education (47%). Other areas of increase included in human services (37%), health (26%), public/society benefit (16%), environment (16%), and arts (11%).

Closing Thoughts

Washington Grantmakers' members are diverse in many ways, and there is no one trend or pattern that defines our members. This survey, however, does provide some idea of what to expect in 2009.

Grantseekers will find the funding environment increasingly more competitive. Some funders will limit their grantmaking, while others will work to meet the significant nonprofit need by maintaining their current levels of giving. Some grantmakers are rethinking their priorities and giving practices to ensure that they are making the most of their dollars. Some foundations are considering allowing grantees to convert restricted grants to general operating support. Some are considering filtering proposals by organizational sustainability and grantee impact. Some are eliminating grants that are not part of their core focus.

Bottom line: in the near future, most funders and grantees will have to do more with less.

How Will Philanthropy Respond?

2008 will be remembered as the year when respected institutions fell and a worldwide economic downturn forced us to reflect.

Philanthropy has fostered the growth of a vibrant sector of social profit organizations. Over 4,000 in this region alone are helping our community meet its needs for health care, low income housing, the arts and education.

This new economy demands that we use our fiscal resources even more wisely. Across the country, leaders are discussing effectiveness, and thinking strategically for the long term—not a short term reaction to the times, but a long term thoughtful response.

In order for our community to act more strategically, we need good data on which to base decisions—data on community needs and data about which organizations merit an investment. By looking at the role philanthropy has played in promoting systemic reforms with widespread benefit, we can utilize limited resources more effectively. And, we must be resourceful and efficient—pooling knowledge and financial resources to maximize impact while minimizing our individual output.

It may be that the spotlight of the economic downturn has provided some needed clarity and a sense of immediacy. This period, while challenging, will be an opportunity to move away from old thinking, and to uncover and explore creative new ways of doing business.

Strategic, effective, and efficient. The times demand it. The philanthropic community will achieve it.



**Tamara Lucas
Copeland**
President,
Washington
Grantmakers