Wall Street Losses. What Should Nonprofits Do?

Cut big events, tap different donors, clean your own office.

By Lisa Palmer

Every year at this time, New York's Reciprocity Foundation, which serves homeless youth, prepares for an annual fall gala that brings in $25,000 to $35,000. Not this year – the event has been put off until spring. "No one is in the mood for giving right now," explains Executive Director Tax Tagore.

The story is similar around the country, as youth-serving nonprofits cope with the financial crisis with a range of steps, such as laying off staff, postponing program expansion and telling executives to clean their own offices because the cleaning company has been dumped.

Nancy Biberman sits at her desk in the Bronx and reads some headlines that explain why: "Economy Expected to Take a Toll on Charitable Giving"; "Charities Brace for Wall Street Fallout"; "Harsh New Realities for Nonprofits."

"We are very worried," she said.

Biberman, executive director of the Women's Housing and Economic Development Corp., a nonprofit that helps low-income women and youth through building innovative housing, childcare and programs, has lost one big grant renewal and seen others reduced. About 20 percent of the corporation's $7.7 million annual budget comes from grants.

"One reliable funder that pledged $60,000 said money is tight. They said, 'we still love you, but come back in January,' " she said.

Here are some of the actions nonprofits are taking in response to the crisis:

Postpone plans: At Life Pieces to Masterpieces, which serves 200 African-American boys ages 3 to 21 in Washington, a planned program expansion has been delayed. Deputy Director Gretchen Martens said 100 boys are on the waiting list and will stay there.

"We have strong loyal funders who are making much smaller grants," she said, adding that in-kind contributions and corporate partnerships have been scarce. There are some bright spots, she said: "Some foundations have urged us to send a supplemental request." One such appeal netted $50,000.

Look for small savings: The Restorative Justice Center in River Falls, Wis., is depending on staff members to clean their own offices, eliminating its $2,000-a-year cleaning contract.

At HomeBase Youth Services in Phoenix, Ariz., which serves homeless 18- to 21-year-olds, recent cuts totaling $564,000 of the $3 million budget included subscriptions and organizational memberships.

Change fundraising events: Some agencies are postponing or scaling back plans for big fundraisers, because they can't afford the events and because they fear they would bring in less money than usual.

In New York, the Women's Housing and Economic Development Corp. won't hold its usual fundraising gala this year, opting instead for a conference to address green building topics and sustainability. Rather than a filet mignon dinner at the gala, the conference will feature a breakfast. No journal will be printed acknowledging donors; recognition will be posted online.

"We are not spending any money to do this event. I hope our funders respect that," Biberman said.

Look to other donors: The Children's Defense Fund (CDF) realized early this year that its $22 million-a-year operation would be affected. It became more obvious when Freddie Mac was taken over by the government in early September. CDF received $750,000 from the Freddie Mac Foundation in 2007; future grants are now in limbo.

"We adopted a ground-up strategy that has been effective," Carmel Owen, CDF vice president for development, said in an e-mail. "CDF invested its energy in cultivating mid-level donors, realizing that the coming year might be a tough time for larger corporate contributions. We worked to develop relationships with new donors and build our relationships with those who have supported us in the past."

A 35th anniversary celebration solicitation brought the CDF $1.5 million in contributions. The organization doesn't foresee having to cut programs or any of its 180 employees, but probably will not be able to expand any programs, Owen said.

Cut Staff: Back at HomeBase Youth Services in Arizona, trimming small expenses like professional memberships might have reduced, but did not eliminate, the need for staff cuts. CEO Martha Ostrom had to ax 13 staff positions, most of them in management.

"I had to ask myself, do I keep the direct-care staff or keep top-level staff?" she said. "We are working on a very slim margin for survival."

The YMCA of Metro Atlanta has also laid off staff members and cut its $100 million annual operating budget by 5 percent. Unexpectedly, gifts to the Atlanta Y have not slowed. Fred Bradley, chief financial officer, said the organization has raised $29 million toward a year-end fundraising goal of $42 million.

Cross-train staff: Big Brothers Big Sisters of Southeast Louisiana has cut one management position and is cross-training all employees, in anticipation of more cuts.

Band together: Some nonprofits in Chicago that do similar work have developed networks to increase their visibility. Daniel Bassill, president of Tutor/Mentor Connection, said its biannual Tutor/Mentor Leadership and Networking Conference helped the organizations raise money and kept organization leaders connected with each other.

Think differently: While the fallout from Wall Street will affect some foundation giving, other sources may increase, said Anna Amirkhanyan, assistant professor at The American University's School of Public Affairs. "Now is the time to build and sustain existing relationships with donors," she said. "Communicate with donors, members and volunteers and tell them how they are appreciated. Treat them like gold. Continuously remind them of the importance of their input."

Amirkhanyan said a strong marketing mindset is critical. "Be proactive and strategic. Do not be in denial of the effects of the economy. Now is the time to examine your competition and think strategically about strengths, weaknesses, opportunities, and threats."

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How Foundation Pain Will Hurt Youth Programs

By Lisa Palmer

The Wall Street crisis has nonprofits justifiably concerned about grant support from foundations that are connected to financial institutions.

Already, some nonprofits have approached the Washington, D.C.-based Meyer Foundation asking for quick loans to stem cash-flow shortages. And Kris Putnam-Walkering, an investment consultant to several foundations, predicts, "You can expect foundations will be wary of funding new initiatives. They will focus on core grantees."

Here is the status of some foundations that fund youth-related efforts:

• The Starr Foundation had a majority of its stocks in A.I.G. – which was rescued by the federal government in September – and pulled back on its contributions this year. Starr was formed by A.I.G. founder William Vander Starr and is one of the largest foundations in the country. It gave away $200 million in 2006, most of it to New York charities.

Harlem Children's Zone and Teach for America each had received millions of dollars in pledges before the financial crisis from Starr and Lehman Brothers, which declared bankruptcy in September.

Since A.I.G's rescue, the foundation's future of giving is uncertain. Florence A. Davis, president of the Starr Foundation, was not available to comment. According to a *New York Times* report, Davis said Starr will honor existing commitments and will "be making smaller grants going forward."

• The Freddie Mac Foundation, the largest corporate funder in the Washington, D.C. region, has given nearly $360 million since 1991 to assist organizations serving youth, families and communities. In the first half of 2008, Freddie Mac awarded $7 million to nonprofits.

The Children's Defense Fund was awarded $750,000 by Freddie Mac in 2007. Foundation spokeswoman Shawn Flaherty said future funding is uncertain. "We are waiting for a decision to be made," she said.

Freddie Mac's and Fannie Mae's charitable donations are under review by the Federal Housing Finance Agency, their conservator. *The Chronicle of Philanthropy* reported that James B. Lockhart III, the agency's director, wrote in a letter to the Center for Nonprofit Advancement, "It is envisioned that the enterprises will continue to make charitable contributions." When and how much remains uncertain.

• One of America's top corporate givers, the Bank of America Foundation, says it remains committed to charities and long-term giving. Spokesman Ernesto Anguilla said it is premature to predict what the financial crisis will mean to his organization. "We will continue to be a very strong player in the corporate philanthropy space. We view our philanthropy as a business strategy," he said.

Bank of America's charitable arm will provide $200 million in grants this year, but none has been paid out yet. Anguilla said Bank of America has made available $35 million for packaged grants and loans to communities directly caught in the foreclosure crisis.

The foundation has awarded hundreds of thousands of dollars in grants to many youth-serving organizations, including Boys & Girls Clubs, YMCAs and Big Brothers Big Sisters of America.

• The Meyer Foundation, which has distributed $9 million to charity this year, has been getting calls from nonprofits for cash-flow loans.

"This is new," spokeswoman Amy Harbison said in mid-October. "We have a small program to help nonprofits who are waiting for allocated government funds or grants. Normally we receive 10 requests a year. In the last three weeks, we have received six requests from people having cash-flow problems. They were expecting money from Freddie Mac."

Meyer (assets: $230 million) probably won't know the full effect of its future funding prospects for another year or two. "There has been belt-tightening on all fronts," Harbison said. "We are a relatively small foundation. There is no way we can pick up the slack."

Rich individuals probably can't, either. Putnam-Walkering, whose consulting clients include the Charles and Helen Schwab Foundation and the Robert Wood Johnson Foundation, said a recent survey of high-net-worth individuals indicates that half anticipate giving less in the next year. Sixteen percent said they will give more.