

The following represents continuing documentation of how foundations' resources, operations, and grantmaking priorities have been affected by the recent severe economic downturn. It is part of an ongoing Foundation Center research series on the impact of the economic crisis.

Moving Beyond the Economic Crisis

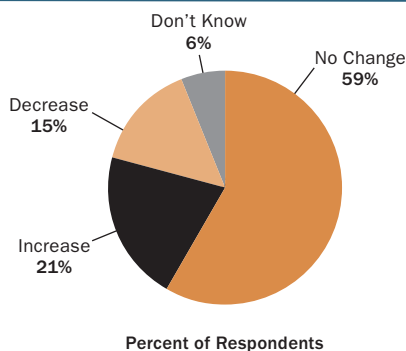
Foundations Assess the Impact and Their Response

By Steven Lawrence, Director of Research

The Great Recession officially ended in June 2009, but its effects continue to be felt by millions of unemployed Americans, state and local governments with cavernous budget gaps, and nonprofits with reduced income and few new prospects for support. In the absence of a predictable economic recovery, the ultimate impact of the most severe economic downturn since the Great Depression cannot be determined. Yet, individuals and institutions have been adjusting to a new reality characterized by uncertainty. Among them, U.S. foundations appear to have stabilized their operations following radical changes in 2009 and will likely begin to increase their overall giving modestly in 2011.

As part of the Foundation Center's ongoing exploration of the impact of the economic crisis, the Center surveyed leading funders in September 2010 to measure the extent to which changes they made as a result of the economic downturn will have a longer-term impact on their operations and grantmaking priorities (see "About the Survey" on page 3 for details). A small share of grantmakers are expecting the downturn to have a lasting impact on their operations and grantmaking priorities, but most appear to be focused on their ongoing objectives.

Anticipated Changes in 2011 Foundation Giving



SOURCE: The Foundation Center, 2010. A total of 714 foundations responded to this question.

Key Findings

- ◆ New survey supports earlier projection of stable foundation giving in 2010.
- ◆ Indicators suggest a return to modest growth in foundation giving in 2011.
- ◆ Few foundations anticipate lasting changes in grantmaking priorities as a result of the economic crisis.
- ◆ Foundation operations have largely stabilized following widespread changes in 2009.
- ◆ The economic crisis had a minimal impact on foundations' decisions to spend down their endowments and terminate operations.
- ◆ More than two out of five respondents provided support specifically to address problems related to the economic crisis.

How Will Foundation Giving Fare Through 2011?

Despite the sometimes tumultuous performance of the markets in 2010, the Foundation Center's earlier estimate of basically unchanged overall giving by U.S. foundations remains in effect. It also appears likely that foundation giving will begin to show modest growth again in 2011, although it will probably be several years before giving matches the peak level recorded in 2008. About 21 percent of respondents to the September 2010 survey indicated that their giving will rise next year, with corporate foundations being most likely to anticipate an increase. Most respondents (59 percent) expect that their giving will remain about the same as in 2010. By comparison, about 15 percent of respondents expect their giving to be lower in 2011, with independent foundations being most likely to anticipate reductions. The remaining 6 percent of respondents were uncertain how their giving would change next year.

Will There Be a Lasting Impact on Foundations' Grantmaking Priorities?

The grantmaking priorities of U.S. foundations tend to remain stable even in periods of economic upheaval, reflecting the long-term commitment of grantmakers to the issue areas they have identified as being of critical importance.¹ A 2009 Foundation Center survey found that the vast majority of foundations expected to maintain their number of program and geographic focus areas.² Nonetheless, the September 2010 survey found that about 40 percent of respondents had made some type of modification to their grantmaking *priorities*, although less than 8 percent of the overall respondents currently expect these to be long-term changes.

The specific longer-term changes identified by foundation respondents covered a broad array of activities. For example, several funders indicated that they would be providing greater support for safety net activities and vulnerable populations. Other foundations noted that they were tightening their grantmaking focus to

eliminate funding that fell outside of their existing priority areas, and some noted that they had reduced the number of areas in which they fund.

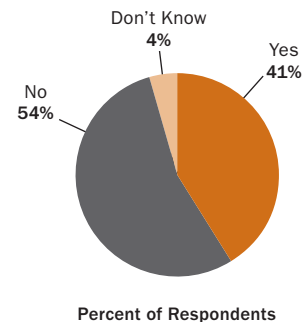
Survey respondents also identified several longer-term changes in their grantmaking *strategies*, with a number citing increased giving in the form of operating support. In addition, respondents often detailed contradictory strategies. For example, some indicated that they were providing more grants but in smaller amounts to try to support additional nonprofits, while others chose to make fewer grants but in larger amounts to strengthen specific organizations.

Have Foundations' Operations Been Permanently Affected by the Downturn?

A majority of foundations (57 percent) responding to the September 2010 survey reported having made operational changes as a result of the economic crisis. Most community foundation respondents (88 percent) reported making these types of changes, compared to less than half of independent and corporate foundations. Larger foundations were also far more likely to report having made operational changes. Earlier survey findings suggest that many of these changes took place in 2009. Motivations for reducing expenses included the desire to shore up support for nonprofits in the face of reduced resources, and the desire to preserve endowments so as not to permanently diminish grantmaking capacity, among other factors.³

Most foundations that made operational changes expect these to be primarily short-term, but approximately 12 percent of respondents overall anticipate that at least some of these changes will be longer-term. Among the types of operational changes that these funders believe may persist over the next several years include making fewer site visits, attending fewer conferences, reducing or eliminating printing of annual reports and other publications, and increasing efficiency through technology. For example, several respondents indicated

Has your foundation provided any support specifically to address issues or problems related to the economic crisis?



SOURCE: The Foundation Center, 2010. A total of 713 foundations responded to this question.

that they had moved to electronic grant applications and one funder noted that it had transitioned its web site to a nonprofit that hosts grantmaker web sites.

Cuts in foundations' operating expenses also included reductions in foundation staff. A 2009 Foundation Center survey found that 20 percent of respondents overall had cut staff last year, with community foundations reporting the largest share by type of foundation (29 percent). For 2010, this reduction in force appears to have settled out, with much smaller shares of respondents indicating that they had cut professional (6 percent) or support (7 percent) staff. Community foundations and larger foundations were most likely to have reduced the number of professional and support staff they employed this year.

While the vast majority of foundations expect to maintain current staffing levels in the coming year, the overall level of foundation staffing appears poised to grow slowly in 2011. About 5 percent of respondents expect to bring on new professional staff next year, compared to less than 2 percent that anticipate reducing professional staff. With respect to support staff, the shares of respondents expecting to increase and decrease staff were identical (7 percent).

Did the Economic Crisis Lead More Foundations to Consider Spending Down?

Consistent with earlier research, the vast majority of respondents to the September 2010 survey (81 percent) expect their foundations to exist in perpetuity, and the economic crisis was a factor for only a small share of foundations that have decided to spend down.⁴ Just 6 percent of overall respondents indicated that their foundations intended to spend out their endowments and terminate at some point in the future.⁵ Of these foundations, only about one in seven (14 percent) indicated that the economic crisis was a factor in making that decision. This suggests that the more typical factors influencing decisions to spend down—e.g., the desire of founders to have a greater impact during their lifetimes and/or to be directly involved in how the money is spent—remain of primary importance to grantmakers.

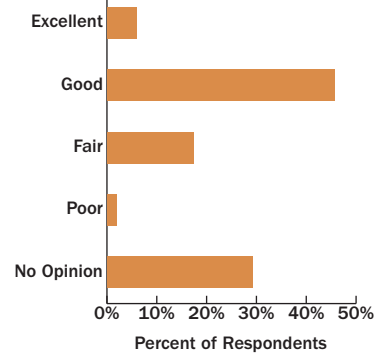
Interestingly, the economic crisis also influenced the decisions of several grantmakers to exist in perpetuity. Overall, 4 percent of survey respondents that plan to exist in perpetuity cited the economic crisis as a factor.

How Well Have Foundations Addressed Nonprofit Needs During the Economic Crisis?

More than 41 percent of foundations responding to the September 2010 survey have made grants, program-related investments (PRIs), and/or provided other types of support specifically to address problems related to the economic crisis since it began in the fall of 2008. While the vast majority of these funders indicated that they had provided safety net support, the range of activities included funding for job training, bridge financing, business development, and support for strategic partnerships and mergers among nonprofits. (Detailed information on roughly 3,500 economic crisis-related grants and PRIs can be found at maps.foundationcenter.org/economic_crisis.)

Roughly 17 percent of overall respondents already anticipate making additional economic crisis-related commitments over the next 12 months. This support comes in addition to the resources provided by numerous foundations that increased payout and reduced operating expenses during the depths of the economic crisis to shore up their grantees.

How would you rate the responsiveness of U.S. foundations in addressing the needs of nonprofits during the economic crisis?



SOURCE: The Foundation Center, 2010. A total of 714 foundations responded to this question.

When asked to rate the overall responsiveness of the U.S. foundation community in addressing the needs of nonprofits during the economic crisis, just over half (51 percent) of survey respondents rated it “good” or “excellent.” Nonetheless, close to one in five respondents rated the response as “fair” or “poor,” suggesting that some grantmakers felt the foundation community could have done more to respond.

Endnotes

1. Lawrence, S., *Do Foundation Giving Priorities Change in Times of Economic Distress?*, New York: Foundation Center, 2008.
2. Lawrence, S., *Foundations' Year-end Outlook for Giving and the Sector*, New York: Foundation Center, 2009.
3. Ibid.
4. Renz, L., and D. Wolcheck, *Perpetuity or Limited Lifespan: How Do Family Foundations Decide?*, New York: Foundation Center, 2009.
5. The remaining 13 percent of respondents are “Undecided” or “Don't Know.”

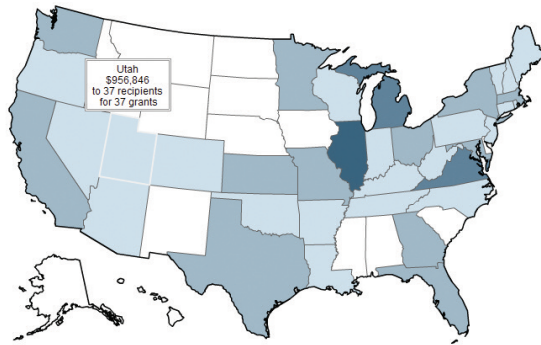
About the Survey

In September 2010, the Foundation Center launched an online update of its annual Foundation Giving Forecast Survey and made it available to approximately 5,000 large and mid-size U.S. independent, corporate, and community foundations. The survey included questions on the outlook for foundation giving in 2010 and 2011, changes in their grantmaking priorities and operations as a result of the economic downturn, and their response to specific needs created by the economic crisis. A total of 719 foundations provided usable responses as of mid-October 2010, including 501 independent, 154 community, and 64 corporate foundations.

The Foundation Center's next Foundation Giving Forecast Survey will be conducted in January 2011, with results released in the April 2011 edition of *Foundation Growth and Giving Estimates*.

Mapping the Safety Net in Real Time

The Foundation Center is constantly monitoring and collecting the most recent data on U.S. foundation and corporate support in response to the economic crisis. This information is easily accessed at foundationcenter.org on an [interactive map](#) displaying grants and program-related investments (PRIs), which is updated weekly and supplemented by a daily [RSS grant feed](#). The map details nearly \$440 million in support to date. To submit grants data for inclusion, please contact Matthew Ross, manager of special data projects, at mr@foundationcenter.org.



About the Foundation Center

Established in 1956 and today supported by close to 550 foundations, the Foundation Center is the leading source of information about philanthropy worldwide. Through data, analysis, and training, it connects people who want to change the world to the resources they need to succeed. The Center maintains the most comprehensive database on U.S. and, increasingly, global grantmakers and their grants — a robust, accessible knowledge bank for the sector. It also operates research, education, and training programs designed to advance knowledge of philanthropy at every level. Thousands of people visit the Center's web site each day and are served in its five regional library/learning centers and its network of 450 funding information centers located in public libraries, community foundations, and educational institutions nationwide and beyond. For more information, please visit foundationcenter.org or call (212) 620-4230.

Source for all data:

The Foundation Center

For more information about this advisory, contact communications@foundationcenter.org.

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- ◆ Strengthen education leadership to improve student achievement
- ◆ Enhance out-of-school learning opportunities
- ◆ Build appreciation and demand for the arts

For more information on these and other related topics, please visit the Knowledge Center at wallacefoundation.org.