

July 2009

Response of Foundations to the Economic Downturn 2009

Conference of Southwest Foundations

The U.S. economy has been in recession since December 2007. Since then, the stock market has dropped 38.5 percent in 2008 and has not recovered substantially in 2009. Unemployment reached 9.5 percent in June and is expected to remain high and likely increase before dropping in 2010. Mortgage foreclosures continue at an unprecedented pace.

Behind those grim statistics are millions of people whose lives have been upturned—and who need help with housing, food, and jobs. Federal, state, and local governments have responded, but are stretched to the limit. Foundations have also responded, paying out \$45.6 billion in grants in 2008, an increase of \$1.2 billion over 2007. Yet, foundations rely on their endowments to make grants, and the value of those endowments has fallen along with the stock market. Foundations are caught in the maelstrom of rising needs and shrinking resources.

So, how are foundations responding? This report, another in a series of research reports by the Council on Foundations on the relationship between Philanthropy and the Economy, is based on data collected from 430 foundations in March 2009—42 of those foundations are located in the 7 states covered by the Conference of Southwest Foundations (CSF). This report assesses how foundation endowments and grantmaking have been affected, both nationally and for the foundations located in the CSF area. It also considers how foundations have changed their grantmaking to focus on individuals and families hurt by the recession. Finally, it looks at the changes foundations have made in their own operations.

Highlights

- Half of foundations in the 7 states covered by the Conference of Southwest Foundations had asset declines of 30 percent or more, a higher proportion than the nation as a whole.
- Fifty-seven percent of foundations in the CSF area reported that they would be reducing grantmaking in 2009, a slightly lower proportion than the nation as a whole (62 percent). About a third (31 percent) of foundations in the CSF area reported that grantmaking would decline by 20 percent or more in 2009, slightly more than the 27 percent reporting such a decline nationwide.
- All foundations in the CSF area reported providing support to those assisting those adversely affected by the recession—higher than the 92 percent of foundations nationwide. See table 12 at the end of this report for examples of specific actions being taken by local foundations.

- A higher proportion of foundations located in the CSF area reported that they would be cutting operating budgets (76 percent) or taking actions to control operating costs (86 percent) than foundations nationwide. CSF foundations are steps at a higher rate than foundations nationwide, such as: cutting travel budgets for both staff and board members, limiting conference attendance by staff and board members, eliminating salary increases, and instituting hiring freezes¹.

This report was prepared by the Council on Foundations for the Conference of Southwest Foundations. The data come from a survey conducted by the Council in March 2009. The Council issued a national report on the response of foundations to the economic downturn on May 6, 2009. This report provides information on how foundations located in states covered by the Conference of Southwest Foundations responded, and relates those findings to findings for the nation. For more information contact: Sigurd Nilsen, Ph.D., Director, Policy Research, Council on Foundations, at 703-879-0696 sigurd.nilsen@cof.org, or Judith Kroll, Director, Philanthropic Research at 703-879-0697 judith.kroll@cof.org.

¹ For the national report see: *Foundations Respond to the Needs of Families Even as Their Assets Have Declined, Results of a Survey by the Council on Foundations, May 6, 2009.*
<http://www.cof.org/files/Bamboo/programsandservices/research/documents/09downturnreport.pdf>

Description of Foundations Located in the states covered by the Conference of Southwest Foundations Responding to the Council’s Survey

Of the 42 foundations responding to the survey from the 7 states covered by the Conference of Southwest Foundations, 16 were located in Colorado, 14 in Texas, with fewer in each of 5 other states (table 1). The breakdown of respondents by foundation type shows a slightly larger concentration of responses for CSF were community and public foundations (45 percent) as compared with national respondents (37 percent), and a lower proportion of corporate foundations for CSF--2 percent versus 13 percent nationally (table 2). Finally, by asset group, the CSF respondents were more likely to be in the largest asset group—12 percent had \$250 million or more in assets as compared with 8 percent nationally—and less likely to be smaller—5 percent had assets of \$1 million or less, as compared to respondents nationally where 10 percent were in the smallest asset group (table 3). Otherwise, responding foundations from the CSF area did not differ substantially from the distribution of foundations by asset group nationally.

Table 1—States included and Number of Respondents

State	Number
Arkansas	2
Arizona	5
Colorado	16
New Mexico	2
Nevada	2
Oklahoma	1
Texas	14
Total	42

Table 2—Responding Foundations in CSF by Type

Type	Number	Percent	All Council Respondents, Percent
Community and Public	19	45	37
Corporate	1	2	13
Family	13	31	27
Independent	9	22	23
Total	42	100	100

Table 3— Asset group

Asset Group	CSF		All Council Respondents, Percent
	Number	Percent	
\$250 million or more	5	12	8
\$50 million - \$249.9 million	9	21	20
\$10 million - \$49.9 million	17	41	48
\$1 million - \$9.9 million	9	21	23
Less than \$1 million	2	5	10
Total	42	100	100

Asset and Grants for 42 foundations responding to the Council's Survey located in the 7 states covered by the Conference of Southwest Foundations.

Assets (Dec. 31, 2008)	Total: \$4,653,135,627.	Average: \$113,491,113.
Grants (2008)	Total: \$380,314,462.	Average: \$9,275,962.

Findings

Fifty-one percent of CSF foundations reported asset declines of 30 percent or more in 2008, a slightly higher proportion than the nation as a whole, which reported 47 percent of foundations had such a decline in assets (table 4). In general, asset declines for CSF foundations were similar to the nation as a whole, with 25 percent of CSF foundations having asset declines of 25 percent or less (versus 21 percent nationwide) and 2 percent having assets about the same or higher in 2008, as compared with 6 percent nationwide.

Table 4—Change in Assets in 2008, CSF and Nationally

Percent Change in Assets	CSF		National Data, Percent ^a
	Number	Percent of Total ^a	
Decline of 35 percent or more	9	22	18
Decline of 30 percent to 34.9 percent	12	29	29
Decline of 25 percent to 29.9 percent	9	22	26
Decline of 20 percent to 24.9 percent	4	10	10
Less than 20 percent decline	6	15	11
About the same or increased	1	2	6
Total		100	100

^a Based on foundations with an endowment. Ninety-eight percent of CSF area respondents had an endowment, versus 93 percent of respondents nationwide.

Overall, 57 percent of CSF foundations reported that they would decrease their grantmaking in 2009, similar to the proportion nationally—62 percent (table 5). About a third (31 percent) of foundations in the CSF area reported that grantmaking would decline by 20 percent or more in 2009, slightly more than the 27 percent reporting such a decline nationwide.

Table 5—Change in Grantmaking, 2009, CSF Foundations and the Nation

Percent change in value of grants	CSF		National Data, Percent
	Number	Percent of total	
Decline of 20 percent or more	13	31	27
Decline of 15 percent to 19.9 percent	4	10	11
Decline of 10 percent to 14.9 percent	4	10	9
Less than 10 percent decline	3	7	15
About the same or increase	18	43	38
Total	42	100	100

Foundations in the CSF area noted a range of actions they anticipated taking to manage their grantmaking in 2009 (table 6). Sixty percent of CSF foundations and foundations nationwide were giving smaller grants. In comparison with the nation, CSF foundations are more likely not to be accepting new grant applications (23 percent versus 13 percent), whereas nationally, foundations were twice as likely not to be designating any new grantees (14 versus 7 percent).

Table 6—Ways in Which Declines in 2009 Grantmaking will be Managed, CSF and Nationally

Action	CSF		National (Percent)
	Number	Percent	
Not accepting new Grant Applications	7	23	13
Not Designating any New Grantees	2	7	14
Avoiding Multiyear Applications	13	43	46
Giving Smaller Grants	18	60	62

All foundations in the CSF area reported that they will be conducting grantmaking to support those adversely affected by the economic downturn, greater than the 92 percent nationwide (table 7). Roughly three-quarters of foundations in the CSF area and nationwide reported that they would be maintaining or increasing such funding

Table 7—Grantmaking to Assist Those Adversely Affected by the Economic Downturn

Category	CSF		National Data, Percent
	Number	Percent	
New area for 2009 ^a	0	0	6
Not a new area, will increase grantmaking ^a	10	25	31

Not a new area, will maintain grantmaking ^a	20	50	45
Not a new area, will decrease grantmaking ^a	10	25	18
Foundations with grantmaking in this area	40	100	92

^a Percentages based on the number making grants in this area.

Overall, 90 percent of CSF foundations said that they would be providing operating support in 2009, higher than the 83 percent nationally that said they would be making such grants (table 8). In addition, more than three-quarters (77 percent) of those that provide such support in the CSF area reported that they would be maintaining or increasing that support--slightly higher than the 73 percent nationwide.

Table 8—Providing Operating Support in 2009

Category	CSF		National Data, Percent
	Number	Percent	
New area for 2009 ^a	1	3	9
Not a new area, will increase grantmaking ^a	7	19	20
Not a new area, will maintain grantmaking ^a	21	58	53
Not a new area, will decrease grantmaking ^a	7	19	18
Total foundations providing operating support	36	90	83

^a Percentages based on the number providing operating support.

Three-quarters of foundations in CSF reported that they were cutting their operating budget in 2009, greater than the national rate of 60 percent (table 9). Similarly, a higher proportion of CSF foundations than foundations nationwide reported that they would be taking steps to control their operating costs (86 percent for CSF foundations versus 79 percent nationwide).

Table 9—Foundations Taking Steps to Cut or Control their Operating Costs, 2009

Action	CSF		National (percent)
	Number	Percent	
Cut Operating Budget	32	76	60
Taking Steps to Control Operating Costs	36	86	79

Eighty-three percent of CSF foundations cut travel budgets and limited staff attendance at conferences (table 10). Forty percent instituted a hiring freeze, and over half (54 percent) eliminated salary increases. In general the proportions of CSF foundations that took such actions were greater than the proportion nationally. In fact, only 10 percent of CSF foundations that had staff expenses took no action, as compared with 13 percent nationwide.

Table 10-Actions Taken to Limit or Reduce Staff Related Expenses, 2009

Action	CSF		Nation ^a (percent)
	Number	Percent ^a	
Hiring freeze	14	40	27
Eliminated positions	7	20	16
Laid off staff	5	14	6
Furloughed staff	1	3	3
Reduced staff hours	2	6	11
Eliminated salary increases	19	54	45
Reduced salaries	2	6	5
Cut travel budget	29	83	61
Limited staff conference attendance	29	83	68
Reduced or eliminated support for professional memberships	5	14	17
Reduced or eliminated professional development budget	16	46	37
Reduced benefits	7	20	12
Asked staff to contribute to benefits	1	3	4
Increased staff benefit costs	1	3	5
Have staff expenses but took no action	4	10	13

^a Based on those foundations that had staff expenses. In the CSF area, 3 percent of respondents have no staff expenses, versus 10 percent of respondents nationwide.

Foundations are also taking steps to control their non-staff expenses. Overall, 70 percent of foundations in CSF made such changes, greater than the 61 percent nationwide (table 11). More than half of CSF foundations reduced or eliminated the use of consultants (65 percent), reduced or eliminated board travel (54 percent) and institutional memberships (54 percent)—all greater than the national rates. In addition, 27 percent reduced their investment expenses and 31 percent reduced or eliminated board professional development expenses.

Table 11 – Actions Taken to Control Non-staff Expenses for 2009

Action	CSF		Nation (percent)
	Number	Percent	
Reduced or eliminated the foundation's institutional memberships	14	54	33
Reduced or eliminated the use of consultants	17	65	52
Reduced or eliminate board travel expenses	14	54	35
Reduced or eliminated board attendance at conferences	11	42	34
Reduced or eliminated board professional development expenses	8	31	24
Reduced investment expenses	7	27	17
Have made any changes	26	70	61

Table 12—Examples of actions taken by foundations in the states covered by the Conference of Southwest Foundations

Foundation Name	State	Stories
Community Foundation for Southern Arizona	AZ	Completely changed our grantmaking to be more responsive to the current conditions in a way that will enable us to bring organizations together to address the structure inequities which are present in our community.
Diamond Foundation	AZ	Extended a \$30,000 challenge grant to our community to raise funds for our local food bank. Challenge was met.
Virginia G. Piper Charitable Trust	AZ	Had an editorial board meeting with Arizona Republic to highlight plight of nonprofits and the need for more newspaper coverage. Created web portal for public to provide funding for local nonprofits.
Pikes Peak Community Foundation	CO	We have been very active in helping people to grow their own food. Pikes Peak Urban Gardens and Venetucci Farms are just two examples. We are working with "Care and Share" the food provider to low income people for all of Southern Colorado to help them grow their own food.
RNR Foundation	CO	Made grant to local Community Health Center to aid senior center
Rose Community Foundation	CO	Gave more than \$1 million in unsolicited operating support to grantees who provide safety net services.
Temple Hoyne Buell Foundation	CO	One-time \$500,000 grant to Family Resource Center Association that was distributed to all Family Centers across Colorado for emergency services to families.
The Community Foundation-Boulder County	CO	Sponsored workshop on "Making Lemonade out of Lemons" for nonprofit community. 100 attended and we talked about strategic partnerships, mergers, collaboration, cost cutting. Despite the grim topic for the day, we asked one of our nonprofit Executive Directors to lead the crowd in salsa dancing for ten minutes and did playback theatre to help nonprofits remember that even in tough times we need to think positively and remember that low cost fun can go a long way to keeping spirits up

Foundations in the States Covered by the Conference of Southwest Foundations That Responded to the Council's Survey

Foundation Name	City	State
Arkansas Community Foundation	Little Rock	AR
Walker Charitable Foundation	Fayetteville	AR
Arizona Foundation for Educational Advancement	Scottsdale	AZ
Community Foundation for Southern Arizona	Tucson	AZ
Diamond Foundation	Tucson	AZ
Schulz Charitable Foundation	Scottsdale	AZ
Virginia G. Piper Charitable Trust	Phoenix	AZ
A. V. Hunter Trust, Inc.	Glendale	CO
Adolph Coors Foundation	Denver	CO
Bright Mountain Foundation	Boulder	CO
Community Foundation of Northern Colorado	Fort Collins	CO
Daniels Fund	Denver	CO
Denver Foundation	Denver	CO
First Data Foundation	Greenwood Village	CO
General Service Foundation	Aspen	CO
Gill Foundation	Denver	CO
Pikes Peak Community Foundation	Colorado Springs	CO
RNR Foundation	Colorado Springs	CO
Rose Community Foundation	Denver	CO
Temple Hoyne Buell Foundation	Denver	CO
The Colorado Trust	Denver	CO
The Community Foundation Serving Greeley and Weld County	Greeley	CO
The Community Foundation-Boulder County	Boulder	CO
Albuquerque Community Foundation	Albuquerque	NM
Frederick H. Leonhardt Foundation	Albuquerque	NM
Community Foundation of Western Nevada	Reno	NV
Parasol Tahoe Community Foundation	Incline Village	NV
Oklahoma City Community Foundation	Oklahoma City	OK
Aragona Family Foundation	Austin	TX
Carl B. & Florence E. King Foundation	Dallas	TX
Community Foundation of the Brazos Valley	Bryan	TX
Genevieve and Ward Orsinger Foundation	San Antonio	TX
Greater Houston Community Foundation	Houston	TX

Foundation Name	City	State
Lubbock Area foundation, Inc.	Lubbock	TX
Madison Alexander Cooper and Martha Roane Cooper Foundation	Waco	TX
Our Fathers Foundation	El Paso	TX
Paso del Norte Health Foundation	El Paso	TX
San Angelo Area Foundation	San Angelo	TX
San Angelo Health Foundation	San Angelo	TX
San Antonio Area Foundation	San Antonio	TX
The Summerlee Foundation	Dallas	TX
Thomson Family Foundation	Dallas	TX