

Philanthropy

June 2009

WHITE PAPER

○ Institute for Philanthropy

Research conducted by Institute for Philanthropy
for Credit Suisse

SMART FUNDING
IN TOUGH TIMES:
Philanthropic
Funding in an
Economic Downturn

Contents

Executive Summary	3
Introduction and Welcome	5
Short Overview of the Philanthropic Landscape in the USA	6
Historical Trends for Philanthropy in an Economic Downturn	8
How has philanthropy been affected during previous times of recession?	8
Differences and similarities between current and previous recessions, and potential consequences for philanthropy	10
Impact of the Current Economic Landscape on Philanthropy in the USA	12
Effect of the recession on the nonprofit sector	12
Financials: shifting patterns in endowment performance and foundation payout	13
Funding patterns: impact of the recession on funding priorities, geographies and types of grantmaking	15
Differing responses: individual, foundation and corporate giving in the downturn	16
Fiduciary responsibility: how the downturn has highlighted the need for diligent governance	17
The potential impact of President Obama's economic stimulus package on philanthropy	18
Challenges and opportunities for small foundations	18
Smart Giving in Tough Times: Recommendations for Philanthropists and their Advisors	20
Understanding what nonprofits need	21
Stepping up to meet the need	26
Assuming leadership	28
Leveraging for impact	34
Funding collaboratively	38
Changing systems and influencing policy	42
Conclusion	44
Useful Resources	45

Executive Summary

This report examines historical trends for US philanthropy during economic downturns, and explores the effects of the current recession on funders and nonprofits. It also provides a series of recommendations for philanthropists and their advisors on grantmaking during the downturn.

In 2007, total charitable giving in the USA was a record \$306.39 billion, with 74.8% coming from individual donors, 12.6% from foundations and 5.1% from corporations. Giving in the USA has increased in real terms by 2.8% per year since Giving USA Foundation began recording philanthropic data in 1967.

We report that philanthropy has historically been negatively affected by economic downturns, with an average decline of 1% in real terms in years with at least one month of recession, increasing to 2.7% in years with eight or more months of recession. Before adjusting for inflation, however, total donations in current dollars during recessions have not declined; growth in giving has merely slowed.

During longer recessions, donations to human services increase to meet increased need. Donations to education tend to fall slightly, and donations to other causes grow more slowly. The current recession could well be the worst since the Second World War, but the field of philanthropy is larger and more sophisticated than ever before, and this should help to mitigate the effects of the recession on charitable giving.

We have found that nonprofits are struggling in the recession. All evidence shows that need for services provided by organizations is growing, while funding tightens as government cuts back and donations from all sources diminish. All types of donors have been affected by the recession, but they still show willingness to help others in need, donating what they can to emergency assistance organizations, sometimes at the cost of other causes. With resources stretched, donors will be looking for maximum impact from their donations and increased effectiveness from nonprofits.

Our findings show that although foundation endowments have outperformed the market in the downturn, they have on average lost almost a third of their value, and many will be forced to reduce their grantmaking. This highlights the importance of prudent investment strategies and fiduciary responsibility. Many foundations are doing what they can to keep grant budgets steady, including increasing payout rates and cutting administrative expenses. Some are acting counter cyclically, increasing their grantmaking despite losses to meet increased need.

Small foundations play a vital role in philanthropy in the USA. They have suffered endowment losses in the downturn, and therefore face the challenge of finding ways to do more with less. They can seize the opportunity to be strategic in their funding to maximise the impact of their grants, and use their quick responsive capacity to help support nonprofits and the communities they serve through the recession.

All evidence shows that need for services provided by organizations is growing, while funding tightens as government cuts back and donations from all sources diminish.

The final part of this report lays out a series of recommendations for philanthropists and their advisors on grantmaking in the economic downturn. Each recommendation features case study profiles on alumni of

...we discuss how funders can avoid cutting back on their grantmaking in the downturn, by maintaining payout levels steady to ride out the storm until the markets improve.

4

the Institute for Philanthropy's Philanthropy Workshop (TPW), providing real-life examples from small foundation trustees, who are keeping up their funding in effective and imaginative ways in the recession. The first of these case studies looks at funders taking their cue on what is most needed during the recession from nonprofits themselves. Philanthropists profiled in this section talk about how they have gone about researching the needs of local communities in order to better define their funding priorities, and about the decision to offer funding for general operations rather than project grants in order to keep nonprofits afloat during the downturn.

In the following section, we discuss how funders can avoid cutting back on their grantmaking in the downturn, by maintaining payout levels steady to ride out the storm until the markets improve. We also look at the practice of spending down a foundation's endowment, hearing from the philanthropist featured here on his decision to adopt this strategy at a time when his funds are needed most. In the next section, we look at what it means to assume leadership in philanthropy, profiling grantmakers mobilizing financial and non-financial resources to become public advocates for the causes they support.

Recommendations for leveraging philanthropic dollars are provided in the following section, with case studies on how philanthropists are using seed grants and strategic partnerships to add value to their funds during the downturn. This section also explores the process of transferring effective projects across geographies, a great technique for maximizing impact without reinventing the wheel when funds for new projects may be scarce. Next we look at the benefits of funding collaboratively during the recession. Philanthropists profiled here discuss how pooling their resources with others creates greater impact for their funds, and provides opportunities for sharing creativity and expertise in their grantmaking. We also explore the capacity of collaborative funding to create positive group dynamics, motivating philanthropists to keep up their funding at a time when individual contributions can feel insufficient to create a real impact.

Our final recommendation concerns changing systems and influencing public policy. Rather than see the downturn as a time to be less ambitious with their grantmaking, we urge philanthropists to consider the recession as an opportunity to really step up and make a difference. The inspiring case study featured in this section explores practical ways in which philanthropists can work towards creating real systems change, through funding advocacy work and identifying leveraged points of entry for influencing public policy.

Introduction and Welcome

To our clients and friends:

We have been privileged to serve the wealth management needs of the world's wealthiest individuals and families since 1856. And while we have grown significantly in the last 153 years, now serving clients from a platform spanning 50 countries, we at Credit Suisse remain focused on the core values that have defined our work since the outset: a commitment to innovate, to provide outstanding service and to maintain the highest level of expertise and client focus. In the spirit of that tradition of service, we are pleased to present to you this white paper, *Smart Funding in Tough Times: Philanthropic Funding in an Economic Downturn*, written in collaboration with the Institute for Philanthropy.

The paper explores the impact of the current economic downturn on philanthropy in the USA, and provides recommendations for philanthropists and their advisors on charitable giving during these difficult times. In its analysis, it provides an overview of philanthropic trends during previous times of recession, and considers how likely it is that trends in the current downturn will mirror these historical examples. It goes on to explore the effects of the recession on the nonprofit sector, on the financial performance of foundations and on funding patterns, looking at the particular ways in which individual, foundation and corporate donors are responding to the economic climate.

Alongside the recommendations it offers for grantmaking in the downturn, the paper features a series of case studies, showing how a range of entrepreneurial philanthropists are responding to the challenges brought about by the recession. We hope that these examples will inspire you to think about new and effective ways to keep up your funding during the downturn, and we provide concrete, practical advice on doing so. Throughout the paper, we focus particularly on the ways in which smaller foundations are responding to the downturn, and on specific recommendations for how they can weather the storm and continue their giving during these tough times.

We hope that this white paper will provide you with the inspiration and tools you need for maximizing the impact of your philanthropic giving through the economic downturn and beyond.



Bill Woodson
Managing Director, Head of Family Wealth Management
Private Banking USA, Credit Suisse Securities (USA) LLC

Short Overview of the Philanthropic Landscape in the USA

6



The USA has the largest and most dynamic nonprofit sector in the world, with around 1.4 million charitable organizations operating at last count.

These organizations are an important part of the social, cultural and economic life of the nation, providing important services to millions of Americans, and accounting for around 10% of the national economy with revenues of up to \$1.4 trillion¹. Paid employees of nonprofit organizations make up 7.2% of the total workforce — more than utilities and construction combined — and if voluntary workers are included, that figure increases to 10.5% of working Americans².

This world-leading nonprofit sector is supported by individuals, foundations and corporations whose collective donations are equal to around 2% of US GDP — more than double any other nation. The most recent available figures are from 2007, and show the importance of charitable giving to the majority of Americans. *Giving USA 2008* estimates that Americans donated a record \$306.39 billion to charity in 2007, passing the \$300 billion mark for the first time, with around two thirds of households donating to charity. This figure shows a 3.9% increase on the previous year's total of \$294.91 billion (1% adjusted for inflation).

Gifts from individuals in 2007 totaled \$229.03 billion, 74.8% of the total; corporate giving was estimated at \$15.69 billion, 5.1% of the total; and \$23.15 billion in charitable bequests made up 7.6%. The fastest growing source of donations was foundation grantmaking, which at \$38.52 billion represented 12.6% of the total, a 10.3% increase on 2006.

Religious organizations received the most donations, at \$102.32 billion (33.4% of total gifts), followed by educational organizations at \$43.32 billion (14.1%); human services at \$29.64 billion (9.7%); grantmaking foundations at \$27.73 billion (9.1%); health at \$23.15 billion (7.6%); public-society benefit, which includes economic and community development, civil liberties and rights, public policy and consumer organizations, at \$22.65 billion (7.4%); arts, culture and humanities at \$13.67 billion (4.5%); international affairs at \$13.22 billion (4.3%) and animals and the environment at \$6.96 billion (2.3%)³.

Private foundations and donor-advised funds continued to be established throughout 2007, with the number of grantmaking foundations reaching almost 70,000 — a 75% increase over the last decade. The vast majority of these (over 90%) are small foundations with assets of up to \$10 million⁴.

These figures reflect the period of economic growth up to 2007, which saw income, wealth and foundation assets increase. While precise figures for 2008 are not yet available, the following section examines the historical precedents of the effects of economic downturn on charitable giving, and likely similarities and differences between current and previous recessions.

1 Giving USA Foundation, *Giving USA 2008*

2 Salamon and Wojciech Sokolowski, 'Employment in America's Charities: A Profile', 2006

3 Giving USA Foundation, *Giving USA 2008*

4 Internal Revenue Service

Historical Trends for Philanthropy in an Economic Downturn

8 How has philanthropy been affected during previous times of recession?

Philanthropic giving is affected by the performance of the economy. Donations, however, do not tend to contract as much as market contractions.



In fact, trends in years of downturn have historically been characterized by slowdowns in growth as giving fails to keep up with inflation, rather than reductions in the amounts of current dollars donated. This suggests that donors keep giving even when times are hard, although their donations may be worth less in real terms. This section provides an overview of data on how previous recessions have affected individual, foundation and corporate donations, and looks at how philanthropic trends in the current economic climate may compare to these precedents.

Statistics show that total philanthropy in the USA has increased in current dollars (before adjusting for inflation) every year since 1967 (the only exception being 1987, thought to be the result of a tax law change in 1986). After adjusting for inflation, total US giving has increased by an average of 2.8% per year. At times of economic stress or recession, giving in current dollars has historically grown more slowly than during times of economic growth, but it has still grown⁵.

In real dollars adjusted for inflation, however, giving does decline by an average of 1% during years with at least one month of recession, and the longer the recession, the greater the fall in donations. During years with eight or more months of recession, giving decreased by an average 2.7% per year,

⁵ Giving USA Foundation, 'Giving USA Spotlight', Issue 3, 2008

and in the economic downturns of 1973 and 2001, donations did not keep up with inflation for three consecutive years⁶. The recession of 1973–1975, the longest since Giving USA began recording philanthropic statistics in 1967, prompted a 9.2% fall in donations from start to finish, with a 5.4% drop in 1974 alone⁷.

Individual giving has increased by an average 2.7% per year since 1967, but has historically been harder hit than foundation and corporate philanthropy during recessions. The effect of economic downturns on giving by individuals is also more immediately visible, as they are less likely to plan their giving and budgets as far in advance as foundations and corporations, and therefore respond more quickly to changes in economic circumstances. Total donations from individuals declined on average 3.9% in real terms in the four years since 1967 with eight or more months of recession, and took two years to return to pre-recession levels⁸.

During the last recession, which ran from March to December 2001, individual donations fell by 3.9%. The greatest decline was in 1974, in the midst of a 16-month recession that began in November 1973, when individual donations fell by 5.3%.

Gifts from individuals make up three quarters of total donations. As a result, decreases in individual donations tend to have the most impact on the total. Although corporate and foundation giving have tended to decline less during recessions, it would be very difficult for these sources to fully make up for the fall in individual giving as they represent only around 15% of the total.

Giving by foundations (not including corporate foundations) has increased more than any other type of giving over the last four decades, jumping more than 500% since Giving USA Foundation began collecting data in 1967, with an average yearly rise of 4.3 %⁹. During years with at least one month

of recession, foundation giving fell by an average of 1%, and during years with more than eight months of recession, it fell by an average of 0.2%.

While this may suggest that foundation giving is less affected by recession than other types of giving, the reality is that the effect of recession on foundation giving tends to be delayed. This is due largely to the fact that many foundations decide their payout based on the performance of their endowments during the previous year, or even the previous two or more years, which means that any decline in giving caused by economic downturn will not necessarily happen until the years following a recession¹⁰. This was evident in the case of the most recent recession in 2001. The Foundation Center reports that giving continued to increase during the official recession, then fell by 4.4% over the following two years, but points out that this reduction is not as much as the 16% decline in foundation assets recorded between 2000 and 2002¹¹. This shows that foundation giving does not tend to decrease in line with reduction in asset value, and foundations have generally found ways to mitigate the effects of recession on their grantmaking.

Total corporate giving has increased by 3.2% per year on average since 1967. In years with at least one month of recession it has decreased by 1.8%, and during years with eight or more months of recession it has decreased by 1.7%¹².

Although the total dollars donated by corporations have generally been growing year on year, this growth has not kept up with the growth in profits enjoyed by businesses. The percentage of pre-tax profits donated by corporations has actually been falling throughout the last decade (excluding a slight increase in 2005 reflecting responses to natural disasters), and in 2006 and 2007 was static at 0.8% of pre-tax profits, the lowest percentage since the 1970s¹³.

6 Giving USA Foundation, 'Charitable Giving During Recessions Doesn't Keep Up With Inflation', 2008

7 Center on Philanthropy at Indiana University, 'Briefing on the Economy and Charitable Giving', 2008

8 Giving USA Foundation, 'Giving USA Spotlight', Issue 3, 2008

9 Ibid.

10 Foundation Center, 'Past Economic Downturns and the Outlook for Foundation Giving', 2008

11 Ibid.

12 Giving USA Foundation, 'Giving USA Spotlight', Issue 3, 2008

13 Giving USA Foundation, *Giving USA 2008*

10

The causes that US donors choose to support have not tended to change significantly during previous recessions, but there have been some observable shifts. The sectors that have consistently shown growth in donations during times of recession are human services and public-society benefit, with average increases of 5% and 4.8% respectively during years with eight or more months of recession¹⁴. This is likely to be the result of all types of donors responding to increased need for basic services such as food banks and homeless shelters during times of economic crisis. The only issue area that has tended to see a reduction in giving during years with eight or more months of recession is education, with an average decline of 1.9%. Other causes tend to see a slower rate of growth of donations, but not a decline¹⁵.



With 2008 showing a record 17.9% decline in US household wealth, there is no doubt that the upheavals of the last year and the uncertainty of the next will impact on philanthropy. However, the USA today has more individuals, foundations and corporations engaged in

philanthropy, more ways for them to get informed and involved, and more expertise in the field than ever before, and it is likely that this dynamic philanthropic environment will mitigate the effects of the current recession on charitable giving. Sean Stannard-Stockton of Tactical Philanthropy has even gone so far as to assert in *The Financial Times* that “we are in the midst of a second great wave of philanthropy”¹⁸, citing the powerful combination of baby boomers beginning to give away their assets; members of generation Y inspired to make a difference by volunteering experiences while in education; the development of web-based technology and the huge wealth creation and innovation of the last 25 years.

Differences and similarities between current and previous recessions, and potential consequences for philanthropy

The scale of the current economic crisis, the speed at which people are losing their homes and jobs, the widespread collapse of financial institutions and the global reach of the slump are leading commentators to compare this recession to the Great Depression. While even the most pessimistic economist would hesitate to predict a repeat of the years from 1929 to 1933, which saw 43 months of recession with a 25% decline in GDP and unemployment reaching 25%¹⁶, this recession could well be worse than any downturn the USA has experienced since the Second World War¹⁷.

This huge wealth expansion has led to the creation of an unprecedented number of philanthropic vehicles over the last decade, with the number of family foundations increasing by 60% in the six years leading up to 2007¹⁹. There are now around 70,000 foundations in the USA, along with more than 107,000 donor advised funds, and around 120,000 charitable remainder trusts²⁰. These hold assets totaling hundreds of billions of dollars, even after the decline in the market, all of which are earmarked for philanthropy. In no other recession has there been so much money already set aside for charitable giving and so many people committed to distributing it, and this should help keep donations from declining as much as they otherwise might.

It has been shown that when it comes to donations, the attitudes and fundraising strategies of nonprofits have a far greater

14 Giving USA Foundation, ‘Giving USA Spotlight’, Issue 3, 2008

15 Ibid.

16 Romer, Christina, ‘Lessons from the Great Depression for Economic Recovery in 2009’, 2009

17 According to the Business Cycle Dating Committee of the National Bureau of Economic Research, the USA experienced 10 recessions between 1946 and 2006, lasting between 6 and 16 months, with an average length of 10 months. The committee established that the current recession began in December 2007, and with the latest figures showing GDP down 2% and unemployment up to 8.1%, it is likely that the economy has not yet bottomed out. That being the case, March 2009 marks the 15th month of recession, which means that the current recession is certainly longer than the postwar average, and has so far

lasted longer than all but two other postwar recessions (November 1973–March 1975 and July 1981–November 1982).

18 *The Financial Times*, ‘The Second Wave of Giving Will Roll On’, February 10 2009

19 National Philanthropic Trust

20 Ibid.

effect on dollars raised than the strength of the economy²¹. According to research by Sage Labs, nonprofits that saw donations decline in previous recessions were those that were pessimistic about the effect the economy would have on giving. Some organizations believed that there was no money available and so scaled back their fundraising, effectively creating a self-fulfilling prophecy, while others continued to launch campaigns and engage donors, and tended to be successful. A good illustration of this was seen in the UK on March 13, 2009 where Red Nose Day (a high profile, nationwide fundraising campaign run by the charity Comic Relief every two years and culminating in an all-night celebrity telethon) raised a record £57 million (\$80 million) despite the recession, 42.5% more than the last event in the pre-downturn days of early 2007.

Entering 2009, there are hundreds of millions of donors willing to give what they can to help support nonprofits to keep doing their vital work. There are armies of professional fundraisers with an ever-expanding arsenal of sophisticated tools at their disposal, ready to use new and innovative ways to raise the donations needed to take nonprofit organizations through the downturn. These organizations are supported by many institutions such as Sage Labs, undertaking research such as that cited above, and the whole sector is empowered by technology that allows the dissemination of information instantly across the globe, and creates countless forums where such information can be shared and discussed. Although the current recession may be the worst we have seen in our lifetimes, nonprofit organizations and those that fund them are better equipped than ever before to deal with it, and together they undoubtedly have the capacity to sustain philanthropy through these difficult economic times.

There are now around 70,000 foundations in the USA, along with more than 107,000 donor advised funds, and around 120,000 charitable remainder trusts.

²¹ Sage Labs Research Journal, 'How Do Economic Downturns Affect Nonprofit Fundraising?', November 2008

Impact of the Current Economic Landscape on Philanthropy in the USA

12 Effect of the recession on the nonprofit sector

Recessions present huge challenges to nonprofit organizations. Need for the services provided by many charities is rising at an alarming rate as foreclosures, poverty, and unemployment increase, while the donations that fund these vital services are declining as income, wealth, corporate profits and asset values fall.



There is evidence from across the nation of the dire circumstances in which nonprofit organizations find themselves. A needs survey by the Greater Boston Food Bank in September 2008 found that over 90% of hunger relief organizations surveyed reported an increase in demand for food over the last year, while more than 50% experienced a decline in donations. Over 50% also reported having run out of food to meet demand in the previous year, with almost a third of those being unable to meet demand at every single distribution²². A report by five community foundations has calculated that an extra \$3.3 billion is needed to maintain the safety net in Pennsylvania and Ohio in 2009–2010 to meet increased demand for basic services such as food, clothing and shelter provided by public agencies and community nonprofits²³. The National Coalition for the Homeless reports that by April 2008 more than 60% of service providers had already seen a definite increase in homelessness due to the foreclosure crisis²⁴, and with one in eight Americans currently facing foreclosure or behind on their payments, the results of the survey they are currently undertaking are likely to show an even greater increase.

In February 2009, *The New York Times* reported that growing numbers of nonprofit organizations are going bankrupt and

²² http://www.gbfb.org/aboutHunger/documents/HungerUpdate_AgencySurvey-Results_1008.pdf

²³ *The Recession's Impact on the Safety Net in Ohio and Pennsylvania, 2009*

²⁴ <http://www.nationalhomeless.org/publications/facts/foreclosure.pdf>

being forced to shut their doors as they grapple with cuts in state funding and falling donations²⁵. A survey by the Silicon Valley Council of Nonprofits in January 2009 found that agencies were facing 'explosive and unprecedented' need for services, coupled with massive cutbacks in government funding and corporate donations, with 51% of respondents anticipating staff layoffs in the near future²⁶. Staff cuts at nonprofit organizations will of course also add to the growing numbers of unemployed people, many of whom will need to turn to overstretched charities for help after losing their income.

To understand the changing context in which funders and nonprofit organizations are operating, it is important to consider both direct and indirect consequences of recession. The economic downturn will have repercussions in many different areas, some of which may not be immediately obvious. As noted above, organizations are already experiencing more demand for services relating directly to the financial crisis, such as debt, housing and unemployment advice, and these problems can lead to an increased need for other services, such as mental and physical health support. There is also the possibility that recession could exacerbate social tensions, having a negative impact on tolerance and community cohesion. A report published by the UK-based Young Foundation in January 2009 warns of the impact of recession on psychological wellbeing, reporting that fear of unemployment and financial worries contribute to increased stress and anxiety that harms families and communities. The report shows that unemployed people are 2–3 times more likely to die by suicide than those in employment, and that those exposed to major financial stress are up to three times more likely to suffer from debilitating levels of anxiety and depression²⁷.

The recession is affecting every aspect of society, which will of course have consequences for the landscape of the nonprofit sector. As the context of society changes, and government,

the media and public opinion are focused on new and pressing challenges, other important issues can fall off the radar. For example, giving to education has suffered in previous recessions²⁸, as need for basic services such as food and shelter has grown. There has also been concern that the economic crisis will push environmental issues off the agenda, and indeed the Nature Conservancy, one of America's top-earning charities in 2007, announced in February that it was being forced to cut staff by 10% due to declines in donations and other income²⁹.

Along with challenges come opportunities, however. To make it through the recession, organizations will have to build on strengths and examine weaknesses, evaluate and learn from successes and failures, and prove their effectiveness to donors with less to give. They will have to come up with new and innovative ways to attract and maintain support, and to get as much value as possible from the financial and non-financial resources at their disposal. While some nonprofits will not survive the downturn, many of those that do will find that their relationships with important donors become stronger, bringing mutual benefit, and that good habits brought about by bad times will prepare them to prosper in the future.

Financials: shifting patterns in endowment performance and foundation payout

Foundation endowments have of course been impacted by 2008's precipitous decline in US and global markets, and this will undoubtedly have an effect on levels of grantmaking in 2009. A foundation's payout rate, which is the percentage of assets spent on grants and administrative expenses each year, must legally be at least 5% in the USA. While some foundations will decide to keep their payouts steady, which means their grantmaking will decline proportionally to their endowments, others will choose to increase payout in order to maintain or even boost grantmaking levels to support organizations in the face of increased need and possible declines in donations from other sources. A number of US foundations are also cutting

25 The New York Times, 'Charities Now Seek Bankruptcy Protection', February 20 2009

26 Silicon Valley Council of Nonprofits, 'Snapshot on the Economic Issues Facing Nonprofits', 2009

27 The Young Foundation, 'The Receding Tide', 2009

28 Giving USA Foundation, 'Giving USA Spotlight', 2008

29 The Chronicle of Philanthropy, 'Nature Conservancy lays off 10% of its Staff', February 11 2009

14

administrative costs, thereby freeing up much needed funds for grantmaking.

A February 2009 survey by the Council on Foundations found that foundation assets declined by an average of 28% over the course of 2008. Although this does not take into account grantmaking and associated expenses paid out or gifts paid in to endowments, it is an indication of the effect that the economic crisis has had on foundations' financial circumstances. Smaller foundations fared better than larger ones, with an average decline of 21% for foundations with assets less than \$10 million, and 24% for foundations with assets between \$10 and \$25 million³⁰. The scale of the losses suffered by foundations means that payout rates would have to increase fairly significantly to maintain levels of grantmaking. For example, a foundation with a payout rate of 5% that suffered the average loss of 28% of its endowment would have to increase its payout rate to 6.9% in order to keep levels of giving consistent.

The Council on Foundations is concerned that the excise tax law for private foundations could discourage foundations from increasing their payout rate at times of increased need and decreased resources such as this. As the law currently stands, the excise tax is 1% of net investment income for foundations whose payout rate for a particular year is larger than the average payout rate of the previous five years, and 2% if it is smaller. Therefore if a foundation increases its payout rate for a year or two and then returns to its previous rate, it will increase its average payout rate and risk paying the higher level of tax for the next five years. The Council on Foundations is asking Congress to flatten the tax to 1.32% for all foundations to remove this possible disincentive to increasing giving³¹.

A *Chronicle of Philanthropy* survey found a similar decrease in foundation asset values (28%), and reported that more than half of foundations surveyed planned to reduce grant budgets

Storing a percentage of excess investment income as reserves during good years can also help fund payouts in bad years.

in 2009³². Nonetheless, the same survey found that 28% planned to maintain their grants budgets and a significant minority (15%) planned to increase their giving in 2009 despite declining assets, meaning that at least 43% will be increasing their payouts and distributing a higher per-

centage of their assets in the coming year. The dramatic decline in assets that most foundations have experienced means that many of those that are planning to reduce grantmaking this year, coming in with lower total grants budgets than in 2008, will still actually be increasing their payout rate. The Foundation Center also reports mixed responses from foundations to their new economic situations. While many are cutting back on grants as their endowments dwindle, a few intend to increase their payout rate by enough to increase levels of grantmaking³³. One such example is the Bill and Melinda Gates foundation, which will award an extra half billion dollars in 2009, taking payout from 5% to 7%³⁴.

Times of recession can highlight the merit of smoothing out payouts based on a rolling average of asset values over 2 to 5 years. This means that although grant budgets may not increase as quickly as asset values in periods of growth, they are better protected from market volatility when things are bad. Storing a percentage of excess investment income as reserves during good years can also help fund payouts in bad years. Keeping reserves of cash or cash equivalents can help foundations through market downturns, as they will not be forced to liquidate depreciated assets to fund grantmaking. Jonathan Fanton, president of the John D. and Catherine T. MacArthur Foundation, goes even further, urging foundations with the flexibility to do so to operate countercyclically, reaching into

30 Council on Foundations, 'Asset Declines and Investment Strategy Changes by Family, Independent, and Public Foundations', 2009

31 Council on Foundations, 'Simplify the Excise Tax on Private Foundations', 2009

32 The Chronicle of Philanthropy, 'How Financial Assets at Big Foundations Were Affected by the Financial Market's Decline and How Much They Expect to Give in 2009', January 2009

33 Foundation Center, 'Grantmakers Describe the Impact of the Economic Crisis on Their Giving', 2009

34 Although this is a significant increase in grant dollars, it is however less than the foundation planned to award before the endowment lost an estimated 20 percent of its value.

their endowments and increasing their payout rate to support nonprofits and those they serve when it is most needed³⁵.

Funding patterns: impact of the recession on funding priorities, geographies and types of grantmaking

Although funding priorities do not tend to shift significantly during recessions, donors do consistently show willingness to respond to increased need and adapt their grantmaking to add value in changing circumstances. This has already become evident during this downturn, with increasing support for organizations providing basic services to the growing number of people relying on them.

The Foundation Center has tracked close to 50 foundations and corporations that have announced well over \$100 million in new grants and program-related investments to specifically address fallout from the economic crisis. The main beneficiaries are organizations dealing with housing issues such as foreclosure prevention, and emergency assistance such as food banks and homeless shelters. Several foundations have also funded research into the economic crisis, finding out why it happened and how to stop it happening again. One funder, the Texas-based Michael and Susan Dell Foundation, supported its current grantees by awarding 33 one-time 'surprise' grants of \$25,000 to recognize the work of organizations and fill any funding gaps caused by the recession.³⁶

Some foundations are not awarding additional grants, but have announced intentions to focus existing funds on emergency assistance and meeting basic needs³⁷, which may affect the levels of funding available to other types of organization. The *Chronicle of Philanthropy* reports that arts nonprofits across the country are suffering from a decline in income, as government, corporate and individual funders prioritize social services above cultural organizations³⁸.

As the downturn hits communities across the nation, many US funders are also deciding to direct their grants closer to home, and foundations of all sizes are stepping up to help meet needs in their local areas. In December, *The Oregonian* reported that donations to international aid organizations were falling, as the growing impact of the recession on local communities prompted donors to keep their dollars onshore³⁹.

With decreasing resources, funders are increasingly looking for the most effective ways to invest in their grantees and make assets work toward their mission. Many are turning away from program and capital grants⁴⁰, recognizing that nonprofits require general operating support to keep their work going, and need the freedom of unrestricted funds to respond to uncertain economic circumstances. Low-interest loans and program-related investments (investments to support charitable activities with the potential for the return of capital within an established time frame) are yet more tools that funders can use to get the most out of their assets. This is demonstrated by the John D. and Catherine T. MacArthur Foundation, which has announced \$34 million in program-related investments around housing issues and foreclosure prevention.

Leveraging endowments through mission-related investing is another strategy that can be useful for foundations during lean times. Defined as investment activity that seeks positive social or environmental impact as well as financial return, mission-related investment can allow foundations to use all of their assets in the pursuit of their objectives, not just the few percent paid out in grants. The FB Heron Foundation, which has been engaged in mission-related investing since 1996 and is the industry leader, reports that its investment strategy has resulted in better than average portfolio performance as well as increased social impact⁴¹. In fact, socially orientated investments such as microfinance have proven more resilient than

35 <http://www.philanthropyjournal.org/news/foundations-respond-crisis-part-2>

36 Foundation Center, 'A First Look at the Foundation and Corporate Response to the Crisis', 2009

37 Foundation Center, 'In Their Own Words: 2009 Giving Forecast'

38 The Chronicle of Philanthropy, 'Recession Hits Arts Groups Especially Hard', 2009

39 The Oregonian, 'Donations Fall for International Aid Groups', December 30 2008

40 Foundation Center, 'In Their Own Words: 2009 Giving Forecast'

41 Swack, Michael, 'Expanding Philanthropy's Reach: Mission Related Investing at the F.B. Heron Foundation', 2008

16 conventional investments in times of recession⁴². With conventional markets plummeting and the realization that short-term profit-seeking strategies with no regard for consequences are financially unsustainable, it is likely that more and more foundations will choose to align their investment strategies with their mission, setting an example to other investors and increasing their capacity for social and environmental change.

Differing responses: individual, foundation and corporate giving in the downturn

The recession has affected all types of donors — individual and institutional, high net worth and those of modest means. The Philanthropic Giving Index, which is similar to a consumer confidence index for giving, is at its lowest since records began a decade ago, falling to 64.8, which is a decrease of 27.7% over the past 6 months⁴³. Many donors are reducing their donations as a result of the recession, but some are deciding to step up and give more of what they have to help others in need. There is also an increased emphasis on effectiveness and results for the nonprofits that donors choose to support, as they seek to achieve maximum impact from their limited resources.

Reports from nonprofits across the country show mixed individual responses to the crisis. Some donors can no longer afford their regular donations to nonprofits, but in many cases growing numbers of individuals are feeling inspired to give what they can to help out those less fortunate than themselves. The shrinking amounts that they have to give, however, mean that even with growing numbers of donors, individual giving is not increasing in line with increases in need.

An October 2008 survey of individual donors by Bolder Giving found that 17% were planning to increase their philanthropy, while 21% planned to decrease donations and 52% planned to maintain their levels of giving⁴⁴. Surveys of nonprofits by com-

munity foundations in both Oregon⁴⁵ and Silicon Valley⁴⁶ in early 2009 found that more people were donating to emergency assistance organizations in the downturn. Donations were substantially smaller, however, and there were fewer large gifts, so total individual giving stayed stable or declined in most cases.

With many high net worth individuals hit by the huge decline in the markets, there was a 33% decline in the number of gifts of over \$1 million dollars in the second half of 2008, compared to the same period in 2007⁴⁷. Individual donors made 333 gifts of over \$1 million in the last six months of 2008, compared with 495 in 2007 and 386 in 2006. Although the rate of seven-figure-and-above donations is slowing as donors face uncertain economic times, it has by no means stopped. Wealthy individuals continue to announce large gifts to shore up foundation endowments and nonprofit organizations in the downturn.

As mentioned above, foundations have also been doing what they can to help out nonprofits and their beneficiaries in the crisis. Some are increasing their payout rate to distribute a higher percentage of their assets as grants, and reducing operating costs to free up more funds for grantmaking. Some are announcing new initiatives in response to the economic crisis, and some are redirecting their focus at the expense of other causes. Facing an average drop of almost 30% in endowment value, however, most will see a reduction in the levels of their grantmaking. A survey by the Association of Small Foundations found that of 350 respondents, 60% planned to cut their grants by between 10% and 50%⁴⁸. A number are also no longer taking on new grantees and avoiding multiyear commitments.

With the markets down and many businesses struggling, corporate giving is suffering going into 2009. Nonprofits all over America are reporting falling corporate donations as local, national and international businesses falter. Corporate pre-tax profits for the third quarter of 2008 were down 10.7% from the

42 Moro Visconti, Roberto, 'Global Recession and Microfinance in Developing Countries', 2008

43 The Center on Philanthropy at Indiana University, 'Nonprofits Say Overall Climate For Charitable Fundraising Worst Since 1998', 2008

44 Bolder Giving, 'Super Donors Continue Contributions Despite Economic Woes', 2008

45 The Oregon Community Foundation's Giving in Oregon Survey, 2009

46 The Silicon Valley Council of Nonprofits, 'Snapshot on the Economic Issues Facing Nonprofits', 2009

47 Center on Philanthropy at Indiana University

48 Association of Small Foundations, 'Snapshot Poll of ASF Members: Investment Portfolio Strategy and Performance', 2009

preceding year⁴⁹, which is a good indicator that corporate giving will decline in 2009. This is supported by a March 2009 report by The Conference Board, which found that although the economic crisis emerged late enough in 2008 to have minimal effects on 2008 grantmaking, 45% of corporations surveyed had already reduced their giving budgets for 2009, and a further 16% were considering doing so.⁵⁰ The survey also found that giving for event sponsorship and the arts would decline the most, and that there would be increased emphasis on measuring outcomes of corporate philanthropy.



Fiduciary responsibility: how the downturn has highlighted the need for diligent governance

It is the responsibility of a foundation's fiduciaries (its Directors, Officers and Trustees) to protect the foundation and act prudently and in good faith to ensure that it continues to be able to fulfill the purpose for which it gained its tax-exempt status. This includes ensuring that the foundation maintains its charitable status, and overseeing investments to guarantee the continuing financial health of the endowment. The emphasis on due diligence and prudent, long-term investment strategy for foundations has meant that the majority of foundation endowments, despite suffering major losses, have outperformed the stock market over the last year, which clearly demonstrates the importance and benefits of responsible and diligent actions on the part of those in positions of fiduciary responsibility.

At 28%, the average loss for foundations was not as severe as the 38.5% decline in the market overall as indicated by the Standard and Poor's 500 Index. Losses were substantial, however, and foundation fiduciaries have been reviewing their investments accordingly. 31.5% of foundations surveyed by the Council on Foundations in January 2009 had already changed investment managers, and a further 17.1% were

considering doing so. Around three quarters had not changed their investment strategy in response to the crisis, but 22% were planning to be more conservative in their investments. 60% of small foundations that did not previously have written investment policies

were intending to adopt one soon. Around half of foundations also reported shifts in asset allocation since mid 2008, with more than a third having increased their holdings of cash and fixed-income assets⁵¹.

Although most foundations will weather the recession, albeit with diminished assets, some have lost their whole endowments due to bad investments, and those responsible could now face penalties for this lapse in fiduciary responsibility. The most notable cases are those of foundations that invested heavily — some to the tune of their entire endowments — with financier Bernard Madoff, who was arrested in December 2008 charged with losing \$50 billion of investors' money. *The New York Times* reported in February 2009 that fiduciaries of the private foundations that had lost money with Madoff could be personally liable and subject to an excise tax, a penalty for failing to safeguard the tax-exempt funds under their stewardship that could add up to a total of \$1 billion for all those involved⁵². This unprecedented turn of events emphasizes the importance of exercising due diligence in every aspect of a foundation's operations.

The potential impact of President Obama's economic stimulus package on philanthropy

President Obama's American Recovery and Reinvestment Tax Act of 2009 includes new limits on the amount of charitable tax deductions that will be allowed for wealthy donors from January 2011. Currently, donors earning over \$250,000 who itemize their deductions can reclaim tax equal to their tax

49 Bureau of Economic Analysis

50 The Conference Board, 'The 2009 Corporate Philanthropy Agenda: How the Economic Downturn is Affecting Corporate Giving', 2009

51 Council on Foundations, 'Asset Declines and Investment Strategy Changes by Family, Independent and Public Foundations', 2009

52 The New York Times, 'For Investing With Madoff, Private Foundations Could Face Tax Fines', February 11, 2009

18

bracket, which is either 33 or 35 cents per dollar. Under the new law, this will be limited to 28 cents per dollar, increasing the after-tax cost of donations by around 10%. The funds raised will go towards a healthcare reserve fund of \$630 billion over ten years. The proposal has elicited varied responses from the nonprofit sector. Some fear that those affected by the new limits will decrease their giving significantly, while others predict that the effects will be negligible.

Representatives of both funder and recipient organizations including the Council on Foundations and Independent Sector have expressed concern that the changes may prompt donors to cap their gifts. They point out that charities need donations more than ever in the economic downturn, and therefore the government should be providing more incentives to give, not decreasing those already in place. Peter Orszag, Director of the Office of Management and Budget, has defended the proposal, saying that by the time the changes come into effect in 2011, the economy is expected to be recovering. He points out that the bill also includes other measures that would encourage giving, such as retaining estate tax at its current level. He adds that the purpose of the bill is to revive the economy and raise incomes, which is the best way to increase charitable giving⁵³.

The Center on Philanthropy at Indiana University has calculated that the new limits will affect approximately 2.9% of tax returns, and could reduce individual itemized giving by almost \$4 billion. It stresses, however, that this calculation is based solely on tax rates, and does not take into account other factors that could affect giving⁵⁴. The report adds that many wealthy donors in the higher tax brackets do not itemize their deductions, and instead pay the Alternative Minimum Tax at 28% so will actually not be affected by the new limits. Paul Van Der Water of the Center on Budget and Policy Priorities believes that any potential decrease in donations to charitable organizations will

over half of high-net-worth philanthropists would not change their donations even if they received no tax deductions

be offset by the healthcare reserve fund decreasing the burden on nonprofits having to provide healthcare to millions of uninsured Americans⁵⁵.

With the changes set to come into effect in 2011, it is also possible that some

donors will decide to make donations earlier than they otherwise would in order to take advantage of the higher tax break. This could potentially result in more donations to nonprofits over the next couple of years as they struggle with the recession, with any decline only coming when the economy is recovering and giving from other sources is growing

It has been shown that for most wealthy donors, tax incentives do not have a huge impact on their giving. The majority are motivated by the desire to meet needs and give back to society, with social connections and personal experiences also playing a part. Most wealthy households donate more than they can legally deduct. In fact, over half of high-net-worth philanthropists would not change their donations even if they received no tax deductions, and only 10% would dramatically decrease their giving⁵⁶.

Challenges and opportunities for small foundations

Over 90% of US foundations have less than \$25 million in assets. These small foundations play a vital role in many communities, and in the philanthropic life of the nation. While smaller foundations have on average fared slightly better in the downturn than larger ones, they have nonetheless suffered severe losses that will in many cases impact on their grantmaking.

Steep declines in assets coupled with increased need can seem to present overwhelming challenges to small foundations. With challenges come opportunities, however. The exceptional circumstances of the economic downturn will encourage smaller

53 <http://www.whitehouse.gov/omb/blog/09/02/27/TheBudgetandCharitableDonations/>

54 Center on Philanthropy at Indiana University, 'How Changes in Tax Rates Might Affect Itemized Charitable Deductions', 2009

55 Paul N. Van Der Water, 'Proposal to Cap Deductions for High Income Households Would Reduce Charitable Deductions By Only About 1 percent', 2009

56 Center on Philanthropy at Indiana University, 'The 2008 Study of High Net Worth Philanthropy', 2009

funders to think outside the box with their funding to achieve maximum value, and to reaffirm their commitment to the issues they care about. During difficult times, all types of stakeholders may also be more willing to collaborate and form alliances for mutual support and benefits.

There are likely to be increased opportunities for small foundations to take advantage of their unique capacity for nimble and responsive action in these volatile times, when it is most crucial. This nimbleness is an invaluable advantage in times of recession. Small foundations are able to make rapid decisions when necessary and allocate funds much faster than large foundations. This will be crucial for the growing numbers of nonprofits that are likely to need emergency support to keep providing vital services to communities hit by the economic crisis. Smaller foundations are also often deeply embedded in the communities they serve, with local trustees, and grantees concentrating on local issues. Their proximity means that they are in a good position to recognize increased need in their communities, identify the most appropriate interventions and respond quickly and effectively.

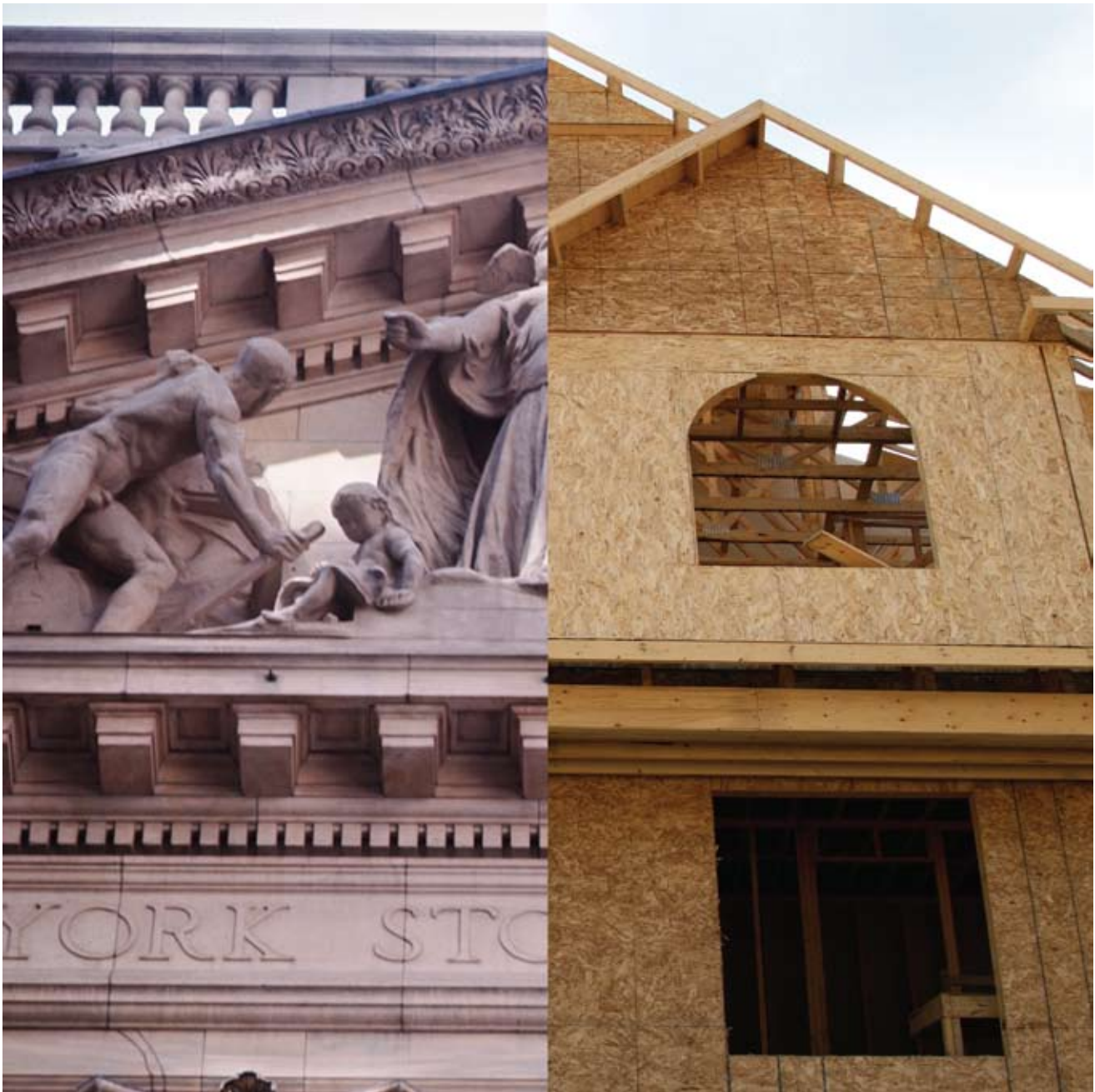
As need increases and nonprofits find resources being stretched, all types of funders may well see increases in funding applications, which can be an extra workload at an already busy time. As a result, now is a good time to reaffirm and reiterate funding priorities. Having a clearly stated mission statement can help discourage unsuitable applications, and make it easier to say no to those that don't fit. Clarifying mission and focus externally to others is also a good opportunity to reinvigorate and fine-tune a foundation's focus.

With less to give than larger funders, smaller foundations are always challenged with finding ways to achieve the greatest possible impact with their grants. This need for strategic thinking and intelligent, leveraged grantmaking is more important than ever during times of scarcity, when maximum value must be squeezed from every dollar. It can be beneficial to invest in building strategic grantmaking skills and expertise by consulting with philanthropy advisors such as those at Credit Suisse, or attending a donor education program such as The Philanthropy

Workshop at the Institute for Philanthropy. The case studies in the next section share various examples of strategic, value-added grants that alumni of The Philanthropy Workshop have made through their small foundations. Ideas include funding advocacy work to prompt wider policy change, partnering with established institutions that already have systems and frameworks in place that can facilitate projects, and pooling resources with other small funders. These case studies demonstrate the inspirational and strategic philanthropy being carried out by small foundations, in a variety of different locations and across a range of issue areas, to change lives and communities for the better.

Smart Giving in Tough Times: Recommendations for Philanthropists and their Advisors

20



Finding strategic and entrepreneurial ways to tackle social problems is one of the things philanthropists do best, and there's no reason why things should be any different during an economic downturn.

In the section that follows, we outline a series of recommendations for smart giving during tough economic times. Each one explores ways in which funders can turn the current economic climate into an opportunity to take a step back, reassess their philanthropy, and step back in armed with new and imaginative ways to really make an impact on the issues they care about.

One way that philanthropists can build new skills for strategic philanthropy during the downturn is to seek out donor education activities, such as Credit Suisse's client convenings on philanthropy and the Institute for Philanthropy's donor education program, The Philanthropy Workshop (TPW). Alongside the recommendations outlined below, we profile a series of dynamic and committed philanthropists from the alumni of TPW — all of them trustees of small family foundations — who are putting their learning into practice across a range of different geographies and social contexts.

While the ideas presented here can be helpful to philanthropists in any economic climate, we believe they are particularly pertinent during the downturn. In carrying out our case studies, we found funders successfully using these strategies to mobilize resources and the people around them, and respond effectively to the escalating needs brought about by the current economic slump. Their message is clear: strategic philanthropy is needed more than ever during the downturn, and with a little imagination, every philanthropist can rise to the challenge.

Understanding what nonprofits need

One of the first and most important things philanthropists can do during a downturn is reassess their funding priorities, making sure they're using scarce resources wisely to meet need where it is greatest. The best way to do this is by carrying out research on the issues and geographical areas where you plan to focus your grantmaking. Essential to this research is the building of respectful and open dialogues with the nonprofits working on these issues or in your chosen locality. Nobody knows better what these organizations need than they do themselves, and the ability to listen to nonprofit leaders to understand their work and concerns is the most important skill a philanthropist can have.

During the downturn, conversations with grantees or prospective grantees may reveal a need for general operations support, emergency grants or the release of binds on project grants to help organizations simply stay afloat. In the case studies that follow, philanthropists Maggie Lear and Dr Helen Bowcock tell how building relationships with grantees and carrying out research among nonprofits has helped them stay focused and strategic during the downturn.

Case Study:
MAGGIE LEAR
 The Frances Lear Foundation/
 Youth Justice Funding Collaborative

Maggie Lear's first reaction as the economic downturn began to tighten its grip across the country was to call up all her grantees and ask, "How are you doing? How are you handling things?" The response was sobering. Many organizations she spoke to were struggling to keep afloat; one had been expecting a \$100,000 grant this year from a foundation involved in the Madoff scandal, which has simply closed its doors. "So much is just going to come down to survival for these organizations over the coming years", she says.

It is no surprise that Maggie's instinct in these tough times was to reach out and open a dialogue with her grantees about how to deal with the current economic situation. Her style has always been to build partnerships with the organizations she supports, consulting them about how she can most strategically use her philanthropic dollars to help them work effectively. This has led to an increasing focus on funding general operations, a strategy that has been adopted by both Maggie's family foundation and the Youth Justice Funding Collaborative of which she is a member. Maggie asserts that while funding general operations can be a strategic approach under any conditions, it is even more important during an economic downturn. This is a moment to concentrate on keeping organizations afloat, and survival might look very different from growth. "Funders need to have the perspective right now that they're just going to be helping the organization get through a rough period", says Maggie. "They may get back into their growth period in the future, but right now it might just be a matter of maintaining their very existence."

Funding for general operations brings with it a series of particular issues for grantmakers. Unlike project funding, "you need to accept that you might not understand how every dollar of your general operations grant is spent, and you have to give up some of that control", says Maggie. This is where the issue of trust comes into play. Maggie always takes care to clearly evaluate the work of organizations before she decides to fund them, making sure that all the nonprofits she works with are effective, financially aware and planning strategically for their future. She stresses how important it is to believe in your grantees, and to build honest relationships where they can tell you "we tried something and it didn't work". Organizations, like people, can make mistakes, and it's important to allow for that.

General operating support also doesn't come with the funding timeframe provided by a project grant. In building her own timeframes for funding — and in line with her emphasis on sustainability — Maggie tends to use a multi-year strategy. This provides an opportunity to build long-term relationships with the organizations she supports, and to accompany them through the changes that inevitably take place from year to year. As such, Maggie seeks to fund grantees for a minimum period of three years, but in the case of the Urban Justice Center in New York, an advocacy organization providing legal services to under-represented communities, her foundation has provided general operating support for the last eight years and isn't planning on stopping. "This is an organization that is very vital here in New York, and we so admire their work. They've just done extremely well on not an enormous budget, and like most other organizations, they're really feeling the effects of the downturn. We won't be withdrawing our support, we're partners!" she says emphatically.

Maggie's appreciation of the value of funding general operations comes partly from personal experience. Over twenty-two years ago, her husband founded the Rainforest Alliance, a nonprofit that works to conserve biodiversity and ensure sustainable livelihoods through the transformation of land-use

practices, business practices and consumer behavior. The Rainforest Alliance has been the driving force behind many ground breaking initiatives, such as the introduction of timber certification for suppliers practicing responsible forestry. During the fourteen years that her husband ran this nonprofit, Maggie had the opportunity to see first-hand why operating support is essential to an organization, and how difficult it can be to find. The more she spoke to nonprofit directors through her funding activities, the more she saw this experience mirrored in other places, especially in under funded areas and smaller nonprofits. The New Orleans based organization Safe Streets, Strong Communities, which Maggie funds through the Youth Justice Funding Collaborative, is one example. The fundamental work of this small and dynamic organization, helping young people impacted by violence to stay out of the juvenile justice system, has become only more relevant post-Katrina and in the current financial climate. Core funding from the Youth Justice Funding Collaborative has been essential

“We would have to be in enormous trouble for me to vote on giving one fewer dollar this year than we did last year.”

in keeping it alive. Offering general operating support, says Maggie, “is a way of showing organizations that you trust them to identify their own priorities, and to work in the way that is best for them”.

An upcoming meeting at Maggie’s family foundation will determine whether her funding activities will have to change this year as a result of the downturn, but Maggie asserts that “we would have to be in enormous trouble for me to vote on giving one fewer dollar this year than we did last year. It would

only be under very dire circumstances that we would have to do that.” Her continuing focus on providing core support to the organizations she most cares about may well prove to be a lifeline ensuring their survival.

Maggie makes the following recommendations for giving in these tough economic times:

- Give to general operations — or release binds on project grants — to help organizations make it through the downturn. If you haven’t funded general operations before, talk to nonprofit directors about how this kind of support is different from project funding.
- Don’t get hung up on the idea of growth. Some charities won’t be growing now and that’s ok, the emphasis during a downturn needs to be on their survival.
- Think very carefully before offering matching grants right now. It could be really hard for organizations to find the match until the economic situation improves, making this a counterproductive strategy.

Case Study:

DR HELEN BOWCOCK

Hazelhurst Trust/Surrey Community Foundation

When Helen Bowcock and her husband Matthew set up the Hazelhurst Trust a few years ago, they thought that doing their own philanthropy would be easy. The first thing they did was register with the UK Charity Commission, and a flood of unsolicited funding applications immediately fell through the door. “We realized this could be trickier than we’d expected!” said Helen, and it was then that she and Matthew began to explore ways of developing a strategic and effective approach towards their grantmaking.

Home for Helen is the British county of Surrey, a short distance from London. The county has recently gained a community foundation, one of the last to be established in the country. Helen was surprised to learn through the community foundation that despite the county’s extensive charitable infrastructure, there were numerous pockets of poverty in Surrey experiencing the same social problems you might find in inner-city areas.

The Hazelhurst Trust began to fund through the Surrey Community Foundation, which provided a welcome structure for its philanthropy, but after a few years there was a need to refocus. “One of the challenges of working through something like a community foundation and pursuing a local strategy is that absolutely everybody will apply to you for funding from a vast range of organizations”, says Helen. “That was all fine in the beginning, but at some point we began to think, what is the most acute need here? And where can we have the greatest impact?” The Surrey Community Foundation decided to carry out a needs assessment survey. The initiative couldn’t have come at a better time. With the sudden economic downturn threatening to reduce the funds available to Surrey’s

donors, it was essential that the foundation should be able to advise on current funding priorities in the region.

Helen, who has research experience and a PhD in sociology, offered to take on the project. She designed the survey principally around a qualitative approach, partly because in Surrey statistics can be deceptive, concealing the pockets of poverty that the survey was designed to reveal, and partly because she felt that the human side of the research would be most compelling to donors. Helen began by canvassing opinions among Surrey Community Foundation trustees and others who had supported the foundation, mapping the different sources of funding available to Surrey’s charities and asking what characteristics particular to Surrey might exacerbate the region’s social problems. She also investigated the social changes currently taking place in the area.

Next she conducted a literature review, looking at government reports on nonprofits and particular social issues across the county. Finally, Helen carried out twenty-five case studies of charities in the region, representing a range of different issue areas. Here she drew on her learning from the Institute for Philanthropy’s Philanthropy Workshop, exploring how each organization defined and strategically addressed the problems they were working with. Helen looked especially at organizations doing really valuable work below the public radar, and at areas of under-funded and emerging need, such as that among teenage mothers who were particularly marginalized throughout the county.

The needs assessment survey provided a much-needed overview of Surrey’s social problems and the nonprofits working to combat them, and Helen affirms that it has given her and the Surrey Community Foundation “a real sense of the current order of priority in our local area”. Helen is already applying her findings directly to her funding strategy. Her trust recently made a grant to a local drama school working with young people to create plays around relevant social problems, such

as teenage pregnancy, which are then performed in schools around the county.

Helen's survey also revealed a series of concerns for charities in the region, such as the uncertainty felt around the potential withdrawal of government support during the downturn, and a frustration with the emphasis placed by many funders on project work and innovation. As Helen discovered, "there's a paradox here because some of the most innovative organizations are innovative about what they do, but they simply want to stick to their core competence and do that well. There's a

Researching the area you want to fund, asserts Helen, is an essential step towards defining your priorities and developing an effective funding strategy, especially when funds are scarce.

really strong case here for saying: develop a dialogue, build up the trust, back the leaders to do what they want to do and build some flexibility in there so they can adapt to changing circumstances".

Helen recalls that, when she first began to develop her philanthropy, she was somewhat intimidated by the world of the nonprofit sector, which then seemed very distant and unknown. She had been especially nervous of peoples' reactions to her as a funder. What most struck Helen while carrying out her research for the Surrey Community Founda-

tion, however, was "how much nonprofits want dialogue with funders, and how eager they are to tell their stories". She was also struck by how much, as someone with an entrepreneurial business background, she identified with these organizations in the uncertainty of current times.

Researching the area you want to fund, asserts Helen, is an essential step towards defining your priorities and developing an effective funding strategy, especially when funds are scarce. She also sees it as a great opportunity for starting to build relationships with potential grantees. Helen is quick to affirm that you don't need a PhD to do your funding research. "A lot of people that find themselves in philanthropy have a real social imagination and an interest in solving problems in the world around them", she says. "In some ways that's the most important thing, because in the end, the only skill that I was really using in my research was the capacity to talk to people, and we can all do that!"

Helen's tips for strategic and effective philanthropy in the downturn:

- Try to see the silver lining in the current economic downturn. This is a great time to do your research, identifying funding priorities and bringing focus to your grantmaking.
- Don't imagine barriers. Charities should more than welcome the opportunity to discuss their needs and priorities during the downturn. Go and talk to them!

26 Stepping up to meet the need

In an economic downturn, charitable needs rise in response to escalating unemployment rates and the growing numbers of people losing their homes. This puts extra pressure on service providers and nonprofits, at a time when governments may also be cutting back on their funding of public services. If philanthropists also cut their grantmaking at this time they may be removing the last lifeline that could keep many nonprofits afloat during these difficult times, and it therefore becomes essential that funders do everything in their power to prevent cutting back.

While many small foundations will have a knee-jerk reaction to the recession, pulling in the reins on their funding as they see asset values decline, it may be worth considering whether the logic for cutting funds is really so strong. In this section's case study, we explore the issue of increasing payout temporarily to maintain funding levels during the downturn, and philanthropist Nicholas Ferguson makes a compelling case for why this actually makes sound financial sense. In addition, we look at the strategy of spending down (or 'sunsetting'), in which a philanthropist or foundation commits to giving away their philanthropic funds during their own lifetime, rather than maintaining an endowment in perpetuity. As need rises in the downturn, this could be the perfect time to adopt such a strategy, freeing up funds at a time when they're really needed.

Case Study: **NICHOLAS FERGUSON** Kilfinan Trust

"Charitable needs go up not down in a recession" says Nick Ferguson. "It might be easier to do philanthropy when times are good, but it's more important when they're hard." As chairman of the Institute for Philanthropy and trustee of the Ferguson family's Kilfinan Trust, Nick urges philanthropists to think carefully before cutting their funding during the downturn. Not only do charities need financial support now more than ever, he asserts, but if funders sit down and do the math, they'll see there's no financial logic in it either.

In the UK, corporate gifts make up on average only 0.5% of a company's profits. So even if profits are down by 30%, says Nick, that's not going to make that much of a difference in real terms for philanthropic spending. While the story becomes a little more complex in the case of foundations and charitable trusts, where capital values have fallen, even here Nick argues that there's no real need for cuts. In the UK, many foundations have a spending rate based on last year's asset value, meaning that available funds fluctuate each year with the markets. At London's Courtauld Institute of Art, however, where Nick is chairman of the governing board, a four-year trailing policy — such as that employed by many US foundations — is used to determine spending rates, allowing the Gallery to operate flat without any one year creating fluctuation.

"I think it's a great pity that so many major foundations have announced such severe cuts", says Nick, "because mathematically they're in it for the long run, which means they don't have to do it. They could keep spending up at a higher rate and just keep the stream running. Obviously if the stock markets were going to zero this would be a problem, but they're not. They'll have a few years where their spending rate is higher than it should be, then when the markets recover there'll be a few years when it's lower than it should be and things will balance themselves out". As such, there's no real reason why foundations can't maintain spending rates during the downturn if they want to, says Nick, giving the example of the Gates Foundation

which is in fact increasing its spending slightly this year. “I know there’s a knee-jerk reaction to reduce everything in a recession” he admits, “but it really shouldn’t happen if you take the combination of need going up and the necessity to cut simply not being there”.

Nick is committed to practicing what he preaches, and the Kilfinan Trust will not be making cuts this year. In fact, he and his wife Jane have recently adopted a spend-down strategy, choosing to give away the Trust’s assets within their own lifetimes. As part of this strategy, they’ve begun to keep aside three years spending in cash, while running a portfolio with the rest of their philanthropic capital. This ensures that they will always be able to commit to at least three years of funding, whatever the markets look like.

The decision to spend down has given the Fergusons and their three children the resources to invest heavily in the issues they care about today, without having to worry about reserving funds for the distant future. Most of their grantmaking is done through the Scottish Community Foundation, and they’ve concentrated on the Argyll region where their home in the village of Kilfinan is located. Argyll’s population has fallen 40% over the last 30 years due partly to high unemployment levels, which have forced young people out of the county to

Spending down is a personal decision, but one that Nick thinks philanthropists should at least consider.

look for jobs elsewhere. Aware that opportunities need to be created to keep these young people at home if Argyll is to thrive, the Fergusons have invested in a job creation scheme, which makes grants and interest-free loans available to small entrepreneurs whose enterprises will create jobs for young people in the region. In addition, the Kilfinan Trust has seed funded the local replication of the successful British Home-Start scheme on the nearby Cowal Peninsula, a program which trains volunteers to support vulnerable families with

small children through a system of key preventative interventions early on in their lives.

Nick says the decision to begin spending down wasn’t a difficult one to make, as he and Jane have no desire to leave a trust for others to administer after they’re gone. When the markets crashed last year, he recalls, they discussed lowering their spending rate, but decided not to. “And if the market stays down?” says Nick, “well, that will just mean we’ll be out of the game earlier! It’s not written anywhere that the Fergusons have to be in the charity field forever.” Spending down is a personal decision, but one that Nick thinks philanthropists should at least consider. Many take it for granted that their foundations should live on in perpetuity, but have never stopped to ask themselves if that’s what they really want.

With so much charitable need in Scotland right now, Nick won’t be letting the downturn get in the way of his philanthropy. He offers the following advice for those who feel the same:

- Do the math and think long term about whether cutting your funding is really necessary in the downturn. You may find there’s actually little logic in making cuts.
- Keep some cash separate from your investment portfolio. Doing this will enable you to stick to your commitments in a downturn.
- Consider spending down — it’s much more fun to give it all away in your lifetime!



Assuming leadership

Those who assume leadership in their philanthropy draw on a range of skills and resources to become advocates for the causes they support. These resources go far beyond the financial, and include: deepening relationships with grantees; convening stakeholders to work together to solve problems; going public to put your name to a cause and using your imagination to create new initiatives for social change. In the case studies that follow, we see a range of different leadership styles adopted in support of causes as diverse as a community arts initiative in Texas, human rights in Europe and a local hospital in Ontario, Canada. In all three cases, whether working at local, regional or international levels, philanthropists Donna Wilhelm, Catherine Zennström and Al Pace display the same drive, passion and commitment to the causes they care about. Using a wealth of creative ideas, these funders demonstrate how to successfully mobilise others to bring about change, at a time when non-financial resources can be as valuable as philanthropic dollars.

Case Study: DONNA WILHELM

Donna Wilhelm has always been an active supporter of the arts. As such, she was delighted when she found herself in the midst of an artistic and cultural renaissance in her home town of Dallas, Texas. Nearly \$360 million had been raised, mostly through private funding, for huge investment into the North Texas arts scene, and for a series of architectural projects that would leave the city with some of the finest new buildings in the world. However, as a firm advocate of community involvement in the arts, Donna knew that in order to really put Dallas on the map as a cultural center, it was important to encourage its people to feel proud of and engaged with their city's new cultural image. Donna was also concerned that some constituents of the North Texas region were being left out of this movement, and she felt keenly that something must be done to help everyone to recognize the changes taking place and feel invited to take part in them.

Donna is a board member of North Texas Public Broadcasting/KERA, and felt this would be a good place to start brainstorming about how to promote wider community engagement with the region's flourishing arts scene. From the start, she knew this was a project that she wanted to immerse herself in, "walking the walk" with a really hands on approach. In partnership with Public Broadcasting, Donna, as lead donor, supported KERA staff members who engaged consultants and began to run focus groups, and an idea emerged in the form of Art&Seek: a major interactive website providing free access to a multi-media arts calendar, information and substantially increased programming on arts and culture in the North Texas area, with custom input from all kinds of arts organizations and a blog to encourage direct community involvement. Donna's start-up investment of \$500,000 funded executive staffing of the project with two people who'd recently been laid off by a local newspaper forced to make cuts, and committed to paying their salaries and underwriting the cost of the project during its pilot year. A professional webmaster and technology experts were hired to expand the community service capabilities of the initiative.

Art&Seek has been an enormous success, currently listing 1,000 events per day and receiving 60,000 users each month. One of its greatest features is its ability to cross boundaries in its outreach, bringing together members from North Texas' diverse communities through the universal language of the arts. Contributions from

the region's Hispanic population, for example, and from African-American writers and musicians in Dallas' small jazz clubs reflect just part of the diversity of artists featured on the site. True to its aims of promoting inclusive community engagement, Art&Seek has become a dynamic forum for showcasing the work of these smaller outfits that get little coverage in other arenas despite representing a large part of the region's cultural scene.

One of the most challenging aspects of Art&Seek for Donna has been taking on a public leadership role to tell people

She [Donna] plans to help Art&Seek move towards sustainability through small community donations, and has launched a matching grant scheme for donations of up to \$1,000

about the project. "I realized that none of what my vision entailed was really going to happen if I wasn't a public advocate" she says. "I know how I fund when someone I know and respect is eloquent about something they believe in. I want to step up because I know them, not because it's a letter that comes through the door or somebody I've never heard of." Donna had never taken on such a public role before, but when she found the courage to do so, this quickly became one of the most fulfilling aspects of the project. It was like discovering "a whole other dimension of myself", she recounts, "like finding a new voice, and it actually felt really natural". Donna also discovered that she had a natural talent for this kind of philanthropic leadership, and she was delighted by reactions to her new public role: "the surprise for me was the recognition and acknowledgement and enormous goodwill. It's been such an inspirational force and a motivator for people and I never expected that at all. That has just been a wonderful payback in a very unexpected way."

Donna acknowledges that the success of Art&Seek has been dependent on her passion and commitment. In fact, the investment of her time and creativity has been as important as her financial support in bringing the project to life. This commitment has also made Art&Seek the most fulfilling of her philanthropic activities, "and that's because of the leader-

ship aspect of it" she says. "It's personal engagement and being involved in starting a programme and really having a vision about it. That was enormously rewarding for me."

One big challenge for Donna has been finding an exit strategy to decrease Art&Seek's dependency on her as principal funder. Donna had no experience in this area and laments not having designed such a strategy from the beginning, a concern that has become even more pertinent in the current economic downturn. "I intended to be an angel donor and then just hand over to someone else", she says, "but that's not how it worked out!" In order to ensure the site's survival, Donna is now in the process of developing a creative and responsible exit strategy. She plans to help Art&Seek move towards sustainability through small community donations, and has launched a matching grant scheme for donations of up to \$1,000, with the tag line: "If you love the arts with a big heart and a small budget I will match you dollar for dollar!" While not reducing her financial commitments in the short term, the matching scheme will do so in the medium and longer term, and in the process will provide a broader and more stable base of community support for Art&Seek.

Donna's dynamic solution to her desire to see wider community engagement with the arts in North Texas reflects a style of philanthropic leadership based on finding her own strengths and using her non-financial resources as creatively as her financial ones. "There's a stereotyped image of leadership that a lot of people carry with them" she says, "and personally I think of leadership as a shared vision. If I step up for this because it's a motivation of mine, that doesn't mean I have to stay at that level. It's good to build others into the plan. There can be many different interpretations of what leadership means to different people, and at different stages of our lives". For philanthropists seeking their own interpretation of leadership, she has the following advice:

- Don't waste time worrying about or attempting to do things you know you're not good at. Define and focus on your strengths to use them as much as possible, think of them as important resources that can complement financial contributions.
- Prepare an exit strategy early on. Think creatively about how you can engage other donors — big and small — throughout all phases of the project. This will help expand and sustain the viability of the organizations to which you are committed.

Case Study:

CATHERINE ZENNSTRÖM

Zennström Philanthropies

When Catherine and Niklas Zennström set up Zennström Philanthropies in 2007, they were immediately drawn to the idea of developing a truly engaged style of philanthropic leadership. They wanted to become advocates for the causes they care about, building enduring partnerships with their grantees and supporting them in a diversity of ways of which financial support is only one.

Zennström Philanthropies funds in three areas — human rights, climate change and social entrepreneurship — and Catherine oversees the human rights portfolio. She stresses that the driving force behind her philanthropy is her desire to put an end to the abuse of human rights. “It’s important to look at the basic reason for building a philanthropic structure” she says, “we want to advocate on behalf of particular issues, and the nonprofits are the partners you choose to help you do this.” It is this wider goal that provides the motivation for Catherine to oversee the daily practicalities of running Zennström Philanthropies. “Ultimately what gets me up to go to work everyday” she says, “is the belief — and hope — that we can really make a difference to the protection of human rights.”

Catherine thinks about her philanthropy as she would a business investment. In both kinds of venture, she asserts, you need to know where you want to go, and you need to have a strategy to get there. Working with a coalition of nonprofits and key actors is vital to this strategy, and during the foundation’s first year, Catherine began by mapping the landscape of organizations involved in the defence of human rights across Europe. This was a time-consuming process but a rewarding one; it enabled her to build up a holistic picture of who is

working on this issue and how throughout the region, from grantmakers and nonprofits to government bodies, other EU institutions and individuals in different sectors. Motivated to work in the defence of human rights by a deep concern for fairness and justice, Catherine chose not to focus exclusively on any one aspect within this landscape, but to work across the board. She believes this helped her to appreciate the wider picture, understanding how different issues fit together and affect one another.

The second part of Catherine’s strategy was to identify the key players in the field and work out which ones she could most effectively partner with. As difficult as that might sound, she says that having researched the field so thoroughly it was in fact quite easy to choose these organizations. She then began building relationships with them, and it is in this aspect of her work that Catherine’s own style of philanthropic leadership really comes to the fore. For Catherine, the philanthropist-grantee relationship is best defined as a working partnership, with both sides committed to the pursuit of a common aim. As a partner to the organizations she funds, Catherine sees her role as drawing on a range of resources at her disposal in order to work together with her grantees to achieve the goals they have in common. In this sense, she considers financial support as just one of many tools in her philanthropic toolbox. Her time, network of contacts, the use of her name in the public defence of human rights and the ability to bring key actors together around the same table are some of many others. Zennström ‘grantee days’ are a dynamic example of this latter resource, designed to give the various organizations in the Zennström funding portfolio the opportunity to explore ways in which they can work together and support one another.

In order for the relationship between Zennström Philanthropies and its grantees to become a successful working partnership, it is important for Catherine to believe in her grantees and to communicate that belief to them. One way of doing this is by providing general operating support rather than

project funding. “When you buy stock on the stock market” she says, “you never go to your trader and say ‘I would love to buy stock from Nike, but I don’t like their caps. I like their shoes and I like the shorts, but I don’t like the t-shirts.’ Either you believe in the company, and therefore you invest in it, or you don’t. The concept is the same for nonprofits.”

An example of Catherine’s approach can be seen in the committed partnership she’s built with major grantee Human Rights Watch, which led her to become an International Board member. After a lengthy process of getting to know

During Zennström Philanthropies’ first year, Catherine and Niklas chose to stay out of the public gaze in order to concentrate on developing their funding strategy.

Human Rights Watch and its work, Catherine invited the organization’s director to think about how he could best use her support. He came back with a proposal for a new office in Paris. Zennström Philanthropies duly offered Human Rights Watch support on two fronts: seed money for setting up the new office and the offer of acting as a sounding board and engaged advocate in ensuring its success.

During Zennström Philanthropies’ first year, Catherine and Niklas chose to stay out of the public gaze in order to concentrate on developing their funding strategy. They soon began to realize, however, how much more of a difference they could make by becoming public ambassadors for the causes they support. Catherine’s confidence around using her influence to persuade others of the need to protect human rights

has since grown. In December 2008, for example, she attended the signing of the convention on cluster munitions as a representative of Human Rights Watch. This took up three days of her time, but she recognizes that it was a great way to show her support. “Just showing up makes a huge difference”, she says. “It’s a way of saying ‘this organization is worth my time’.”

Catherine knows that funding in an area as complex as human rights may mean it takes longer to see the concrete results of her philanthropy. But she is confident that, in the long term, her approach to grantmaking will lead to a bigger impact in the field than a less engaged philanthropic style. “Zennström Philanthropies’ work is not just about investing in nonprofits” she says, “but about really working with them in the pursuit of a particular objective that we have in common. That for me is being engaged and a real advocate for change.” In line with this approach, Catherine affirms that Zennström Philanthropies will be sticking to its commitments during the economic downturn, and she offers the following tips for funders interested in assuming a leadership role during these difficult times:

- Decide on a strategy and the goals you want to achieve, then seek out the organizations which are best suited to achieve them. Follow up with these organizations and support their development towards those goals.
- Work out your philanthropic DNA. Are the assets you have to offer right now 90% funds and 10% engagement? Or the other way round? This will help you develop your funding strategy.
- Sit down at the table with your grantees and be honest. Discuss openly how you can work together to optimize reduced philanthropic dollars.
- Money isn’t the only tool in your toolbox: put your name to the cause you support.

Case Study:
AL PACE
 Pace Family Foundation

For Al Pace, effective philanthropy is all about “levering up beyond the check”. A great example can be seen in his work in support of the North Bay General Hospital in Northern Ontario. North Bay is the city where Al grew up, and where his father delivered over 10,000 babies during his career as one of the leading and most well respected doctors in the community. Although Al funds principally within disadvantaged communities in Africa and India, when the project to build a new and much needed hospital in North Bay came to his attention it felt natural to do some giving closer to home. “Our family has a great connection with the City of North Bay”, he explains, “and so we thought this would be a good place to focus some effort in terms of making a donation and honoring my parents for their work in the community. But it was also a great opportunity to use my father’s name recognition to help the hospital raise money”.

Al’s first action after consultation with the hospital foundation’s chief executive was to make a large donation to the fundraising campaign. But he branded this a matching grant, to help the hospital encourage other funders to give to the campaign. Next Al volunteered to appear in a series of television and radio advertisements to broadcast his family’s support for the hospital. Al says: “it was just about using the absolute maximum amount of leverage. We used a picture of my dad, and my dad and moms’ name, we used the matching grant, and everything we could muster to try and get the greatest amount of money for the hospital”.

Al had prepared himself for going public, thinking that this might bring some unwanted reactions. But he was happy

to find that friends and strangers alike were overwhelmingly supportive and admiring of his work. A big surprise was the first check that fell through the door after Al began his campaign. It was from a family who had been friends with Al’s family for many years, but lived out of town and had no real connection with North Bay. They’d been impressed with the Pace family’s involvement and wanted to help out, proving how worthwhile it was for Al and his family to put their name to this cause. Another surprise was the range of people who stepped up to help fund the hospital. When the man who fixes Al’s furnace at his cottage up north told him that he’d made a contribution, Al realized that this had become a real community effort. By the end of the year the campaign had become a huge success, raising more than expected for the new hospital.

Encouraged by the success of their work in North Bay, the Pace Family Foundation began looking for their next project. Al and his wife Kristin wanted to return to their previous focus on Africa and started to research widely among a range of different organizations around the globe. Nothing seemed quite right until they hit on the Stephen Lewis Foundation. Al recalls: “we looked around for a long time and then all of a sudden: whoa! Stephen Lewis. Right in front of us! Why were we looking so far afield? Stephen Lewis is Canadian and I’ve always admired his work. And there he was, four blocks away in his office.”

After many years in an impressive diplomatic career, as Canada’s Ambassador to the United Nations, UN Secretary-General’s Special Envoy for HIV/AIDS in Africa and Deputy Executive Director of UNICEF in New York, Stephen Lewis had set up a nonprofit working with people suffering from HIV and AIDS in Africa. Since 2003, it had worked in fifteen countries with hundreds of community-level projects, particularly with the heroic grandmothers who step in to care for their grandchildren orphaned as a result of HIV/AIDS. Al called the Stephen Lewis Foundation and said “we want to make a significant donation but is there anything else we can

do besides putting up the money?" His call came at the right time. The foundation was just in the process of launching the Turning the Tide Fund, a fundraising campaign aiming to raise a significant amount of capital to enable it to expand

Al sees the economic downturn as a time of urgency for nonprofits, and urges funders to step up their support. "Philanthropists of the world unite!" he says. "If you've got it, give it. It's needed now more than ever. There's never been a better time to step it up."

its activities over the next five years. Al saw potential for helping kick off the campaign, and offered to go public about his contribution and to dedicate time as a champion of the Foundation's cause. It is perhaps no coincidence that Al now found himself working again in his local community, even if this time the beneficiaries of his philanthropy were many miles away. Choosing to work with a Canadian nonprofit meant that Al could once again mobilize his own networks and take an influential leadership role in support of a cause he truly cares about.

Al sees the economic downturn as a time of urgency for nonprofits, and urges funders to step up their support. "Philanthropists of the world unite!" he says. "If you've got it, give it. It's needed now more than ever. There's never been a better time to step it up." For funders thinking about stepping up to assume leadership during the downturn, he gives the following advice:

- Focus on what nonprofits need right now. Many organizations are seeing their operating support pulled out from under them and could be saved by a sustainability grant. The important thing is getting that money out the door.
- Be up front about the amount of time you can commit. Organizations need to know what they can expect from you.
- This is a great time to be a champion for your cause. Jump in there with two feet, using your money and your resources in any way you can.

34 Leveraging for impact

When financial resources are thin on the ground, smart philanthropists seek ways to leverage their dollars and add value to their grantmaking in order to keep on making a difference. There are many strategies for leveraging your philanthropy. One, as demonstrated in the case study of philanthropist Jill Iscol, featured below, is to look for institutions and organizations to partner with in the development of new ideas. When used strategically in the right place at the right time, the gift of a small family foundation can quickly be transformed into a multi-million-dollar budget through the leveraging of funds from other philanthropists, corporate foundations and government sources. In addition, embedding a program within an already existing institution provides a strong structural framework to draw upon in developing a project.

In the case of Canadian philanthropist Julie Toskan-Casale, an innovative schools program provided an inspirational way to support small community nonprofits while simultaneously creating a generation of civically-minded young people. As will be seen below, Julie has created even greater leverage for her program by successfully replicating it across geographies, thereby adding value to her philanthropy while avoiding the costly process of developing a new initiative from scratch. Every grantmaking scenario is different and funders can draw on their imagination to find ways of leveraging and adding value to their particular program or donation. We hope that the inspiring stories of these two philanthropists will give readers ideas of how they might adopt such an approach.

Case Study: JILL ISCOL IF Hummingbird Foundation

Leveraging philanthropic dollars takes imagination, commitment and an ability to build effective partnerships, and Jill Iscol has all three. Jill's approach to her philanthropy is constantly evolving, but a key moment was when she and her family stepped back to put a frame around their interests, and defined the mission of the IF Hummingbird Foundation: to support domestic and global efforts that strengthen democracy, and reduce the social justice, economic and educational inequities that threaten it.

The Foundation's biggest project to date, and one that clearly demonstrates Jill's talent for adding value in her philanthropy, is the Iscol Family Program for Leadership Development in Public Service, designed in partnership with Cornell University. The idea for the program came about during the late 1990s. For three years, Jill had been working with then Vice-President Al Gore as Chair of his Family Reunion Conference. Throughout the initiative, she came to admire the many policymakers, nonprofit leaders and other experts who were working on a range of family policy issues. The technology boom, at its peak, was enticing college graduates with its lure of tremendous financial awards. Yet Jill was struck by the commitment of the brilliant and gifted young people she was meeting who had decided to devote their lives to the nonprofit and public sectors. She wondered, how can we motivate and inspire more young people to choose these kinds of careers?

Jill drew upon her contacts at Cornell to design a program that would bring public sector and nonprofit leaders, Iscol fellows, to the university campus. They would meet with undergraduates for a day and a half, and give a lecture to students about the personal stories that led them to choose a career in public service and how they built their organizations. The program also linked students to internships with the fellows' programs. The leadership program is a great example of how an endowment can be leveraged to go a very long way. As Jill explains, "we always seek to work in partnership with existing institutions,

programs or organizations, so that we can leverage from the beginning. For example, if a leadership development program in public service was standing alone, it would require many more resources to achieve similar goals. But in partnership with Cornell, we have an institutional base, and so we can bring that whole infrastructure to the program.”

Jill’s most recent project is currently being developed in partnership with Vital Voices Global Partnerships. Vital Voices works to support women leaders and emerging leaders throughout the developing world, through networking and skills training in a diversity of areas, such as advocacy, branding, marketing, political communication and media skills. Jill serves on the board of Vital Voices, and in 2007 she took part, along with her daughter, Kiva, in a leadership summit in South Africa, which brought together 250 African women leaders. At the summit, Jill was inspired to think about how Vital Voices could identify more women in Africa who could

“I’m taking the opportunity to become more actively involved on a fewer number of boards during the downturn”, says Jill.

benefit from its network. She arranged to meet with the organization’s Chair and President and together they came up with an idea: Vital Voices would set up an African Women’s Advisory Board to strengthen and develop its work on the continent. For this purpose, the IF Hummingbird Foundation made a \$250,000 capacity-building grant. Vital Voices has since leveraged that contribution into \$3.2 million through funding from the Gates, Nike and ExxonMobil Foundations, to help the Advisory Board identify women leaders on the ground and support their projects and activities. In the summer of 2007, the Advisory Board held its first retreat at the Iscol’s house in Martha’s Vineyard.

While Jill acknowledges that small foundations don’t have the same financial resources as the really big players, she believes they can still have a significant impact with the right kind of strategy. “For us it’s about being able to identify what

feels authentic and meaningful for our family, and then figuring out how, with the size of the gifts we’re able to make combined with our involvement, we can make a difference.”

Jill has drawn on a number of skills and resources in the development of her philanthropy. Being able to dedicate time and personal commitment to organizations in addition to financial resources has been key in this respect, as has the ability to seek out the right people to help turn her ideas into reality. An important skill, especially during the current downturn, has been that of finding creative and careful ways to allocate resources, making sure funds go as far as possible and to try to stay on track in meeting a project’s priorities. Jill gives a good example in relation to the Cornell leadership program, where it was recently decided to turn the customary dinner offered to students and visiting leaders after they had spent the day together into a cocktail reception, thus freeing up funds to invest in more student internships. Most important in the downturn however, she says, is making sure you honour your commitments, and concentrate on streamlining and staying focussed. “I’m taking the opportunity to become more actively involved on a fewer number of boards during the downturn”, says Jill. While she may be taking the chance to focus on her priorities during these tough times, it certainly doesn’t look like Jill will be slowing down over coming months.

Jill offers the following advice to philanthropists seeking to be more strategic in the downturn:

- Smarter, value-added funding is all the more important in the downturn. One way to get smarter is to seek out donor education activities, such as Credit Suisse’s client convenings on philanthropy and the Institute for Philanthropy’s TPW program.
- Explore ways to leverage your funds through effective partnerships, and find people and organizations who share your interests in doing so.
- To thine own self be true! Work out what it is you’re passionate about, and the projects you really want to be involved in. Offering your own knowledge and skills will help leverage your financial contribution.

Case Study:
JULIE TOSKAN-CASALE
 Toskan Casale Foundation

For Julie Toskan-Casale, giving isn't something you do because you have some extra money sitting in the bank. It's a long-term strategy built in to your lifetime mission and goals. It makes sense then that Julie has always looked for imaginative ways to add value to her philanthropy in order to make the financial part of her resources go as far as possible.

Julie recalls that the Institute for Philanthropy's Philanthropy Workshop (TPW) was instrumental in helping her think about how to "get more bang for my buck". A trip to Argentina to look at models of social innovation during TPW brought Julie a whole new sense of awareness. She had never seen this level of poverty up close before, and her first reaction was: how can I possibly make a difference? As she went on learning through TPW, however, she began to think "maybe I can't look at it in terms of such a big picture. I don't think that we can look at changing the world, we're going to have to start small."

Back in Canada, the Toskan Casale Foundation decided that the best way to start small was to work locally, but that still left the question of how to work with local grassroots social service organizations most effectively. And then came the brainwave. Julie created the Youth Philanthropy Initiative (YPI), a program that would run in local schools, getting students to visit nonprofits in their communities and design fundraising presentations on their behalf. The students would split into teams to work with different organizations, and the winning team in each class would receive \$5,000 to grant to the organization they'd chosen. The appeal of the idea for Julie was its emphasis on the students' learning, and how this could

be incorporated into a strategy of support for small, local nonprofits. "YPI is about so much more than just the grant", says Julie. "This was our way of adding value. We designed a curriculum for kids to go out and look at issues, to learn about how you address the needs of a community and to develop a level of compassion." Not only would Julie be getting funds to local Toronto direct services charities (her intention in the first place); she would also be making the teenagers of Toronto her program officers, thus creating a new generation of civically-minded young people in the process.

As YPI expanded into different schools, the various benefits of the program became clear. Its emphasis on site visits meant that students really connected with local organizations, and also helped them gain a broader understanding of the problems faced by their own communities. In addition, the program empowered young people by enabling them to have a real impact on the work of local nonprofits, and taught them about the role played by small organizations within the wider national and international landscape of nonprofit activity. Organizations involved with YPI also began to report that they'd become better at communicating as a result of the program, an unintended but extremely positive outcome that showed YPI's capacity for adding value across the board.

By 2007, YPI had already become an enormous success, reaching thousands of schoolchildren in over 120 Canadian schools (today the program runs in over 200 schools in Canada). Confident that YPI was moving from strength to strength, Julie felt it was time to scale things up. Was this a model that could be transferred across geographies, she wondered, to reach young people and small nonprofits in other parts of the world? Julie decided to run a pilot program in ten schools in the UK, and went into partnership with the Institute for Philanthropy in London and Credit Suisse Foundation to develop the project.

Julie says it was essential to be able to replicate YPI in the safe environment provided by the Institute, where she had

complete confidence in the team she'd entrusted to run the program. This was important, she says, because moving a model across borders can be a challenging process, especially when "you just want that model to be perfect". Inevitably, when a pilot project is taking place on the other side of the world, it becomes necessary to cede total control and to be flexible about changing elements of the program in ways you might not have expected. Julie has had to rely on the Institute for Philanthropy team to give her feedback on subtle cultural differences between UK and Canadian schools that have led to the necessity for changes in program materials and

Julie has always looked for imaginative ways to add value to her philanthropy in order to make the financial part of her resources go as far as possible.

branding. In replicating an initiative in another country it can be helpful, says Julie, to work out a list of guidelines on elements of the project that cannot be compromised, and other areas where there might be greater flexibility. "At first", she says, "your list of things 'I will not compromise on' may be bigger, but you may find, as you start to feel more comfortable with your partners, that the list becomes smaller."

YPI's progress in the UK has exceeded all expectations, and the program is currently running in 40 schools in England. This year, it will expand to 10 more schools in Scotland, thanks to support from Scottish Philanthropist Sir Ian Wood of the Wood Group. Julie has been delighted to find that not only has YPI managed to maintain its structure in the move to the UK, but that it is having the same positive impact on British

young people that it does on their Canadian counterparts. At a YPI event held in London last summer, Julie recalls that "the kids came up on stage to talk about their experiences in the program, and I remember thinking: oh my goodness, I'm in a different country! I had to tell myself that, because it felt the same as in Canada. The kids were saying the exact same words, it was affecting them in just the same way. That was amazing for me to see."

As YPI grows it will no longer be financially viable for The Toskan Casale Foundation to fully cover its costs around the world, and Julie is currently looking for partners to help her roll out the program in the USA. She is aware that the economic downturn may make it more difficult to find US backing for YPI this year, but she asserts that she feels "well armed with YPI, because it's an investment that is prospering and will continue to prosper." As value-added investments go, YPI is definitely a winner, and a great model for how a little imagination can make your philanthropic dollars go a really long way.

Julie offers the following advice on how to add value to your grantmaking in the downturn:

- Don't assume all programs need big financial backing to be successful. Finding the added value can enable you to meet several objectives at once, making your financial resources go much further.
- Look for great projects that could be transferred across geographies, and put a really great team in place to help make that transition. There's no need to spend unnecessary money reinventing the wheel if your ideal program is already out there.



Funding collaboratively

A really great way to make philanthropic funds go further in the downturn is to get together with others and pool your resources. Not only does collaborative funding enable you to really maximize the potential of your funds, it also provides a forum for sharing ideas and expertise, which can maximize your ability to fund strategically and imaginatively too. In the case studies that follow, we explore two examples of successful collaborative funding from philanthropists Frederick Mulder and Kimberly Kreiling. The funding models featured in these studies are just two of a variety of ways in which philanthropists can give together during the downturn. Funding collaboratives, giving circles large and small, public funding forums and even getting your friends together around the kitchen table are just a few of many others. Funding collaboratively can also be one of the most enjoyable ways to do your philanthropy. In the gloomy atmosphere of the economic downturn, it can help keep spirits high and motivate funders to keep on giving!

Case Study: **FREDERICK MULDER** The Funding Network

It's not only in a downturn that funds can feel inadequate for all the causes we'd like to support, and it was exactly this feeling that motivated Fred Mulder to begin funding collaboratively. "I started out doing collective funding because I never had enough money to give away to do everything that I wanted to do" says Fred, "so I figured the only way to make the kind of impact that I had in mind was to pool my funds with other people."

In 1985, Fred was among a small group of philanthropists who founded the Network for Social Change, a British giving circle which now has over one hundred members, and funds in a variety of different issue areas from climate change and conflict resolution to arts, education, economic justice and human rights. Membership of the Network for Social Change is contingent on a minimum yearly funding pledge, and also involves a considerable time commitment as funding decisions are made at residential weekend meetings around the country. While Fred recognized that this framework worked extremely well for a particular donor profile, he began, around seven years ago, to see a need for another kind of collaborative network, one that would not focus exclusively on wealthy donors but also reach out to potential funders among the UK's 'mass affluent' population. This new initiative would have no wealth requirement, and would provide a public forum for people to come together and fund collaboratively in a safe and structured environment.

Founded by Fred and three other donors in 2002, The Funding Network (TFN) quickly became a huge success, attracting a diverse mixture of people. The model was a simple one. Anyone could join TFN for a small membership fee, and members were invited to put forward nonprofits to receive small grants of up to £5,000 (\$7,000). Project proposals were then considered by a selection panel — also made up of members on a rotating and optional basis — and a number were chosen for presentation. Both members and non members then convened for an evening or daytime event, to hear short presentations on each of the chosen projects, given by representatives from the nonprofits themselves. There was a short period for questions, then the project representatives would leave and the pledging session would begin.

The idea of holding open pledging sessions — in the style of an auction, with funders calling out pledges starting

from a minimum of just £100 (\$140) — was one borrowed from the Network for Social Change, and Fred was worried it might not work in this less private and familial atmosphere. But from the start the pledging session format proved to be enormously popular, creating an exciting buzz to the funding process and raising the full £5,000 requested for most charities, with many making much more. It was also an incredibly fast and efficient way of raising funds. With people asked to leave a check to meet their pledge at the end of the evening or to send one in very quickly after the event, TFN was able to send grants to charities within weeks of a funding event, an exceptionally fast turnaround compared to the lengthy application processes common to many other types of funding, and one particularly welcomed by charities in the uncertain atmosphere of a downturn.

Fred asserts that funding collaboratively has a number of benefits beyond the opportunity to maximize the potential of your philanthropic dollars. Working within a peer group brings a level of accountability to the funding process, providing a group of people who can share their knowledge and experience. This peer group also brings a wealth of ideas and creativity, says Fred, “when you’re part of a group you get to call on the intelligence and interests of many other people, who introduce you to things you’d never have known about.

Fred asserts that funding collaboratively has a number of benefits beyond the opportunity to maximize the potential of your philanthropic dollars.

As a result, I’ve gotten into funding things that it would never have occurred to me to choose on my own.” While the TFN model works with quite low level funders, it provides a system that makes people feel comfortable with what they’re able to give, however much that might be. “I think it’s quite reassuring to people to know they’re somewhere on a continuum, and that there are other people giving at the same level as they are”, says Fred. “That’s important, because for me one of the problems of giving remotely has always been working out what’s appropriate. If you’re doing it publicly, ‘live’ as it were, you feel kind of comforted that you’re part of a group and that other people are also giving at your level, whatever that may be.”

While TFN and other types of funding collaborative are public forums for giving, they also provide a surprising level of anonymity. At TFN, charities don’t receive the names of the individual donors who’ve pledged them funds (unless a donor wishes to be identified), and even during the pledging sessions people only call out their own first names. In addition, TFN gives funders an opportunity to contribute to nonprofits without having to carry on supporting them if they don’t want to. And finally, says Fred, “there’s a kind of group dynamic at work in TFN that really carries people along, as compared to most opportunities for giving which are quite isolated and lonely, and involve you sitting at home reading something on paper.” The TFN model has proved so popular that it has been replicated in various other parts of the UK, and last year a young people’s version of the model was launched, attracting younger funders to get involved with nonprofits by donating money at lower levels (minimum pledges are just £10 (\$14)), or pledging their time as volunteers.

So far TFN has not been affected by the downturn, and has continued to raise funds for its projects at the same level as in previous years. In fact, Fred is clear that TFN intends to take a countercyclical approach to the current climate, and he’s currently thinking about ways to scale up and create mechanisms for longer term funding in the future. Fred believes that funding collaboratives can actually act as a great stimulus for giving in the downturn, by creating a positive group dynamic to counterbalance the negative messages portrayed by the media. “Reading about economic difficulties can be rather paralyzing in terms of your ability to be philanthropic. Funding collaboratively can put you in a different mood, by getting people together that do actually still want to make things happen.”

With its range of benefits, financial and other, collaborative funding can be a great way to maximize your philanthropy during the downturn. As Fred asserts, there’s no better time than now to get together with others and make a difference. Fred has the following advice for anyone looking to start funding collaboratively during the recession:

- Don’t be paralysed by bad news. Find a peer group of people who don’t want to wait around, and start making a difference now.
- Funding collaboratively always makes sense, but it’s a particularly good idea in a downturn. It gives good leverage on your contributions by essentially having them matched, it increases your learning and contacts, and it makes giving even more enjoyable.
- There are lots of ways to fund collaboratively. Look for a funding collaborative near you or just get a group of friends together around the kitchen table.

Case Study:

KIMBERLY KREILING

TPW Energy Collaborative

As Kimberly Kreiling came to the end of the Institute for Philanthropy's Philanthropy Workshop (TPW) in 2004, she began to wonder how she could best maintain contact with the inspiring people she'd met on the program. She thought it would be great to continue to work with and support these other donors, putting into practice the lessons learned together at the workshop. Kimberly soon found that many had the same idea. Several cohort members also had a funding focus in common: the link between access to sustainable energy sources and the alleviation of poverty in the developing world. By the end of the workshop, the TPW Energy Collaborative had begun.

The TPW Energy Collaborative currently has seven members, made up of people from Kimberly's cohort, other TPW alumni, and funders invited to join from outside the TPW network. Members come from all over the world, so many meetings take place in the form of conference calls. The group gathers in person together twice a year. The purpose of the first of these meetings is to learn about a specific topic related to the group's funding. The purpose of the second of these gatherings is to make yearly funding decisions based on grant proposals solicited and received throughout the year. The TPW Energy Collaborative appreciates the importance of mapping the landscape of issues they want to support before deciding where and whom to fund. As such, they have invested time and resources into commissioning consultants to write research papers, which provide essential background to their funding decisions.

"Funding collaboratively is a great way to increase the potential of philanthropic dollars to make a real difference", says Kimberly, "especially in an economic climate like the current one. It's also an enriching and long-term learning process, and the TPW Energy Collaborative builds on its experience year after year." While the group funded without geographical restrictions during its first few years, its members decided in 2008 to narrow the grants to two specific countries: Honduras and India. In Honduras, for example, they have funded a variety of projects, including one in partnership with Zamorano University to develop a certification for locally produced fuel-efficient cook-stoves.

Kimberly believes that funding collaboratively adds value to her grant-making in a number of ways. "A collaborative is able to draw on the creativity and knowledge of a diverse group of individuals" she says. "Everyone comes to the table with a different set of experiences and relationships, so there's much more information in the room than if I'm making decisions by myself." In addition, being in a group brings greater accountability to the grant-making process, and provides an impetus for individual members to really do their research and work out their rationale for choosing organizations and projects to support. "I think it forces me to work harder to make wise and effective grantmaking decisions", says Kimberly, "because I really have to think through my logic, and my ideas have to make sense to the whole group." There can also be a different pace to working in a funding collaborative. "Although the group structure can be a stimulus for getting things done", says Kimberly, "it also slows us all down so that we have to really think things through."

In the years that they've been working together, the members of the TPW Energy Collaborative have become closer to one another and built a level of trust that has enriched their grant-making. The growing maturity of the group has also helped members to develop deeper relationships with the organizations that they support and has lent continuity to their work, enabling them to build on successes and effective decisions

from the past. While the TPW Energy Collaborative is a significant time commitment for Kimberly, it provides an ongoing opportunity for learning.

As experts on pooling resources, and having built an accountable group structure to make sure that all the group's funding decisions are effective and focussed, the TPW Energy Collaborative is exceptionally well placed to face the current economic downturn. With these strategic mechanisms in place, the TPW Energy Collaborative provides a forum for Kimberly to continue her funding this year and to respond

“Funding collaboratively is a great way to increase the potential of philanthropic dollars to make a real difference”, says Kimberly, “especially in an economic climate like the current one. It’s also an enriching and long-term learning process, and the TPW Energy Collaborative builds on its experience year after year.”

to her compassionate instinct during the recession. “I know people are struggling more now, so my impulse to give is stronger”, she says. “Personally, I’m hoping to give more this year.” With the support of the other members of the TPW Energy Collaborative, she is well prepared to do just that.

Kimberly’s tips on giving collaboratively in the downturn:

- Try to find a giving circle that matches your interests. If one doesn’t exist, look for a network like The Philanthropy Workshop or the Global Philanthropists Circle where you might find like-minded people with whom to set one up.
- Give through a variety of vehicles to experiment with what works best for you.

42 Changing systems and influencing policy

There's never been a better time for philanthropists to take stock of their work, asking themselves if they're using the right strategy to really bring about the kind of change they'd like to see in the world. While the idea of changing systems and influencing public policy may seem rather daunting to small foundation trustees with limited funds at their disposal, history is full of examples of philanthropists whose work has been fundamental in causing huge social and cultural shifts. The enormously inspiring work of philanthropist Shamaya Gilo, profiled below, shows how funders can create a strategy based on a series of steps designed to bring about real social change. Research is key to identifying the strategic points of entry for influencing policy, as is an emphasis on funding advocacy work and bringing together different stakeholders in the areas where you want to see change take place. As Shamaya explains, funding advocacy work to bring about policy change at home or abroad is really the most strategic and highly leveraged thing you can do with your philanthropic dollars. With determination and the right strategy, relatively small-scale funders can influence governments and social systems in ways that can change the lives of millions of people around the world. And that kind of leverage, while always important in philanthropy, is particularly so in this period of downturn.

Case Study:

SHAMAYA GILO

Winds of Change Foundation/The Pluralism Fund

Many philanthropists talk about the potential of every grain of sand to be part of something bigger. But Shamaya Gilo is not content to be a grain of sand; she wants to be part of a tide change. "My approach has to do with how to affect scale" she says, "and as an individual and a relatively small donor, I like to look for the points of leverage that might actually enable me to come in and effect large scale change."

Most of Shamaya's work, carried out through the Winds of Change Foundation which she founded in 1998, seeks to support women around the world to become leaders, access their rights and achieve economic empowerment. The Foundation's first project during the late 1990s was a research report based on interviews with sixty women leaders, designed to explore what had enabled them to succeed and how this could be replicated in other contexts. It became clear to Shamaya, as she carried out this project, that the landmark changes seen in the history of the USA were connected with changes in the law. Policy change clearly had the power to redefine issues and bring about cultural shifts, as seen in the criminalization of domestic abuse or the introduction of quotas for women and minority groups in the early 1970s.

Based on this learning, Shamaya's philanthropy has since focussed on influencing policy and bringing about systems change, and she has actively sought out organizations working with a similar strategy. One is Women Thrive Worldwide, which advocates for changes in US policy to empower women across the world to help them lift themselves and their communities out of poverty. While advocacy work requires an enormous amount of patience and tenacity, says Shamaya, it also brings incredibly rewarding results. A year ago, Women Thrive helped to influence the Millennium Challenge Corporation (MCC), a new US international assistance program, to withhold funding from countries that don't grant women equal legal rights to men, such as the right to vote, own land and open a bank account. The MCC was in the process of granting assistance to the southern African country of Lesotho, and under pressure from the program's new policy, Lesotho passed a law that same year giving women the right to vote for the first time (an effort that had been stalled for 10 years on the ground).

Shamaya's most recent projects at Winds of Change focus on the issue of women's finance. After mapping the landscape of organizations working with women and the economy in the USA, Shamaya was able to identify some of the hurdles within the US economic system that were harder for women to cross, making it difficult for them to achieve autonomy and equity on the economic landscape. Shamaya also discovered statistics that showed women entrepreneurs outnumber men by three to one in the United States, but that their businesses are more likely to plateau at a lower rate of growth than those of their male counterparts. Winds of Change began partnering with an organization called Count Me In, which has used the foundation's support, among others, to design a programme working with women entrepreneurs, to help them boost their businesses up to the next level. It's a program that also plays a critical role in job creation, at a moment when unemployment levels are rising throughout the country. The results have been impressive, with over 25 small enterprises

Shamaya believes that all philanthropists should think about putting aside a percentage of their investment portfolio to use towards advocacy work, whether that be at a local, national or international level.

growing into multi-million dollar business in less than two years, and Count Me In is now represented on the US government's committee for the creation of small businesses.

Shamaya is aware that many philanthropists are nervous about moving into advocacy, and fear associating themselves with politics. But she stresses that "there's a difference between being part of a political system and working within that system to formulate better informed policy, and to being political in the sense of having a specific agenda". There are also many different ways to get involved with policy change. Most political lobbying organizations, for example, have an educational component that is separate from their other work.

Shamaya believes that all philanthropists should think about putting aside a percentage of their investment portfolio to use towards advocacy work, whether that be at a local, national or international level. This is essential, she says, "because

without advocacy, all of the incredibly important and wonderful direct services you're giving to have no staying power." She also points to the amazing leverage that can come out of advocacy work, which requires relatively few resources in relation to the results it can achieve. Through the Pluralism Fund, Shamaya made a collaborative grant of \$50,000 to Woman Thrive, who at the time were working on issues relating to women in Afghanistan. The organization used these funds to leverage \$70 million in US government funding. "That", she says, "is big leveraging power. If you were to convert that into a direct services comparison, or compare it to almost any other kind of philanthropic investment, you would be hard pressed to get that much leverage." In the midst of the economic downturn, this last point becomes even more relevant.

All of the organizations Shamaya works with are feeling the pressure of the downturn, and the current climate has really brought to life the precarious situations in which many of the women she supports are living. While the current climate may affect her own financial capacities over the next few years, it will not affect her commitment, she affirms. The reliance, wisdom and spirit displayed by the women she works with during these tough times has been a huge source of inspiration, motivating her to look for imaginative ways to adapt her grantmaking during the downturn. "Sometimes when the belt tightens", she says, "you become even smarter and more creative than you thought you could be."

Shamaya's tips on changing systems and influencing policy during the downturn:

- Advocacy has greater leveraging power than any other type of philanthropy. If you want to make reduced philanthropic dollars go further in the downturn, invest in organizations working to influence policy.
- If you need to reassess your funding portfolio as a result of the current climate, take the opportunity to start putting aside 15%–20% of your investments for advocacy work on a permanent basis. This is a great time to start investing in the future you'd like to see.

Conclusion

44 The current economic downturn has undoubtedly taken its toll on philanthropy in the USA.

While individual donations have increased in numbers in response to rising charitable needs, the value of these donations has gone down as people are forced to tighten their purse strings. Corporate giving has dropped significantly as businesses try to protect themselves from market volatility, and many foundations are having to cut back on their grantmaking as they see the value of their assets fall. Within this gloomy scenario, however, it must be remembered that the USA's philanthropic sector is currently larger and more sophisticated than at any other time in history. Strengthened by its people and expertise, the sector is well prepared to respond effectively and strategically to the downturn, a fact which should mitigate the effects of the current climate on the country's philanthropic activity.

In addition, our research shows that since the start of the downturn, many philanthropists — and especially those within smaller US foundations — have consistently shown willingness to step up and offer their support by doing what they can. In particular, many funders have responded quickly, effectively and compassionately to help those most severely affected in their local communities.

Despite these committed efforts, however, philanthropists are finding it increasingly difficult to meet escalating charitable needs as the recession tightens its grip across the country. Within this scenario, it is vital that funders focus their efforts on becoming strategic and effective in their grantmaking, using scarce resources as efficiently as possible. Our recommendations for philanthropists and their advisors, outlined above, provide practical advice on how funders can develop smart strategies during the downturn. In the case studies that accompany them, we heard from a number of funders on how they are using the methods we recommend to create greater impact with their philanthropy during these challenging times.

Philanthropists profiled in these case studies talk about building strong relationships with grantees and carrying out research among nonprofits to better understand their needs during the recession. Others discuss increasing payout levels in order to avoid cutting grants, and the merits of adopting a spend-down strategy at a time when funds are needed most. There are examples of funders assuming leadership to become public advocates for the causes they support, and of others leveraging funds and adding value to their grantmaking through effective partnerships and the replication of proven, successful projects across geographies. We also looked at the practice of funding collaboratively, as both a strategy for maximizing the impact of philanthropic funds and a great way to draw on the creativity and dedication of others to stay focused and positive during the downturn. Finally, we heard from funders searching for leveraged points of entry to influence public policy, at a time when the need for systemic change to protect the world's most vulnerable citizens could not be greater. Across the board, the philanthropists profiled here showed commitment to supporting their grantees through the downturn, and to maintaining a long-term perspective that will enable them to emerge strengthened and focussed when these difficult times improve.

We hope that these recommendations and case studies will inspire readers to draw on their strengths and creativity to become as strategic as possible in their own philanthropy during the downturn. There has never been a better time to get smart with your funding, and to help build an even brighter future for our philanthropic sector and those that it serves.

Useful Resources

Alliance magazine

<http://www.alliancemagazine.org/>

Association of Small Foundations

asf@smallfoundations.org
1720 N Street, NW
Washington, DC 20036
202 580 6560

Center on Philanthropy at Indiana University

<http://www.philanthropy.iupui.edu/>
550 West North Street, Suite 301
Indianapolis, IN 46202
317 274 4200

Chronicle of Philanthropy

<http://philanthropy.com/>

Council on Foundations

<http://www.cof.org/>
2121 Crystal Drive, Suite 700
Arlington, VA 22202
800 673 9036

Foundation Center

<http://foundationcenter.org/>
79 Fifth Avenue/16th Street
New York, NY 10003-3076
212 620 4230

The Foundation Review

<http://www.foundationreview.org/>

Giving USA Foundation

<http://www.givingusa.org/>
4700 W. Lake Ave
Glenview, IL 60025
800 462 2372

Institute for Philanthropy

<http://www.instituteforphilanthropy.org/>
100 Broadway, 17th Floor
New York, NY 10005
212 513 0020

2 Temple Place
London WC2R 3BD
United Kingdom
+44 207 240 0262

Philanthropy Journal

<http://www.philanthropyjournal.org/>

Philanthropy News Network Online

<http://www.pnnonline.org/>

The Philanthropy Workshop

<http://www.instituteforphilanthropy.org/>
100 Broadway, 17th Floor
New York, NY 10005
212 513 0020

2 Temple Place
London WC2R 3BD
United Kingdom
+44 207 240 0262

Stanford Social Innovation Review

<http://www.ssireview.org/>

Tactical Philanthropy

<http://tacticalphilanthropy.com/>

**The Institute's vision is a world in which giving
is a natural part of everyone's everyday life.**

46

The Institute for Philanthropy

The Institute for Philanthropy was established in 2000, and has swiftly become the world leader in the field of international donor education. An independent, not-for-profit organization; its staff brings more than 50 years of experience working at the highest level in strategic philanthropy. With offices in London and New York, it works closely with a global network of wealthy individuals and families, and in partnership with high-profile private companies, trusts, foundations and schools.

The Institute's vision is a world in which giving is a natural part of everyone's everyday life. To this end, it works to increase effective philanthropy in the United Kingdom and internationally. It does this by:

- Providing donor education
- Building donor networks
- Increasing awareness and understanding of philanthropy

Its programs provide donors of all ages with the frameworks to address the root causes of the issues that they care most strongly about, and in which they wish to achieve the greatest possible impact. Since its inception in the year 2000, it has had a number of significant achievements, including:

- Building a global network of donors through its philanthropy programs
- Working closely with almost 200 wealthy families from Europe, North America, Asia, Africa and the Middle East through The Philanthropy Workshop
- Pioneering Europe's first donor education program for the next generation: Next Generation Philanthropy
- Reaching nearly 100 UK schools and educating over 10,000 pupils through the Youth and Philanthropy Initiative, working with the Toskan Casale Foundation
- Channelling £150,000 to local charities in the UK through the Youth and Philanthropy Initiative
- Gathering leading experts in the field through its Think Philanthropy program, including Paul Collier CBE, Professor of Economics at Oxford University and author of *The Bottom Billion*; Dr Sigrid Rausing, Director of The Sigrid Rausing Trust; and Niklas Zennström, founder of Skype and co-founder of Zennström Philanthropies
- Working with 28 of the UK's 55 Community Foundations in the last two years through its program Community Foundation Futures

Bill Woodson

Bill Woodson is the Managing Director for Credit Suisse Securities (USA) LLC's Wealth Planning Group, a 40-person practice that provides investment consulting and family office services to wealthy families, private foundations and endowments. Bill came to Credit Suisse from Merrill Lynch, where he was a member of Merrill Lynch's Private Banking and Investment Group and oversaw an integrated investment advisory practice for ultra-high net worth families ranging in net worth from \$25 million to \$2 billion.

Prior to joining Merrill Lynch, Bill was one of the first ten employees at myCFO, an integrated wealth management and technology firm started by Jim Clark (Netscape) and John Chambers (Cisco Systems). At myCFO, Bill ran one of the firm's largest multi-family family office practices and served as the CFO for myCFO Securities, LLC. Bill also worked for a large multi-national family office with 40 employees and offices in Hong Kong, Vancouver and San Francisco. Bill began his career as a CPA at Arthur Andersen, where he spent a decade providing domestic and international tax advice to wealthy executives, families and business owners.

Bill has a master's degree in accounting from New York University's Stern Graduate School of Business and a bachelor's degree in economics from the University of California, Irvine. He is a frequent lecturer on wealth management and has published a number of articles on the subject. Bill co-founded and is a past President of First Graduate, a mentoring charity that helps young people finish high school and become the first in their families to graduate from college. He also served on the board of The Fulfillment Fund, a college access program for inner-city school children. Bill is a current or past member of the American Institute of Certified Public Accountants (AICPA), the Hoover Institution at Stanford University, the Estate Planning Councils of San Francisco and Chicago, the Woodside School Foundation, the Investment Management Consultant's Association, and Beta Gamma Sigma (the national honor society for graduate business schools).

Bill co-founded and is a past President of First Graduate, a mentoring charity that helps young people finish high school and become the first in their families to graduate from college.

Credit Suisse Securities (USA) LLC ("CSSU") is providing this document to you for informational and educational purposes only. The information does not take into account your individual situation or circumstance. CSSU does not provide tax or legal advice. We urge all clients to consult with their own tax or legal advisors to obtain advice specific to your personal financial situation. This information is intended to provide a general overview of the topics discussed and to assist you in the review of your investment alternatives. CSSU has not taken any steps to ensure that the techniques referred to are suitable for any particular investor. Information and opinions expressed by us have been obtained from sources believed to be reliable. CSSU makes no representation as to their accuracy or completeness and CSSU accepts no liability for losses arising from the use of the material presented. References to legislation and other applicable laws, rules and regulations are based on information that CSSU obtained from publicly available sources that we believe to be reliable, but have not independently verified. You should consult with your personal legal, accounting and tax counsel to ensure the proper interpretation and application of all legislation, laws, rules and regulations, whether or not cited herein, as they apply to your personal situation and for preparation of your estate planning documentation.

Unless otherwise specified, the term "Credit Suisse" is the global marketing brand name for the investment banking, asset management and private banking services offered by Credit Suisse Group subsidiaries and affiliates worldwide.

The Private Banking USA business in Credit Suisse Securities (USA) LLC is a regulated broker-dealer. It is not a chartered bank, trust company or depository institution. It is not authorized to accept deposits or provide corporate trust services and it is not licensed or regulated by any state or federal banking authority.

Internal Revenue Service Circular 230 Disclosure: As provided for in Treasury regulations, advice (if any) relating to federal taxes that is contained in this communication (including attachments) is not intended or written to be used, and cannot be used, for the purpose of (1) avoiding penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any plan or arrangement addressed herein.

© 2009 Credit Suisse Group and/or its affiliates. All rights reserved.

CREDIT SUISSE SECURITIES (USA) LLC

Private Banking USA
Eleven Madison Avenue
New York, NY 10010-3629

www.credit-suisse.com