



**GRANTMAKING IN
THE NEW NORMAL:
DID THE ECONOMIC CRISIS
CHANGE FOUNDATION
PHILANTHROPY?**



*Southern California Grantmakers
2010 Annual Conference and Members' Meeting*

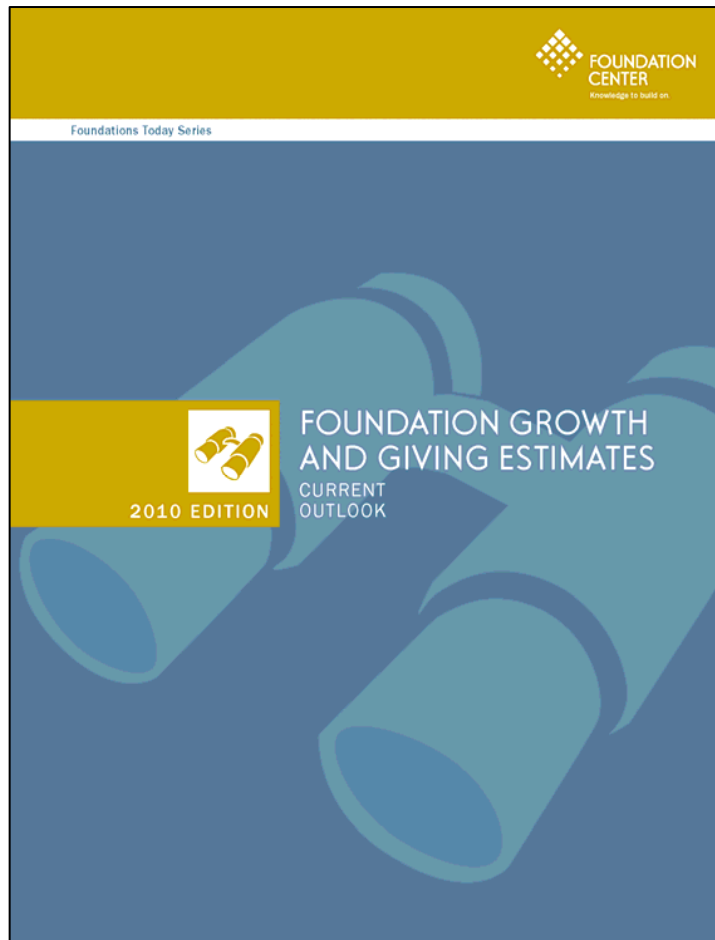
Grantmaking in the New Normal

Did the Economic Crisis Change
Foundation Philanthropy?

November 4, 2010

Steven Lawrence
Director of Research

foundationcenter.org/gainknowledge



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Knowledge to build on.

Research Advisory November 2009

The following is an exploration of how foundations have been affected by the economic crisis and how they view its potential long-term effect on the philanthropic and nonprofit sectors. It is part of an ongoing Foundation Center research series on the impact of the economic crisis.

Foundations' Year-end Outlook for Giving and the Sector

By Steven Lawrence, Senior Director of Research

The economic "crisis" may be abating, but prospects for a recovery remain mixed. Reports of a resurgent U.S. stock market are tempered by stories on continued, albeit more modest, declines in overall domestic consumer demand and the nation's highest unemployment figures in more than a quarter century. The near-term outlook for foundation giving and the nonprofit community appears even less optimistic, with the fallout from the recession likely to lower support and revenue through 2010.

To gauge how foundation thinking has evolved since the Foundation Center's January 2009 giving forecast survey, the Center resurveyed leading funders in September 2009 (see "About the Survey" on page 3 for details). Based on their responses, foundation giving will likely be down by more than 10 percent from 2008. Many funders expect that they will come out of the downturn being far more strategic than they were before the crisis, and a majority expect that the nonprofit sector will emerge stronger but that there will be fewer organizations.

What Will Foundation Giving Look Like Through 2010?

Outlook for 2009

No one expected U.S. foundation giving to rise in 2009, after an estimated 22 percent drop in foundation assets in 2008. Earlier this year, the Foundation Center estimated that 2009 giving by the nation's more than 75,000 grantmaking foundations would "decrease in the range of the high single digits to low double digits," or roughly 8 to 13 percent.¹

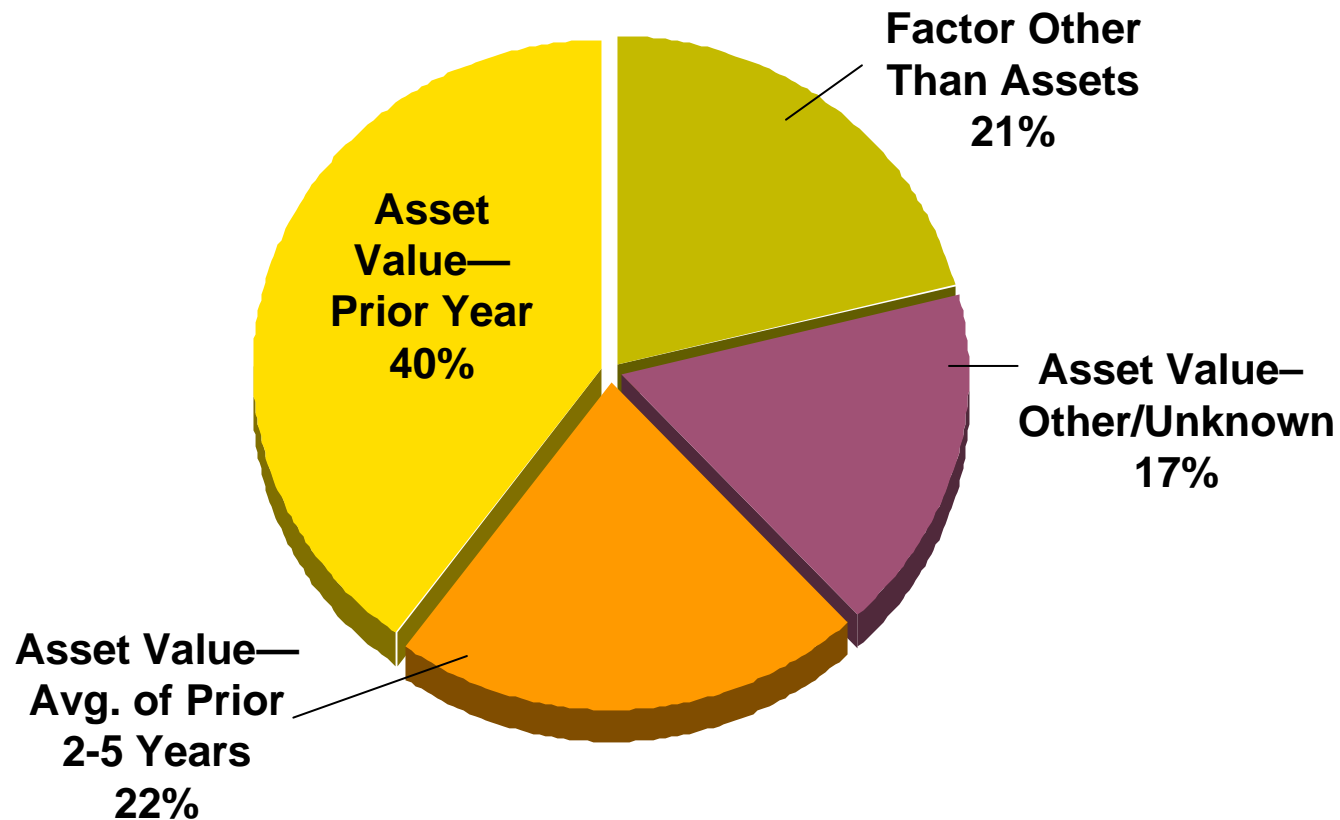
It now appears likely that the decline will be on the steeper end of that range. Among respondents to the September 2009 survey who established a grants budget at the start of the year, the vast majority (70 percent) expect to distribute roughly what they budgeted earlier this year. However, one in five funders (20 percent) expect to give less than the budgeted amount; only about 11 percent anticipate giving more.

Key Findings

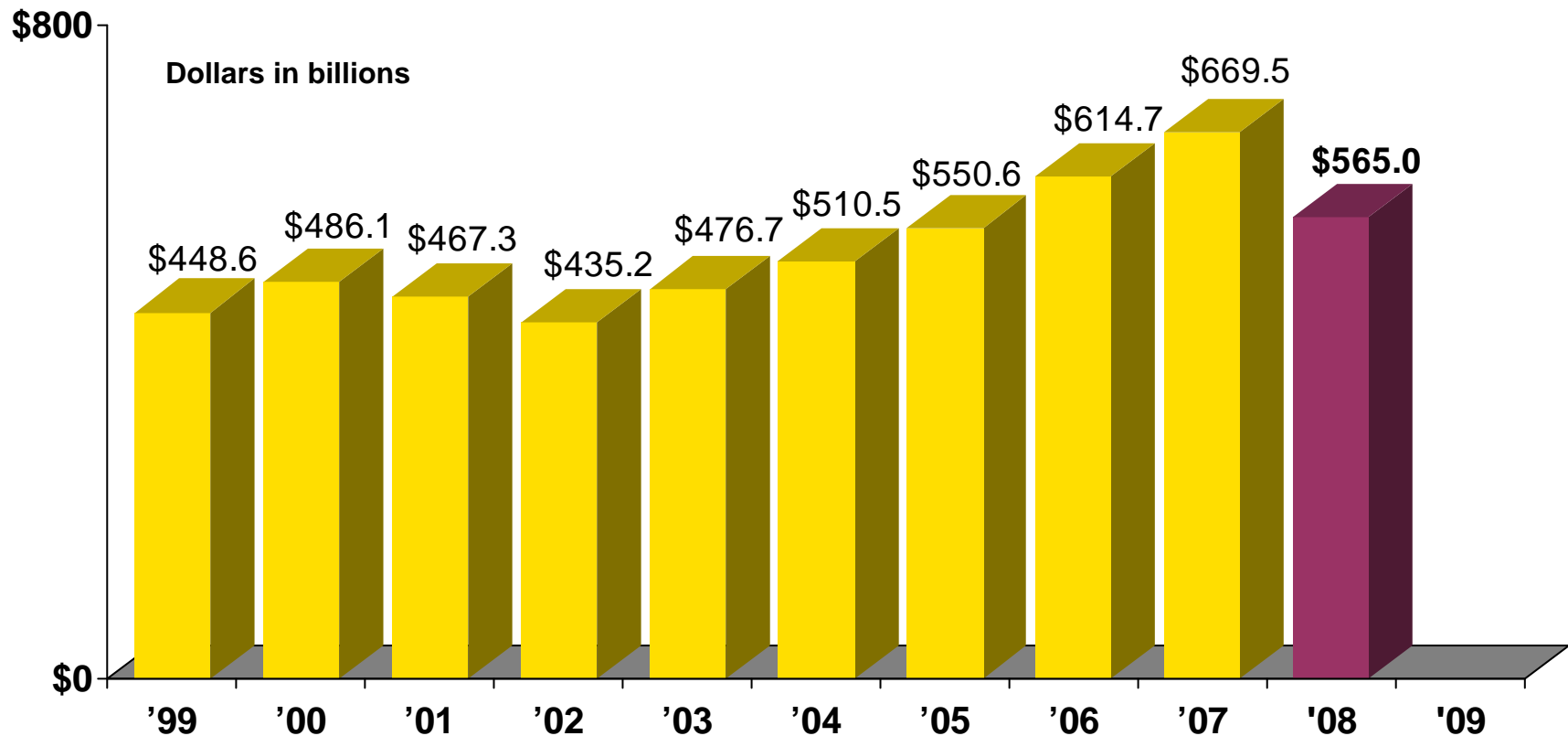
- New survey of leading grantmakers suggests a steeper than anticipated reduction in 2009 foundation giving.
- Indicators point to a continued reduction in foundation giving in 2010.
- More than two-thirds of respondents have reduced their operating expenses to shore up giving and for other purposes.
- Grantmakers expect that the field of philanthropy will become more strategic as a result of the economic crisis.
- Most funders expect the nonprofit community to emerge stronger from the economic crisis, although some express doubts.

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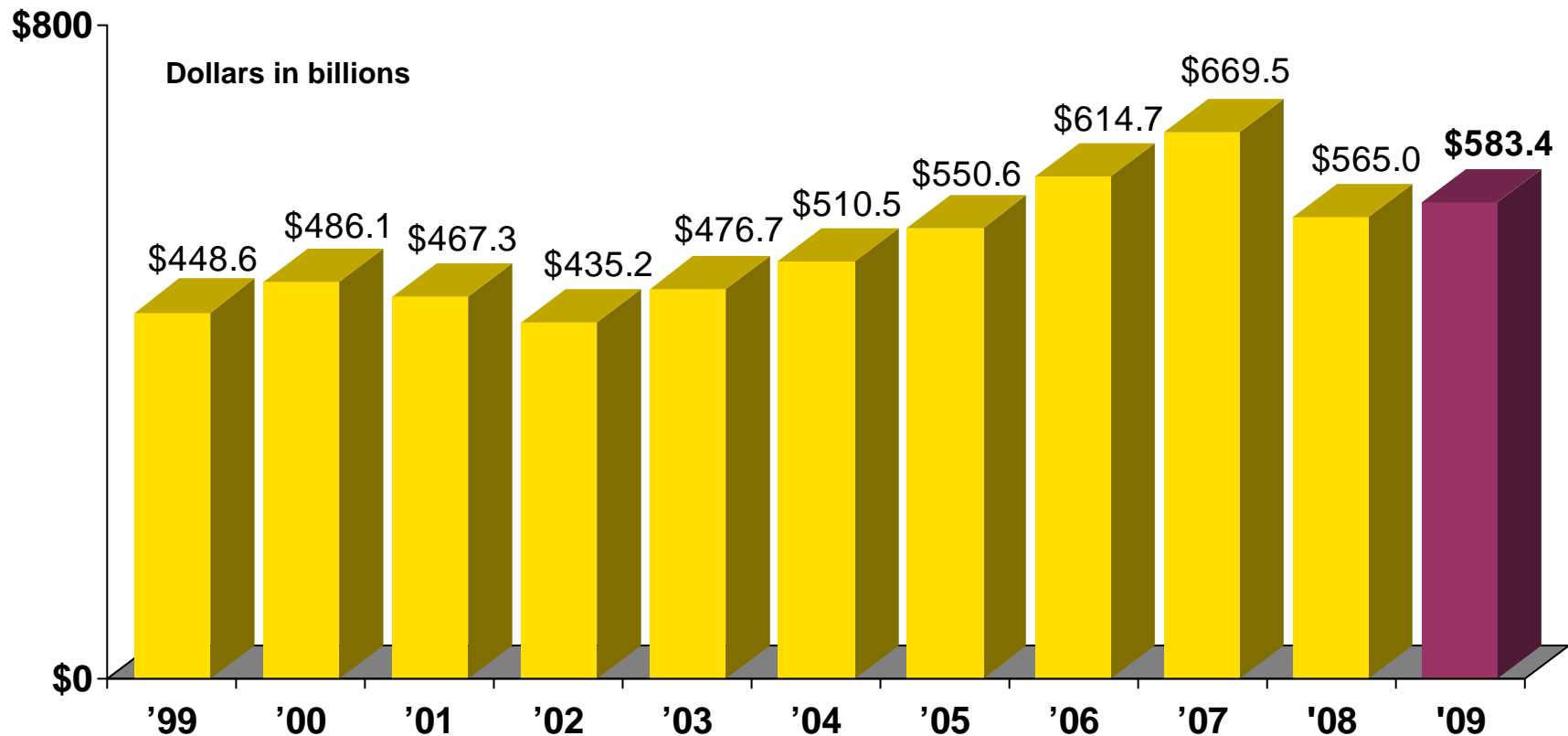
Primary Factor Determining Foundation Grants Budgets



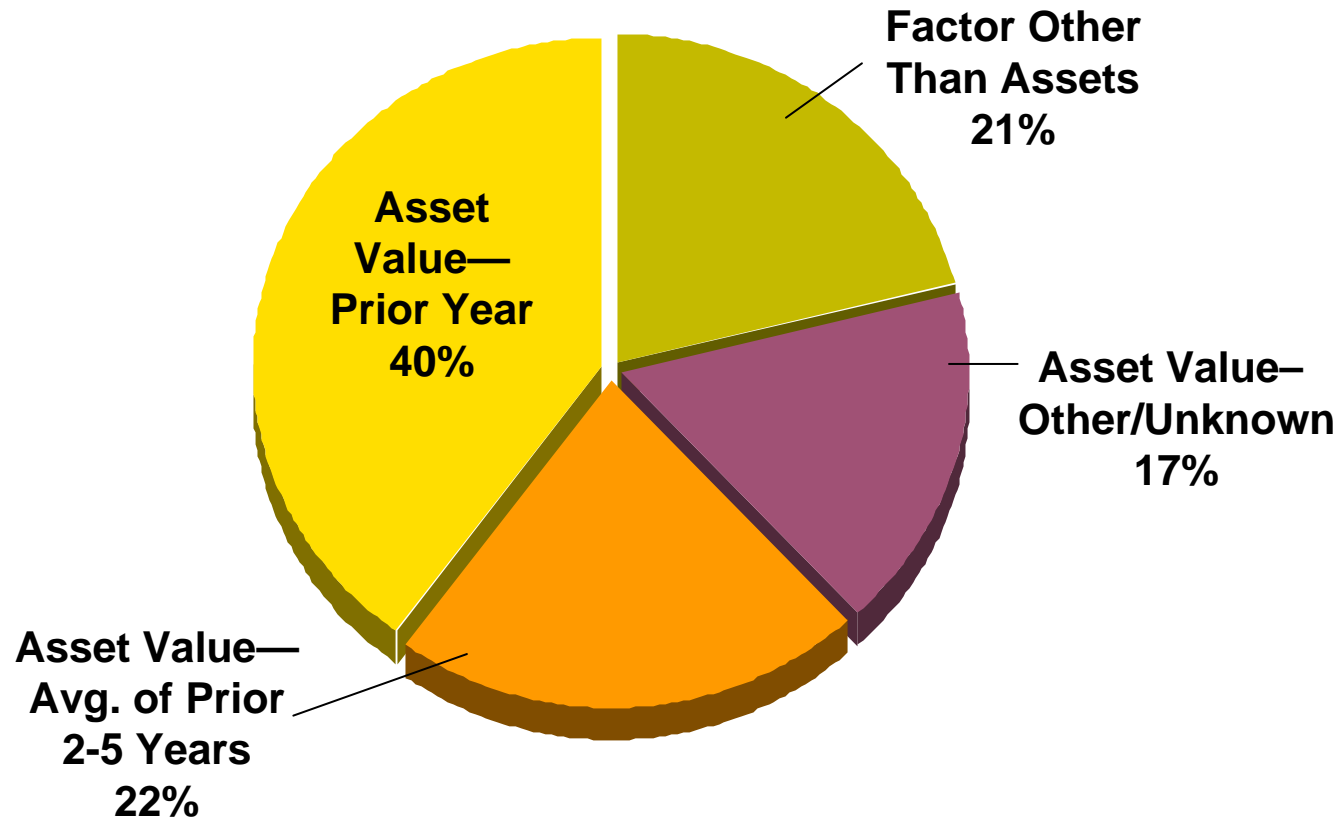
Change in Foundation Assets, 1999 to 2008



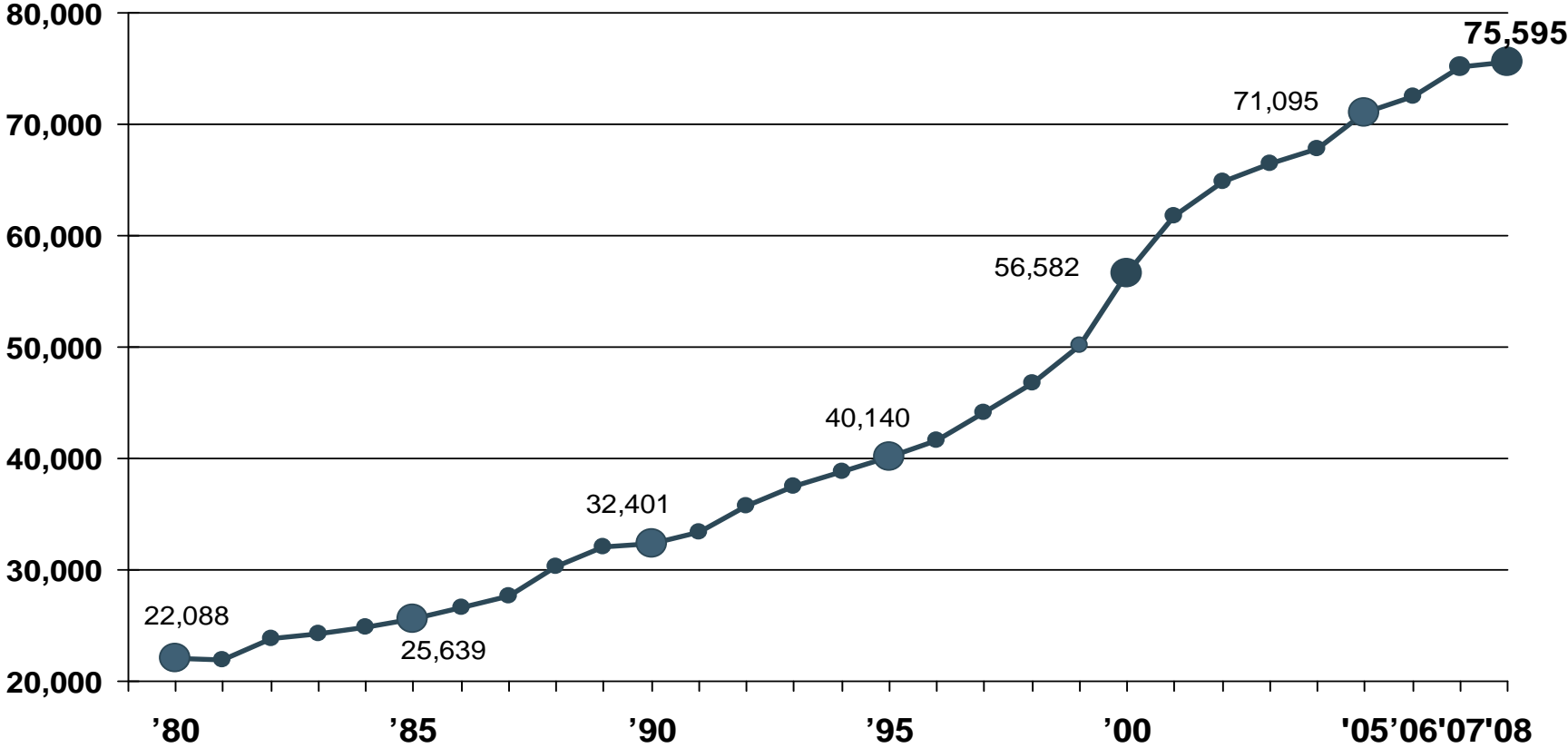
Change in Foundation Assets, 1999 to 2009



Primary Factor Determining Foundation Grants Budgets

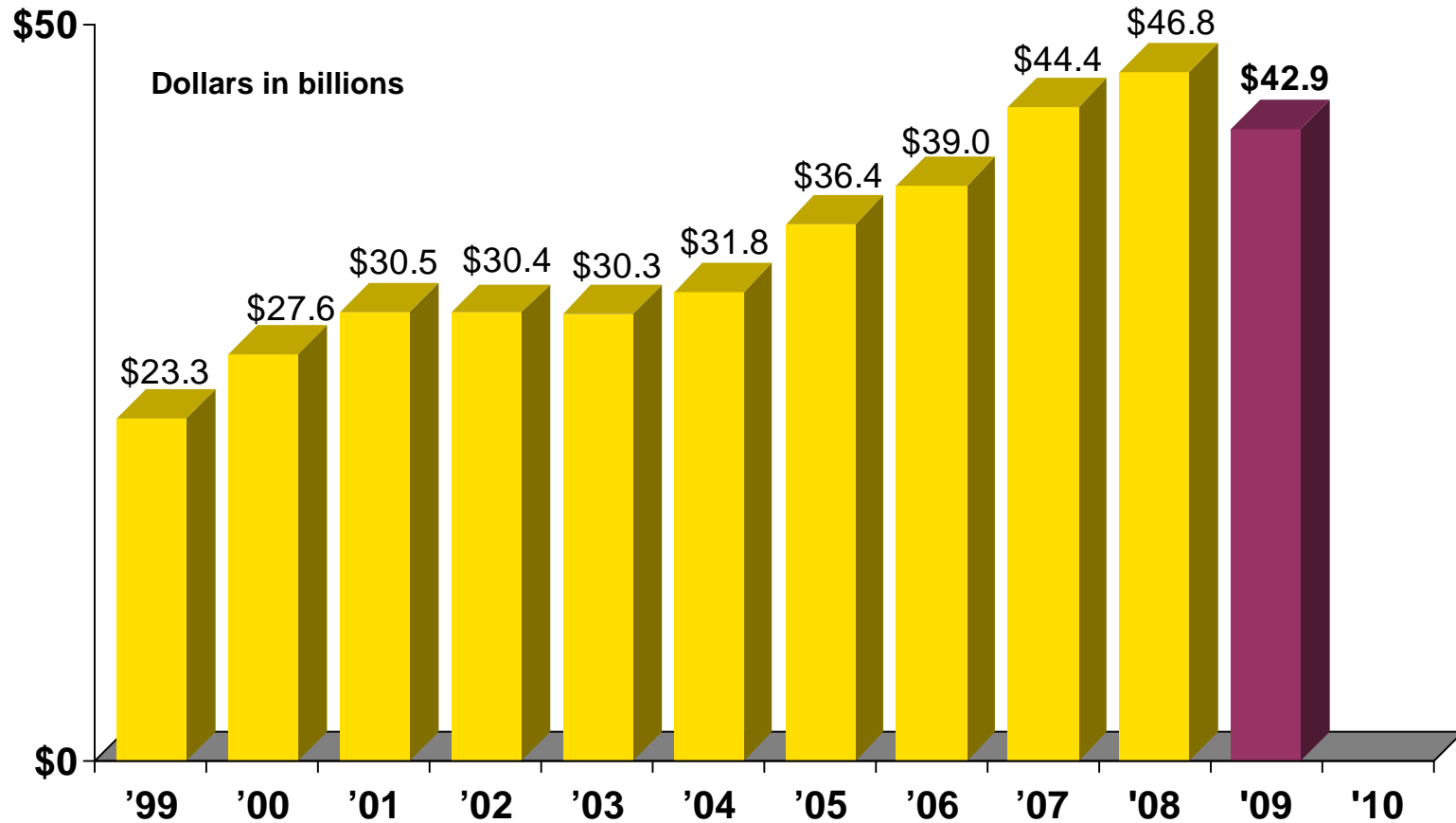


Number of Foundations, 1980 to 2008

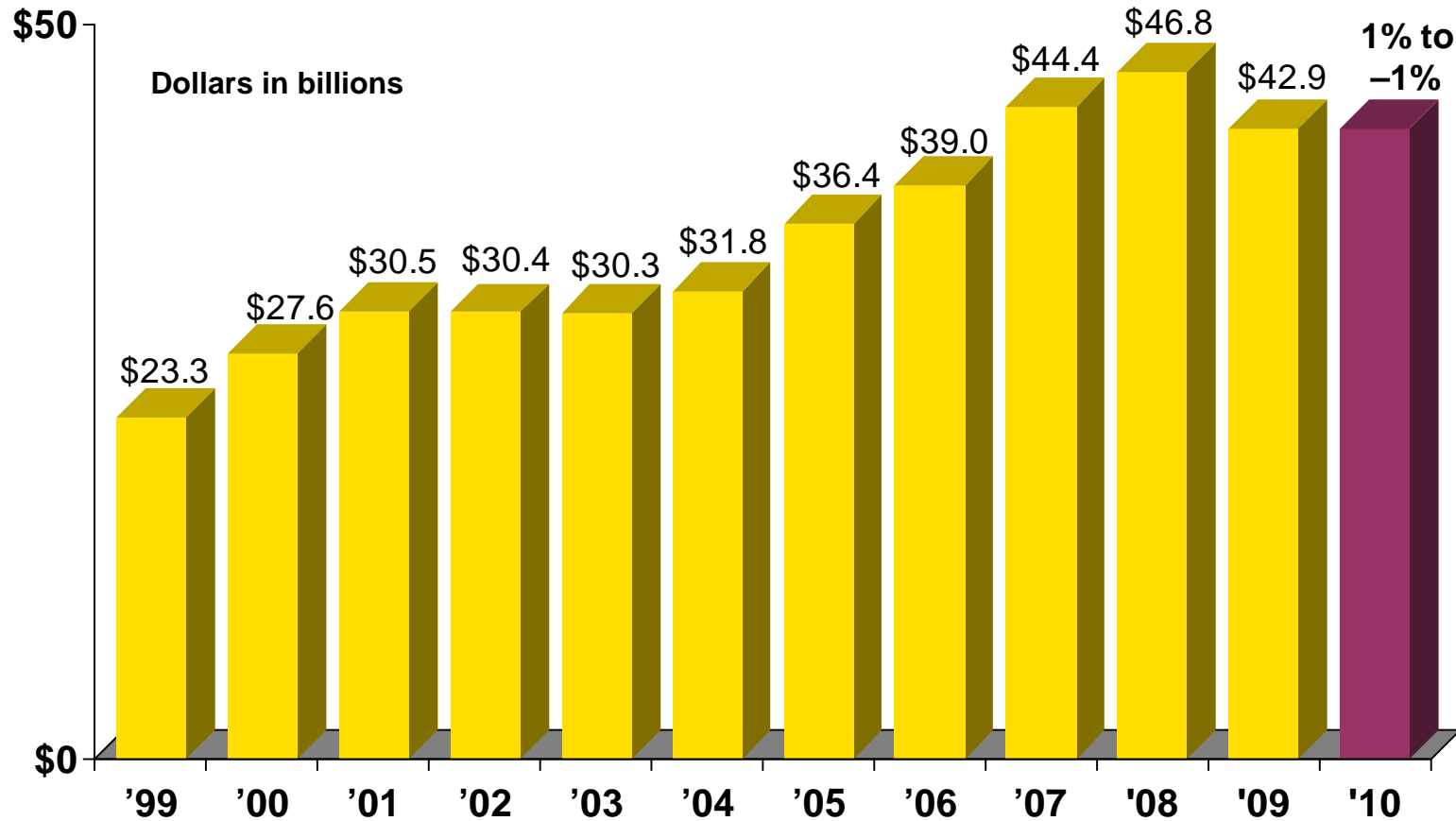


Impact of Gates Foundation

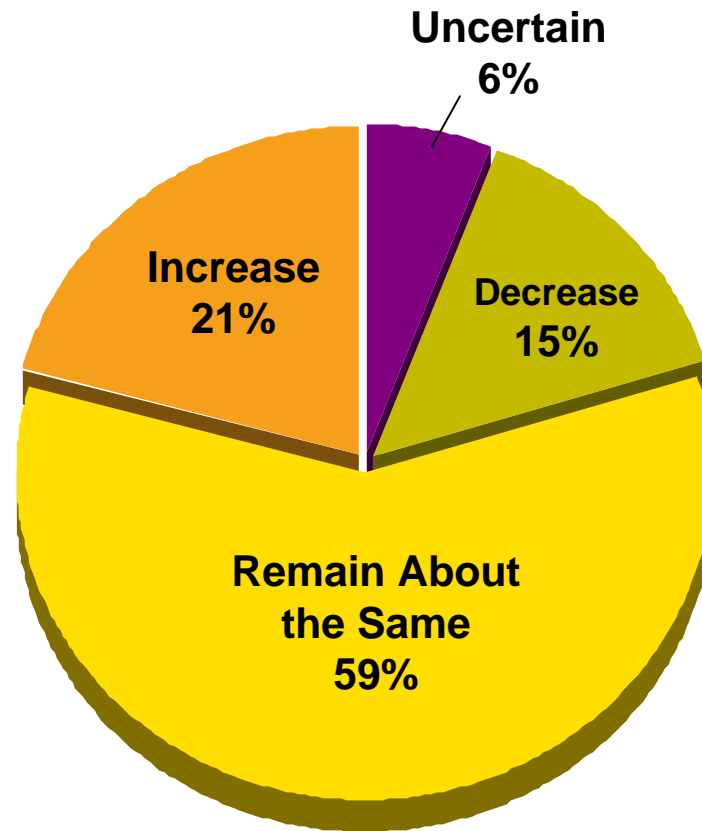
Change in Foundation Giving, 1999 to 2009



Change in Foundation Giving, 1999 to 2010



Change in Foundation Giving, 2011

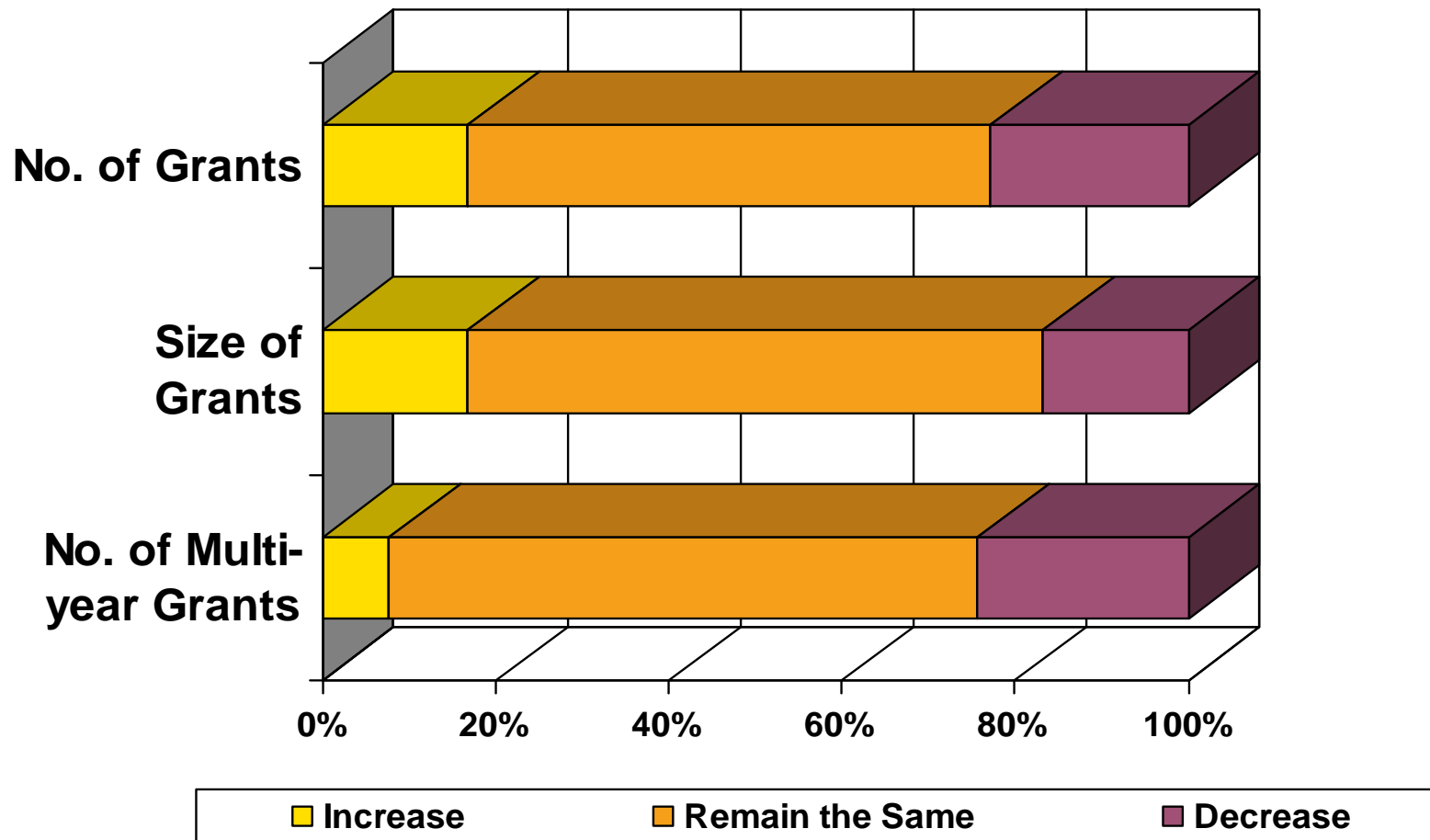


Changes in Strategies and Practice

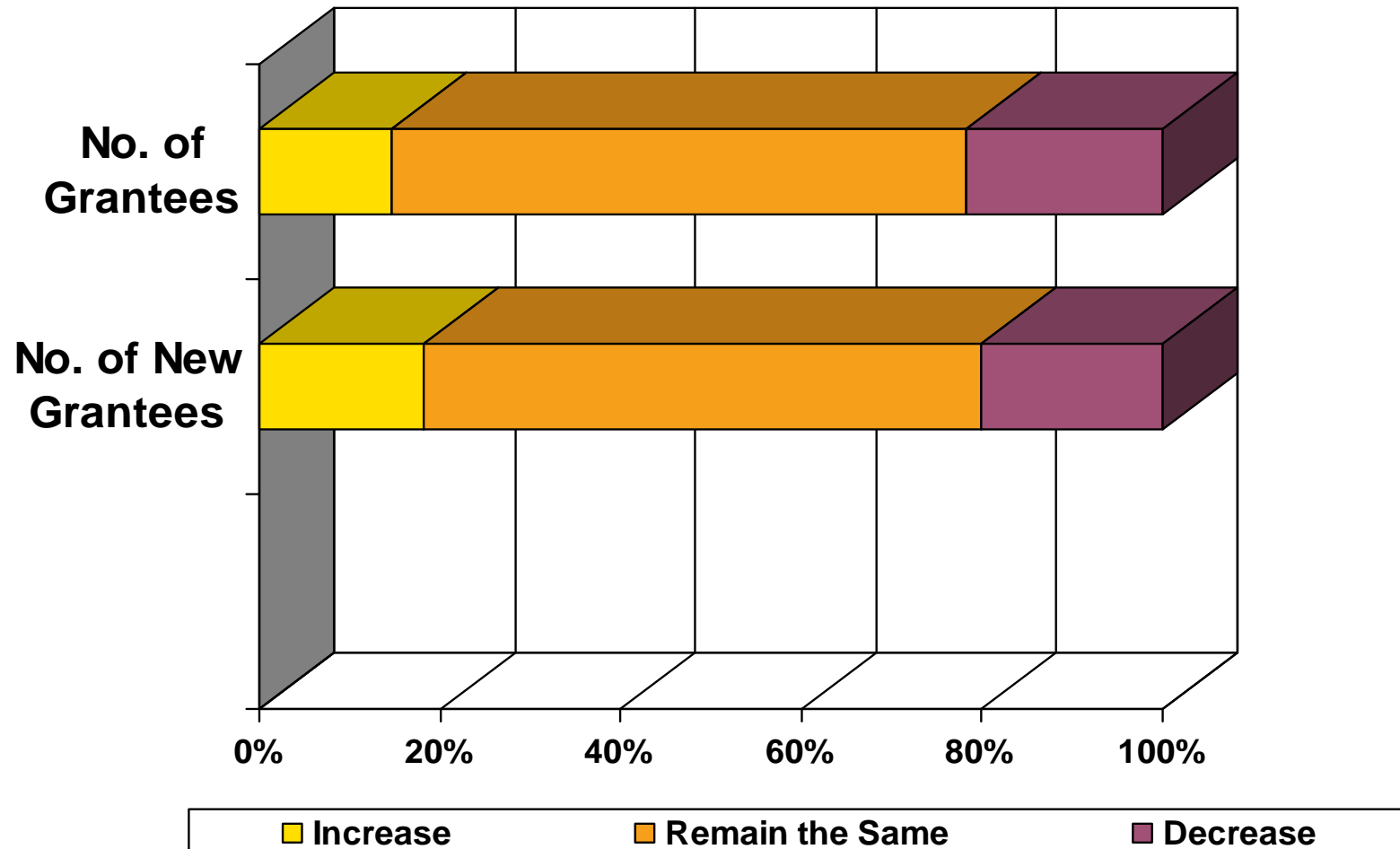
Changes in Strategies and Practice

- About two-thirds of funders expected to reduce number and/or size of grants

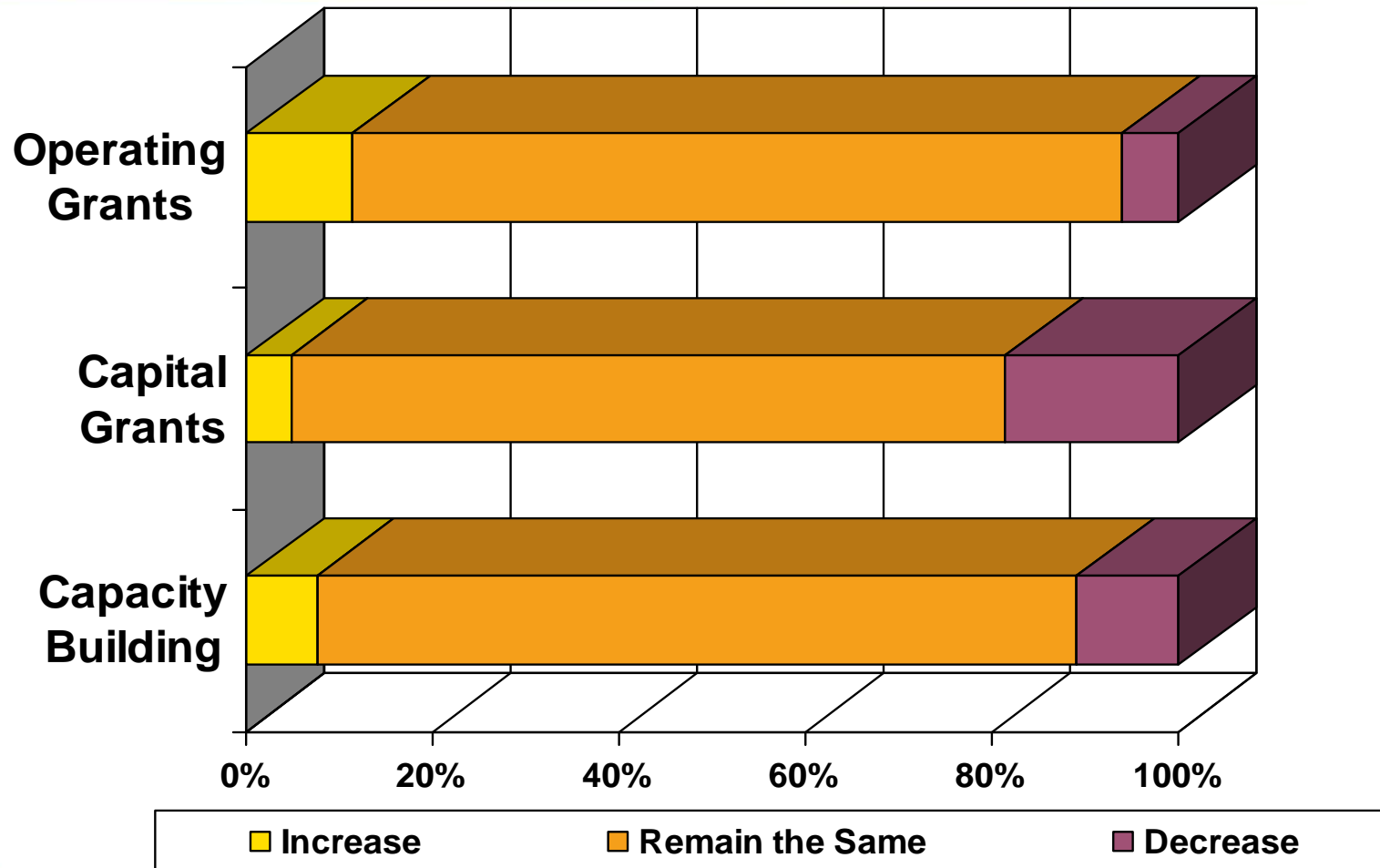
Change in Grantmaking Strategies, 2010



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Changes in Strategies and Practice

- About two-thirds of funders expected to reduce number and/or size of grants
- Most funders expected to maintain the number of program and geographic areas

foundationcenter.org/focus/economy



Research Advisory

November 2008

The following is an examination of trends in foundation giving priorities during times of financial difficulty. It is part of an ongoing Foundation Center research series intended to shed light on the potential impact of the current economic downturn on the nonprofit sector.

Do Foundation Giving Priorities Change in Times of Economic Distress?

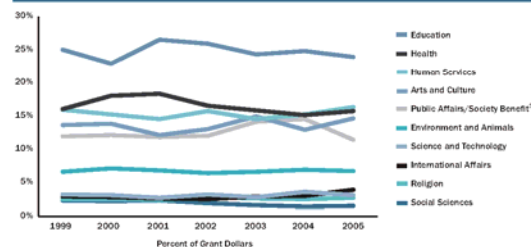
As nonprofit organizations brace themselves for the possibility of reduced charitable giving, we have been asked whether specific funding areas may be more vulnerable to cuts than others. For example, do foundations reduce their funding for the arts to increase support for social services, or do they cut back on international giving to address increased domestic demand? Some fear that society in general, and grantmakers in particular, may not place as high a value on staging a new symphony, funding economic development activities in Africa, or preserving green space at a time when domestic unemployment is rising and the social safety net is growing weaker.



Steven Lawrence
Senior Director of Research
The Foundation Center

While we cannot guarantee that future actions will mirror past behavior, an examination of giving by U.S. foundations during the economic downturn of the early 2000s suggests that overall grantmaking priorities do not shift suddenly in the face of reduced resources and over the longer term are remarkably consistent.

Foundation Giving Trends by Major Field, 1999 to 2005



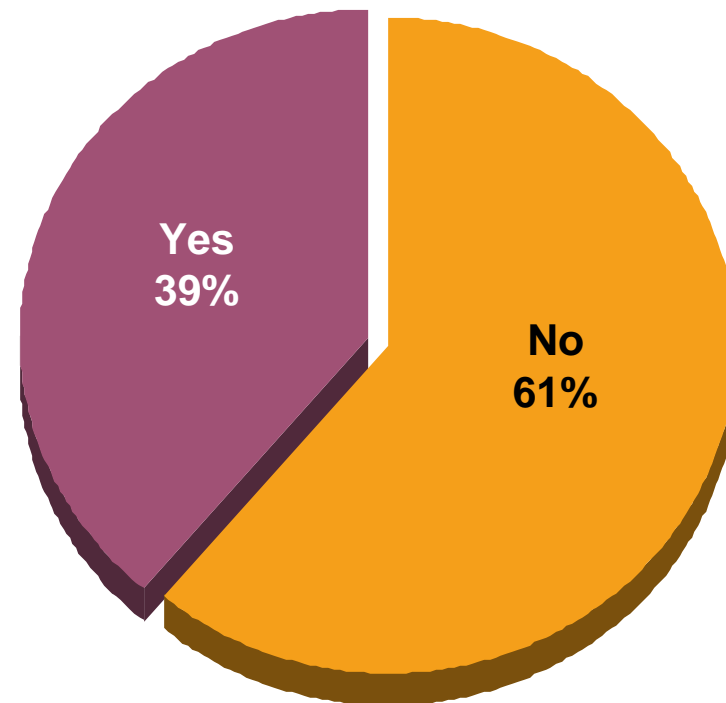
SOURCE: The Foundation Center, 2008. Based on all grants of \$10,000 or more authorized or paid (if authorized figures unavailable) by a sample of over 1,000 of the largest U.S. foundations in their 2006 fiscal year. Figures exclude giving by the Bill & Melinda Gates Foundation.
¹Includes civil rights and social action, community improvement and development, philanthropy and volunteerism, and public affairs.

[more on back >>>](#)



Grantmaking Priorities

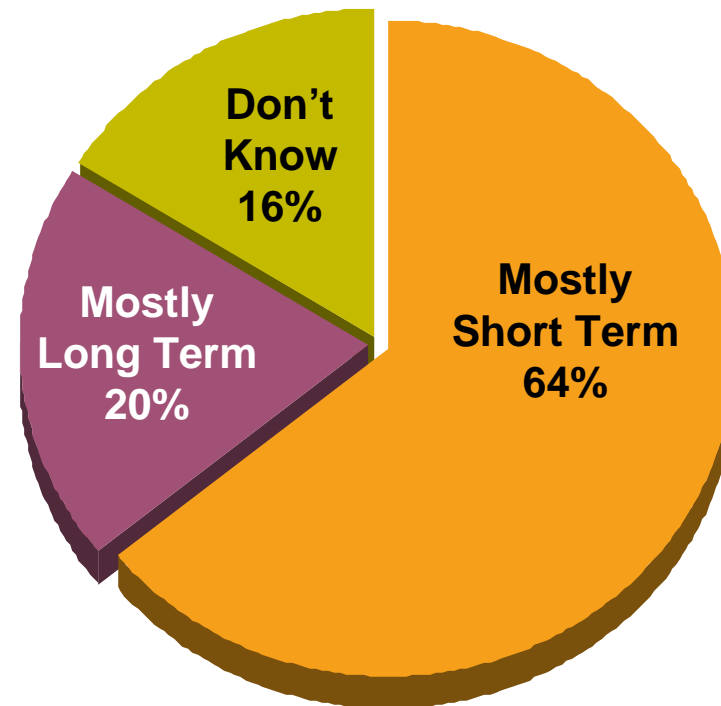
Did your foundation make any changes to its grantmaking priorities as a result of the economic crisis?



Source: The Foundation Center, 2010. A total of 709 foundations responded to this question.

Grantmaking Priorities

Do you expect these changes to be mostly short-term changes or long-term changes?

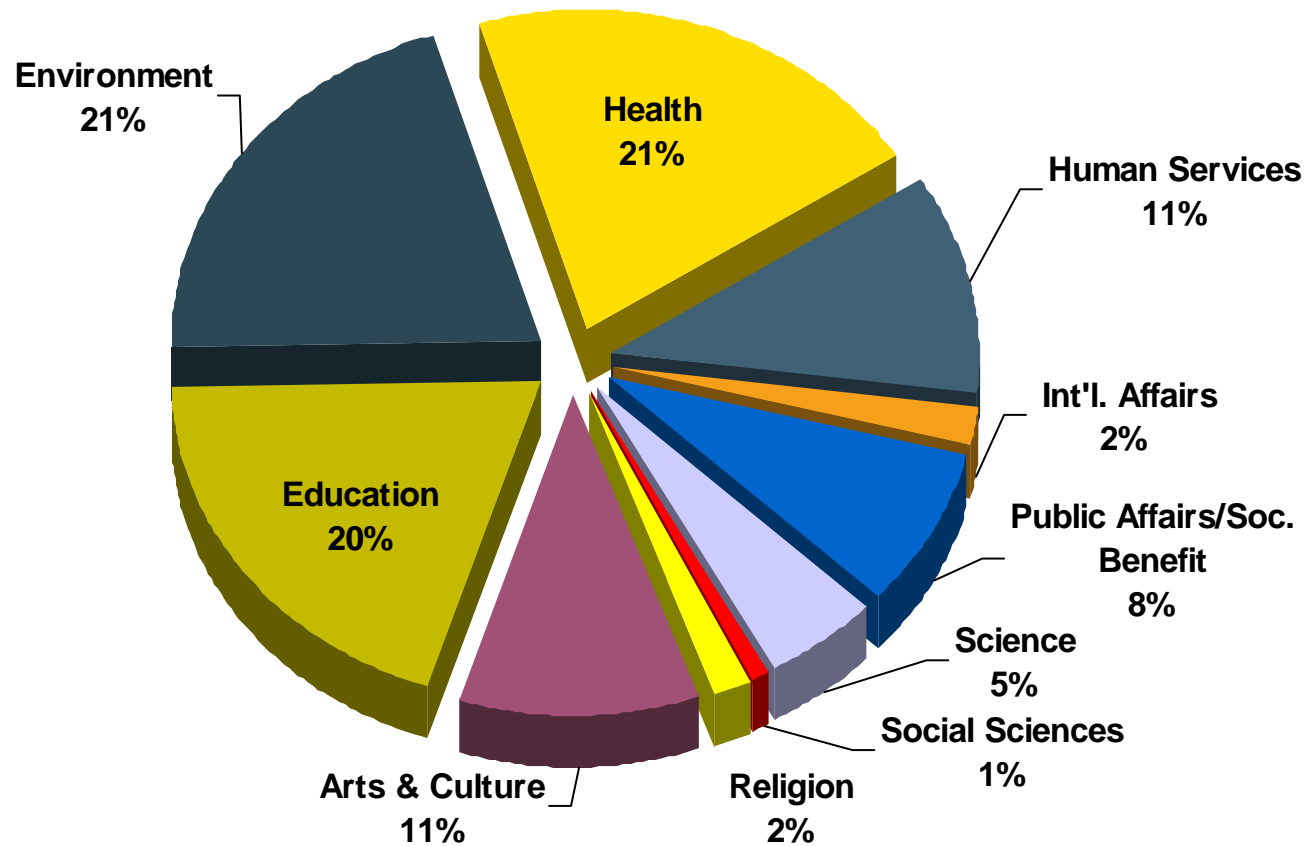


Source: The Foundation Center, 2010. A total of 312 foundations responded to this question.

Foundation Giving to California

2008

Total Dollars = \$3.6 billion

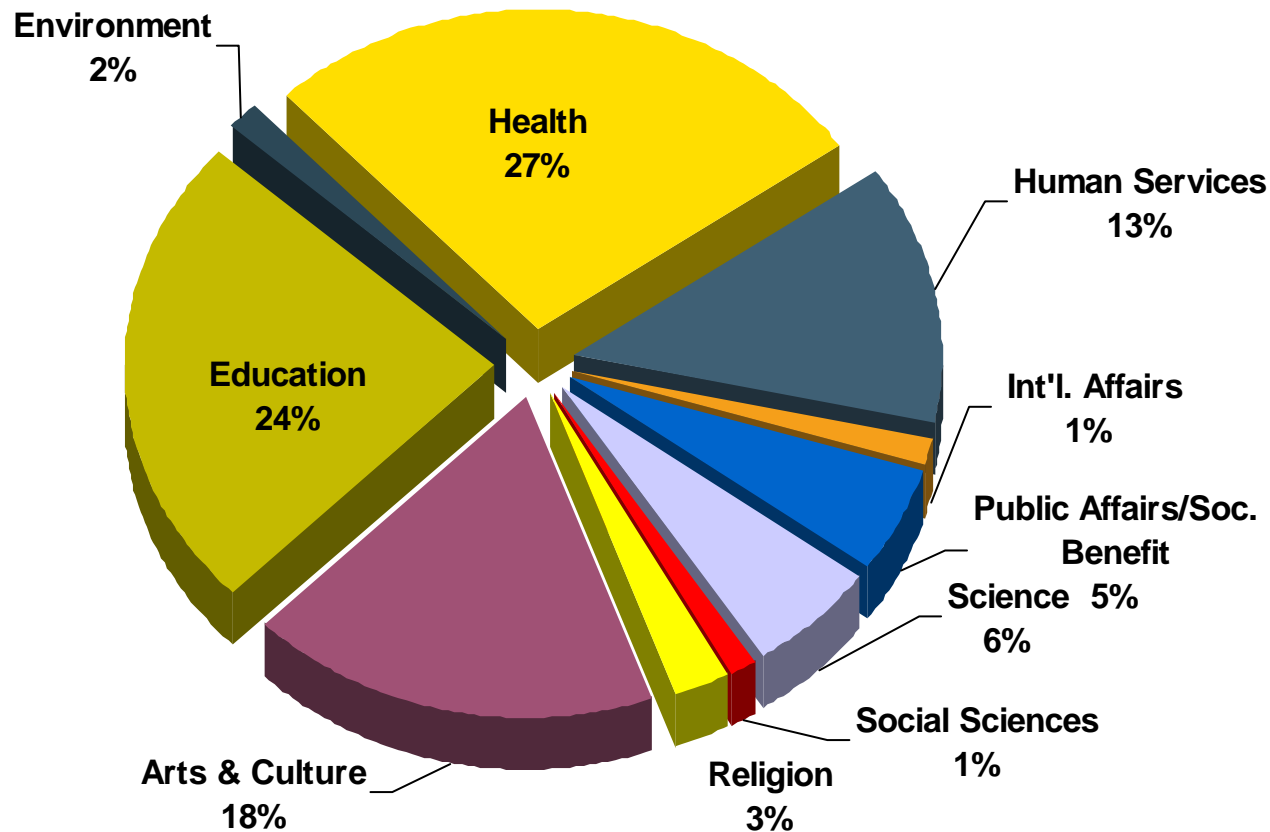


Source: The Foundation Center, 2010. Based on all grants of \$10,000 or more awarded by 1,490 of the largest U.S. Foundations.

Foundation Giving to Los Angeles County

2008

Total Dollars = \$911 million



Source: The Foundation Center, 2010.
Based on all grants of \$10,000 or more
awarded by 1,490 of the largest U.S.
Foundations.

Changes in Strategies and Practice

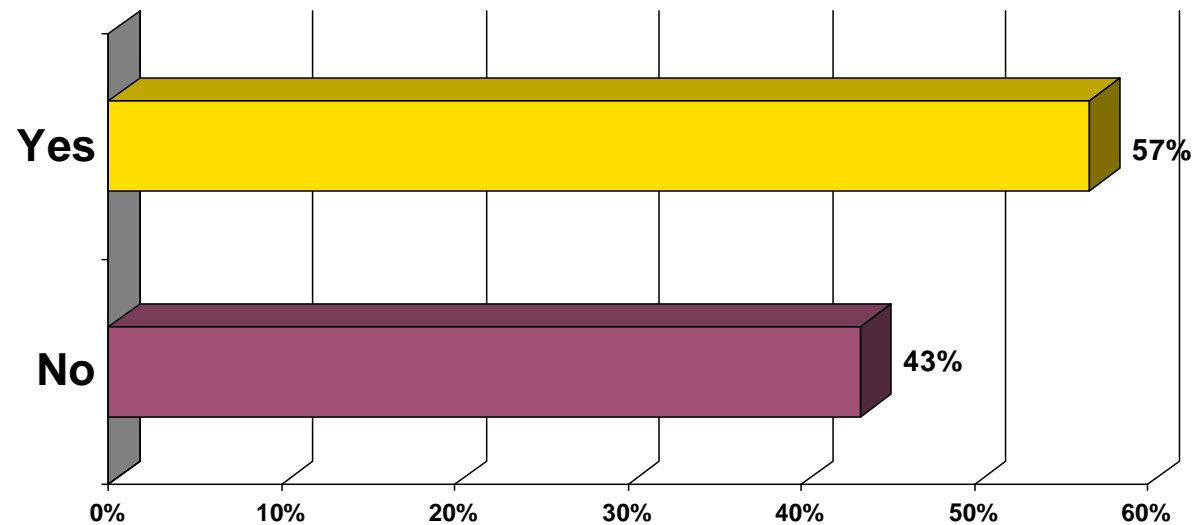
- About two-thirds of funders expected to reduce number and/or size of grants
- Most funders expected to maintain the number of program and geographic areas
- **Two out of five funders expected to use endowment principal to fund grants**

Changes in Strategies and Practice

- About two-thirds of funders expected to reduce number and/or size of grants
- Most funders expected to maintain the number of program and geographic areas
- Two out of five funders expected to use endowment principal to fund grants
- A majority of funders reduced operating expenses

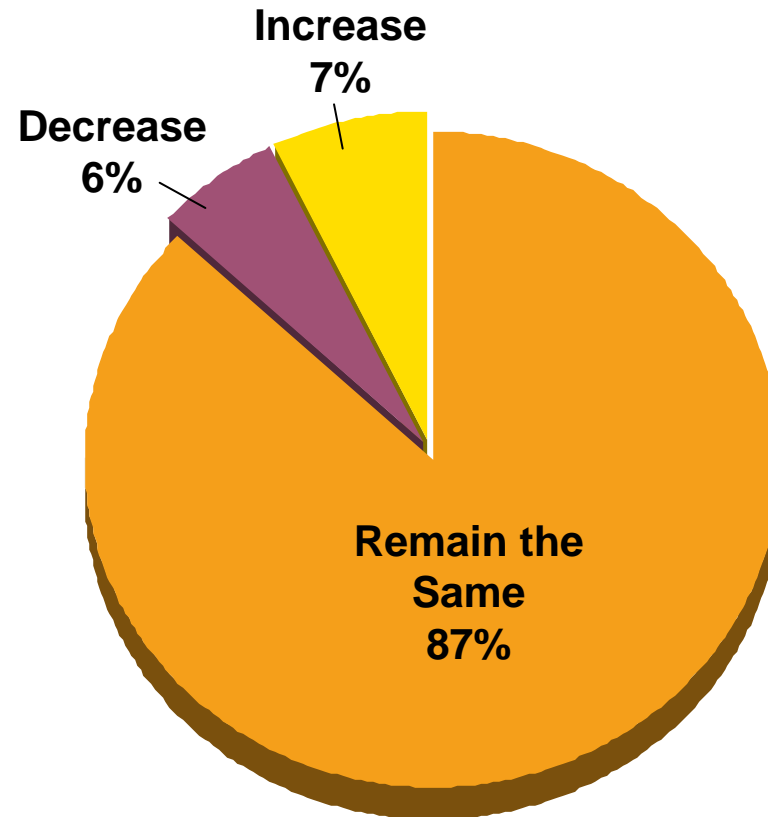
Operations

Has your foundation made operational changes as a result of the economic crisis?



Operations

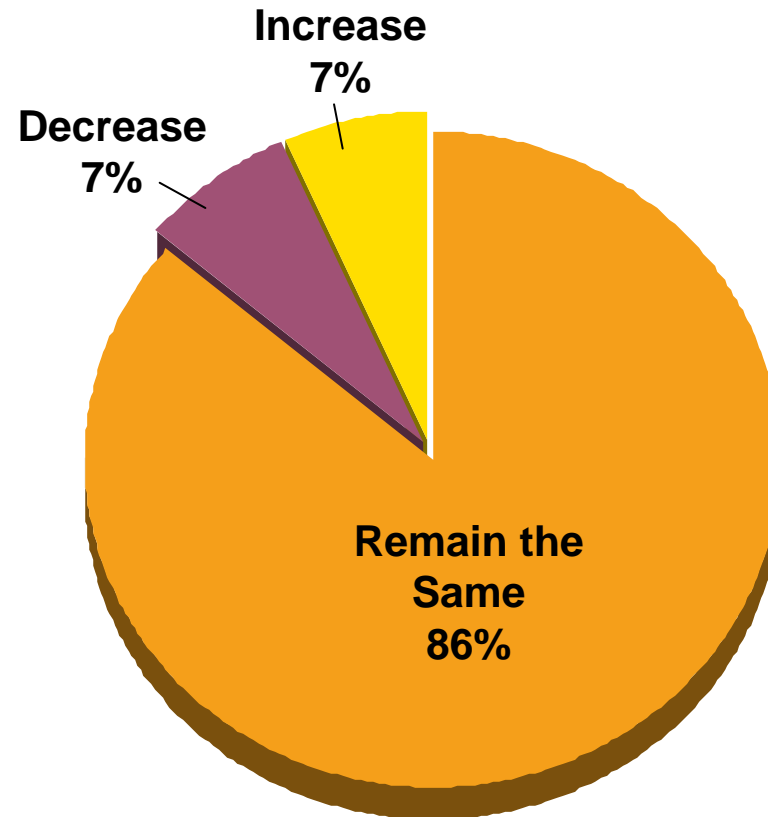
How has your foundation's number of professional staff changed in 2010?



Source: The Foundation Center, 2010. A total of 638 foundations responded to this question.

Operations

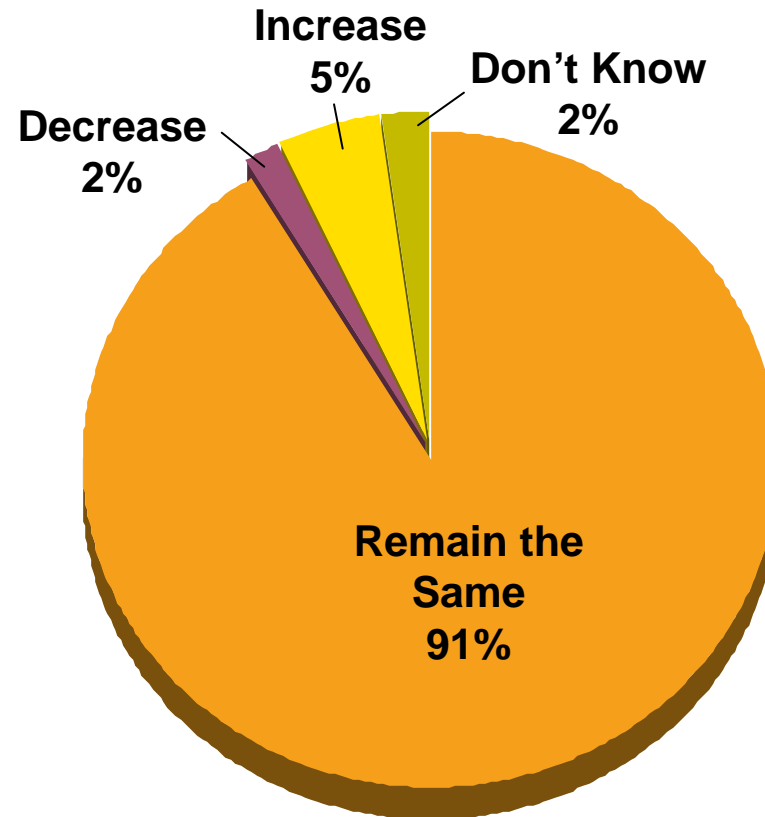
How has your foundation's number of support staff changed in 2010?



Source: The Foundation Center, 2010. A total of 615 foundations responded to this question.

Operations

How do you anticipate your foundation's number of professional staff will change in 2011?



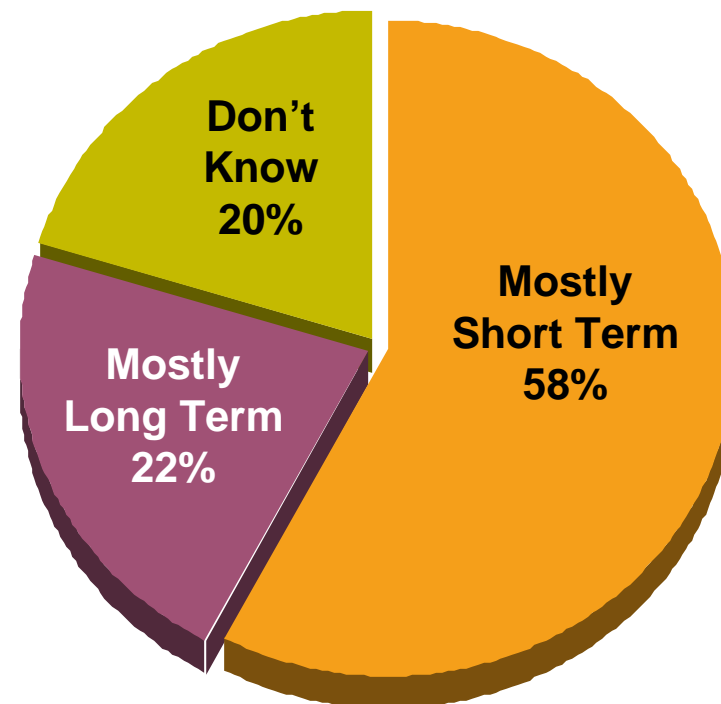
Source: The Foundation Center, 2010. A total of 631 foundations responded to this question.

Changes in Strategies and Practice

- About two-thirds of funders expected to reduce number and/or size of grants
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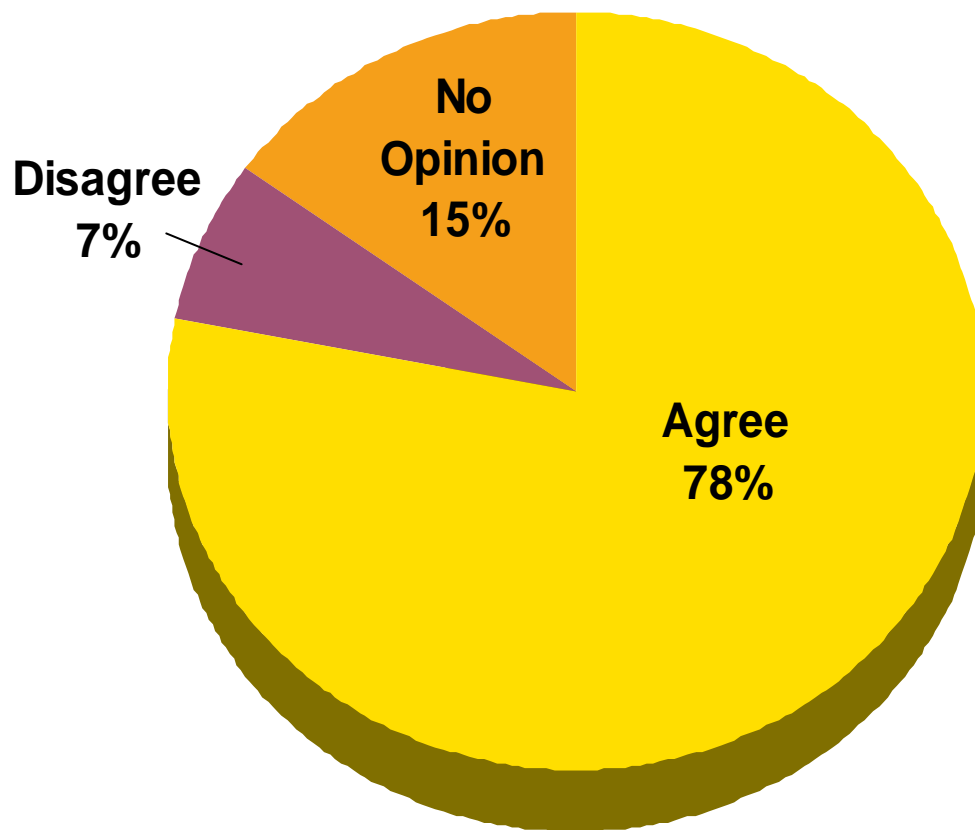
Do you expect these changes to be mostly short-term changes or long-term changes?



Source: The Foundation Center, 2010. A total of 312 foundations responded to this question.

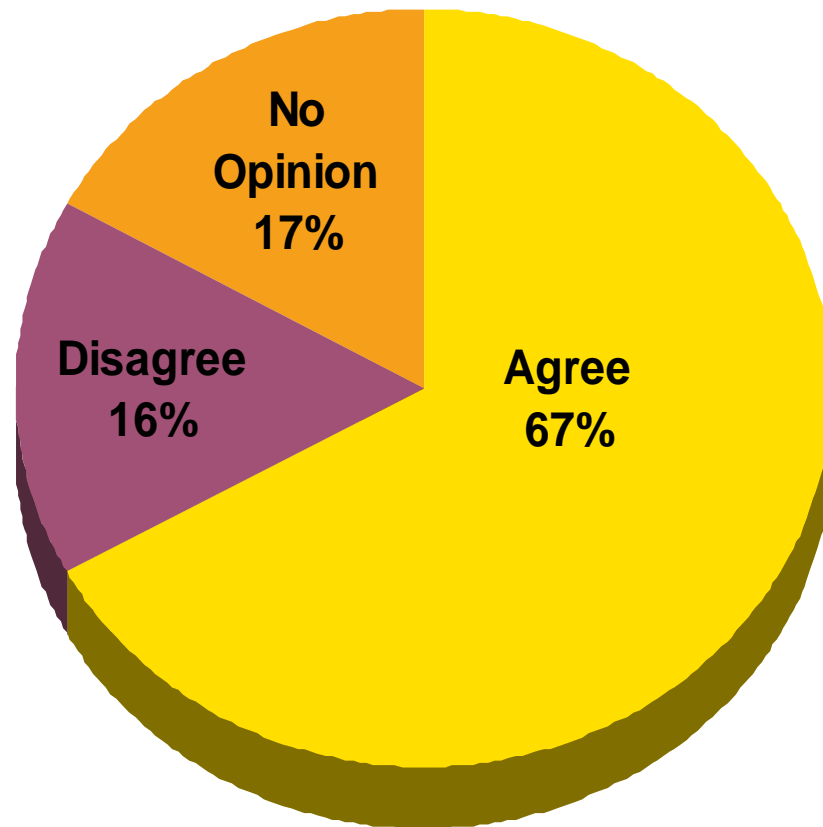
Long-term Impact on Foundations and Nonprofits?

The field of philanthropy will become more strategic as a result of the economic crisis



Percent of Number of Foundations

The nonprofits that survive the economic crisis will emerge stronger than before

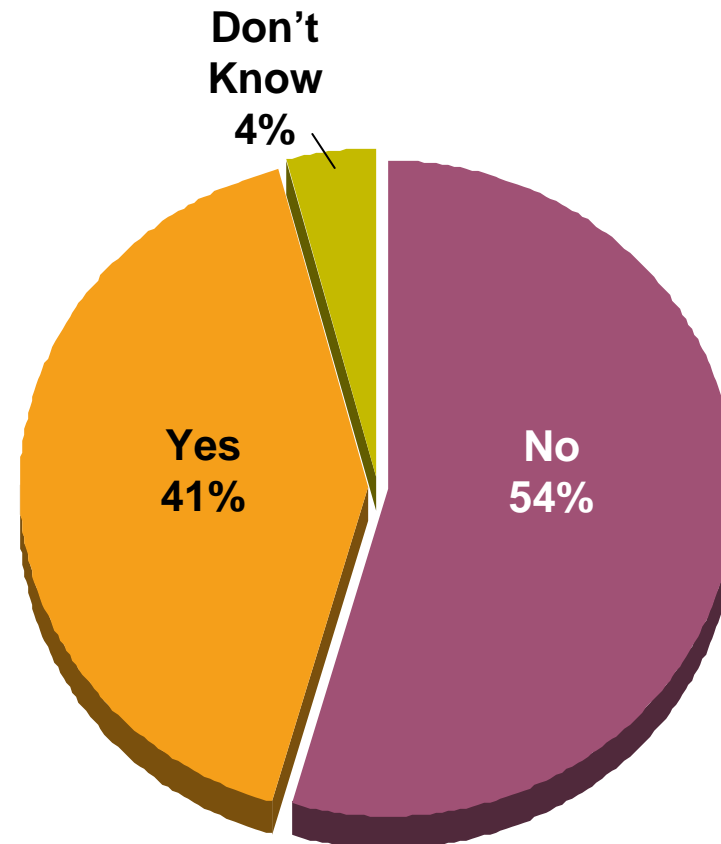


Percent of Number of Foundations

Foundation Response to the Economic Crisis

Economic Crisis Response

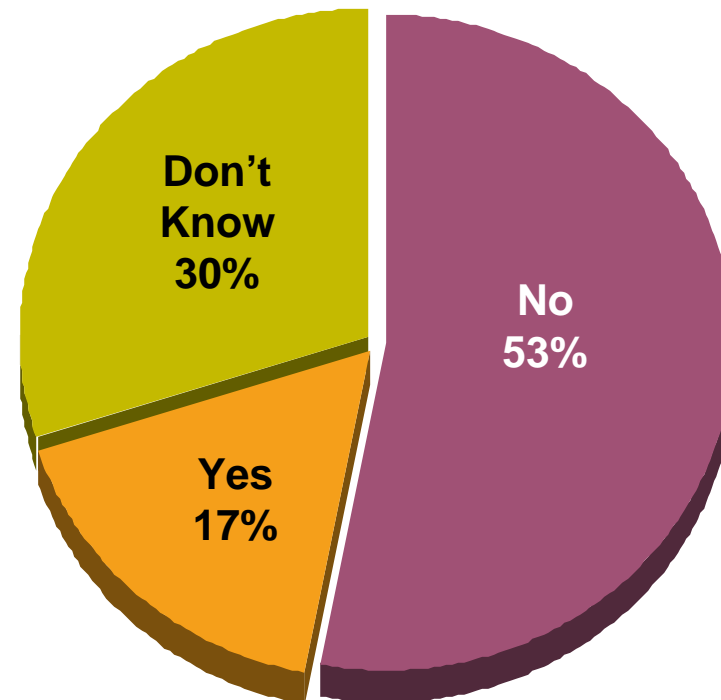
Since fall 2008, has your foundation provided support specifically addressing issues/problems related to the economic crisis?



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

Economic Crisis Response

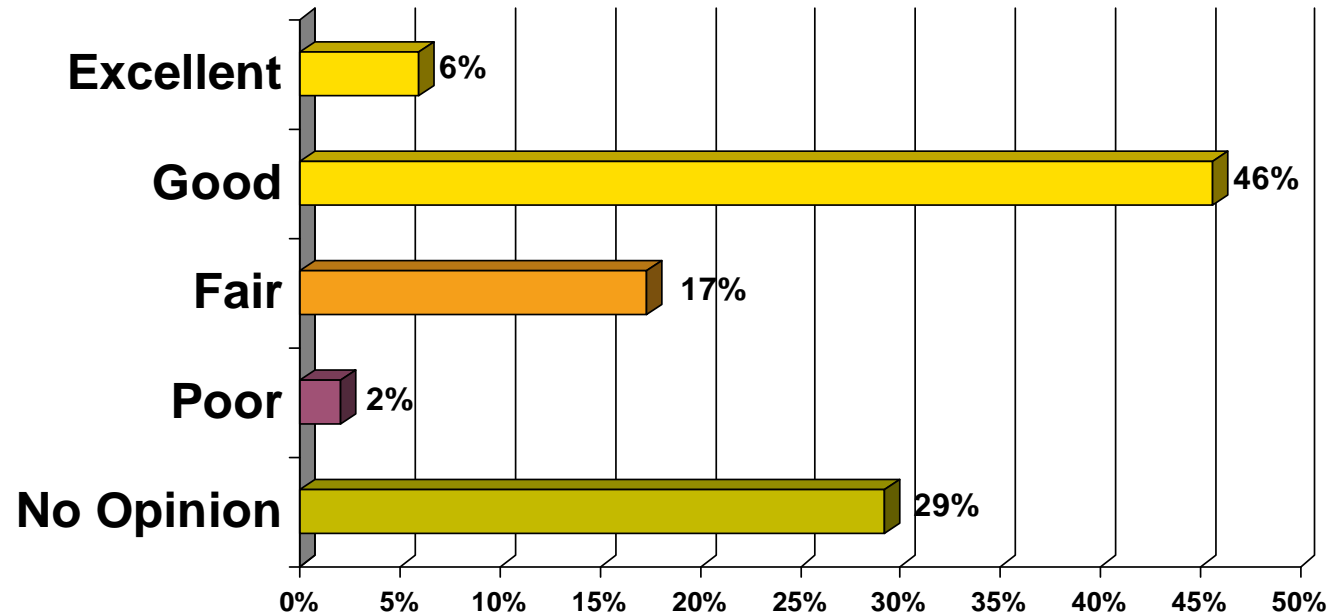
Does your foundation plan to provide any new support over the next 12 months?



Source: The Foundation Center, 2010. A total of 712 foundations responded to this question.

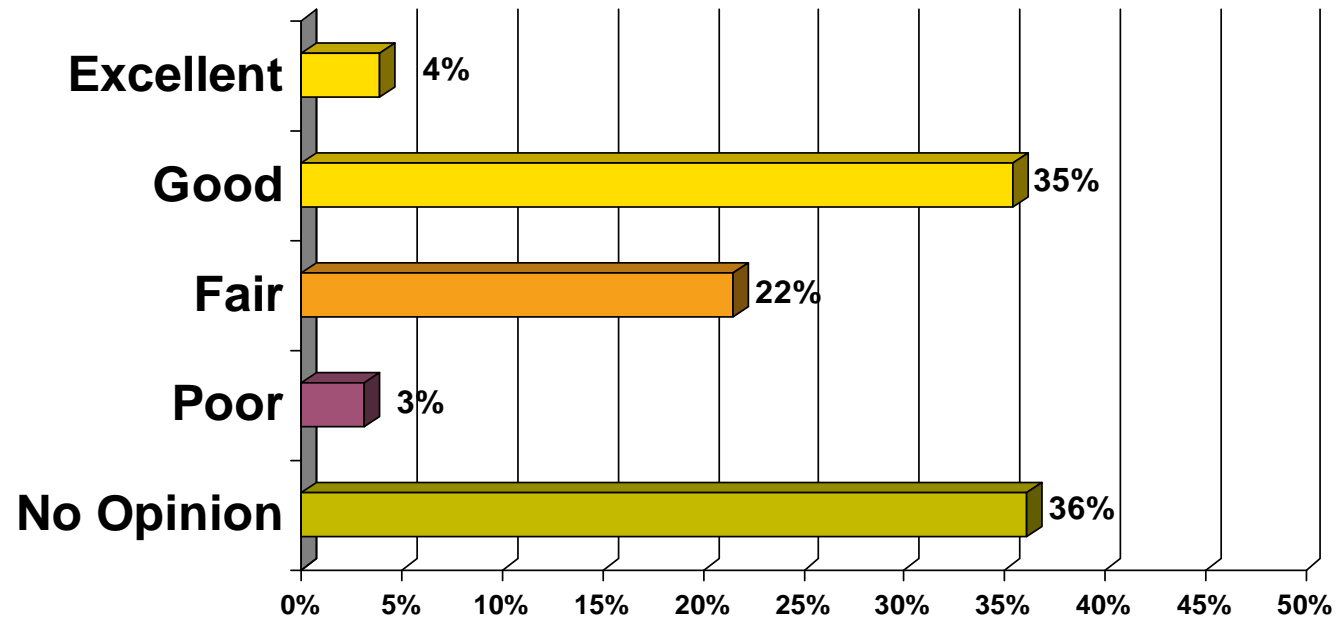
Economic Crisis Response

How would you rate the overall responsiveness of foundations to nonprofit needs?



Economic Crisis Response

How would you rate the overall responsiveness of foundations to individuals or communities?



Source: The Foundation Center, 2010. A total of 712 foundations responded to this question.

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