

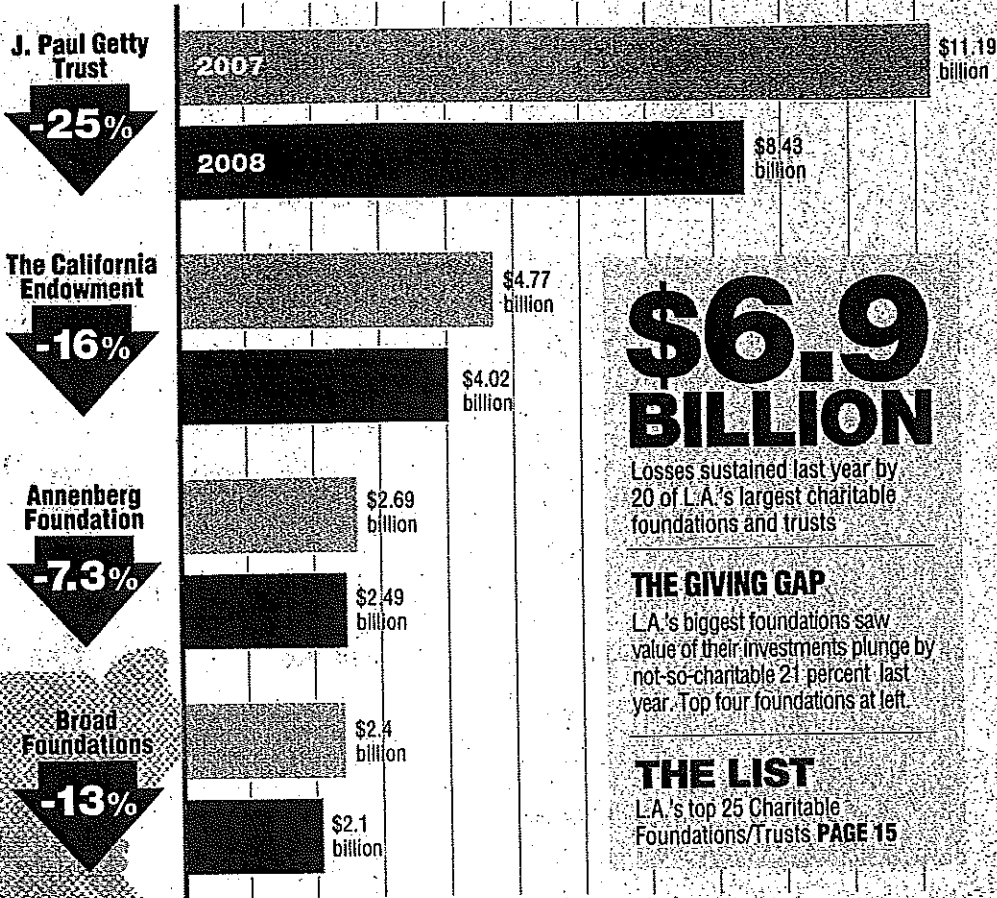
LOS ANGELES BUSINESS JOURNAL

Volume 31, Number 37

September 14 - 20, 2009

\$3.00

TRUST BUST



\$6.9 BILLION

Losses sustained last year by 20 of L.A.'s largest charitable foundations and trusts

THE GIVING GAP

L.A.'s biggest foundations saw value of their investments plunge by not-so-charitable 21 percent last year. Top four foundations at left.

THE LIST

L.A.'s top 25 Charitable Foundations/Trusts **PAGE 15**

Recession cracks local foundations

By **DAVID HALDANE** Staff Reporter

Los Angeles County's major philanthropic foundations are reacting to the same stark fact: After decades of tremendous growth, their portfolios swooned by a stunning amount last year.

Twenty of the largest charitable foundations and trusts in the county lost a combined \$6.9 billion in assets in 2008, a decline of 21 percent, according to the Business Journal's annual ranking of the county's biggest charities. (The List begins on page 15.)

The figures are a snapshot of the assets

as of Dec. 31 and do not take into account the stock market rally that's occurred since. However, many leaders in the philanthropic community do not expect their portfolios to return to pre-bust levels anytime soon and are adjusting to a new world of lowered expectations.

"Right now, everything is on pause," said Jim Ferris, a professor of public policy and director of USC's Center on Philanthropy and Public Policy. "But I expect it to get worse before it gets better."

Indeed, many of the organizations already have taken action to cut costs

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Non-Profit: Diminished Coffers Lower Expectations

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and do not expect to reverse themselves soon. The J. Paul Getty Trust, Southern California's largest charitable foundation, made headlines this year when it slashed spending by 14 percent, fired 205 employees, cut back on programming and raised parking fees at its two museums.

Others have followed suit or are considering doing so.

"It was great, year after year, earning 15 to 20 percent; we could add a lot of new things. We went through quite a bubble and everyone got kind of fat," said billionaire Eli Broad, founder of the Broad Foundations, which lost \$300 million in the ailing stock market in 2008. "We've now got to trim down and do more with less."

How foundations react to the downturn is of great importance to Los Angeles, of course. That's because they are the backbone of financial support for the arts, education, charities and various other civic efforts.

Bracing for worst

The Broad Foundation is the county's fourth largest with \$2.1 billion in assets as of Dec. 31. It funds public education, contemporary art, scientific research and civic projects.

Though the foundation has been able to meet its previous financial commitments, Broad said, it's put future commitments on hold.

The foundation's assets have increased 18 percent so far this year amid the stock market rebound. "So we've regained some of what we

lost," he said.

But the experience has been a warning to the foundation, which had expanded its funding commitments nationwide for the past decade. Among some of its most well-known projects are funding of Los Angeles after-school programs; stem cell research; and the Broad Contemporary Art Museum at the Los Angeles County Museum of Art, which involved a \$60 million funding commitment.

"We've got to be more judicious in what we do," Broad said.

Meanwhile, the Ahmanson Foundation, which saw its assets fall 33 percent to \$774 million last year, has decided to start funding only in supportive, rather than leading roles.

It supports projects in the fields of art, culture, education and health, most commonly for construction projects and property acquisitions.

"We like to see that a project is shovel ready before we step in," said foundation President William Ahmanson.

The Conrad N. Hilton Foundation, named after the late hotelier, has funded a host of projects to fill "critical societal needs," such as services for the blind, early childhood development and substance abuse prevention.

But when the directors of the charity, the county's sixth largest, saw assets decline last year from \$2 billion to \$1.66 billion, it held a retreat. Its decision: limit the organization's future efforts to two causes, homelessness in Los Angeles and potable water in West Africa.

"That enabled us to slow down the acceleration of growth in our grant budget so we could strategically focus on areas of key con-

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Broad

cern," said Pat Modugno, the foundation's vice president and chief financial officer.

And at the California Endowment — Los Angeles County's second largest charitable foundation which primarily funds health projects — executives began a discussion on

how to keep costs down after assets fell 16 percent.

Among other measures, unfilled positions were left open, travel budgets were cut and overall administrative costs were trimmed by about \$2 million a year.

At the same time, Executive Vice President Kathlyn Mead said, the agency put aside about \$10 million of its grant-making dollars for what it called "economic downturn support" — i.e., money that service-oriented organizations such as food banks, shelters and mental health groups can use for their basic operations.

In doing so, the foundation adopted a practice that until a year ago was rare in the philanthropic world — providing money so organizations can keep their doors open rather than grants for specific programs.

"These organizations are not going to bounce back overnight; people aren't just going to have jobs," Mead said.

The practice of offering nonspecific grants, in fact, was pioneered in November by another L.A.-based organization, the Weingart Foun-

ation. It began offering "core support" to help underwrite administrative costs for struggling non-profits specializing in providing food, shelter and health care to the region's poor, unemployed and sick. The practice has since been emulated by many other foundations nationwide.

Permanent changes

Ferris, the USC professor, said that some foundations will be assisted by such factors as donations from estates. But many experts believe that lowered expectations are more or less permanent.

"People are trying to restructure their grant-making," said Sushma Rama, president of Southern California Grantmakers, an L.A.-based organization representing 140 corporate and private foundations in Southern California. "Some are even paying more attention to pro bono and volunteer programs by sending people instead of money."

Added Regina Birdsell, president of the Center for Nonprofit Management, an L.A. nonprofit consultancy: "There is a paradigm shift occurring in how we respond; sometimes from really hard times come major innovation."

Back at the California Endowment, the jury is still out on what that will mean. While the foundation has so far been able to maintain its usual practice of providing about \$150 million annually in grants, the organization's directors will sit down next month to begin charting a new budget effective in April.

"We fully expect to make changes due to the reduction in our assets," Mead said.