



Foundations Support Families Hit by Economic Downturn

Results of a Survey by the Council on Foundation

May 1, 2008

Highlights

The Council on Foundations released the results of a survey of over 300 foundations showing broad support for families hit by the current economic downturn. In the first of a series of research studies on the relationship between Philanthropy and the Economy, the Council release shows strong response by foundations and corporate giving programs to help those most impacted by today's economy. The report shows that the vast majority of foundations (86 percent) support grantmaking that either directly or indirectly aids families, provides human services, assists lower income populations or supports economic development. In addition, the survey found that:

- Nearly a third of these foundations (31 percent) said that they had increased the value of their grantmaking in this area this year. And 5 percent said it was a new area added to their grantmaking this year.
- Overall 37 percent of foundations said that they would be increasing their grantmaking for such assistance next year. More community foundations (43 percent) anticipated such an increase next year.
- Fifteen percent of foundations are supporting activities specifically related to the subprime mortgage crisis, and 9 percent said that they anticipated adding or providing more support next year.
- Fifty-five percent of foundations said that the decline in the stock market would have no effect on their level of grantmaking next year, with corporate and independent foundations (about two-thirds) projecting no effect.
- A majority (52 percent) of community foundations said that they would have a lower level of grantmaking next year and only 46 percent felt that they would be able to maintain this year's level of grantmaking.
- Sixty percent of foundations increasing their grantmaking to aid families say that the stock market decline will not effect their grantmaking, while the other 40 percent expect a decline in their grantmaking overall; even though they will be increasing in this area.

If the economic downturn continues, it is likely to increase the pressure on foundations to increase grantmaking that assists affected populations. At the same time, the impact on foundations' grantmaking is usually not fully felt for a year or two. So, while the majority of foundations say that the downturn in the economy will have no effect on their ability to maintain their grantmaking, this situations bears watching.

These findings are based on survey responses from 320 members of the Council on Foundations. Responses came from all types of foundations-community, corporate, family, independent and other; as well as all sizes of foundations, from those with less than \$100,000 in annual grantmaking to those with grantmaking of \$10 million or more.



Foundations Support Families Hit by Economic Downturn

Report by the Council on Foundations

May 1, 2008

While the debate continues about whether or not the U.S. economy has entered a recession, it is clear that the current downturn in the economy is having an effect on large numbers of people. Unemployment has risen to over 5 percent for the first time since 2005, and total employment today is down by 215,000 jobs since last year at this time.¹ In addition, the impact of the subprime mortgage crisis continues to be felt as 234,685 foreclosure notices were issued in March 2008, up 5 percent from February, and up 57 percent from a year ago.² In addition, the stock market is down 12 percent from its peak last fall.³ Although federal, state and local government programs provide much of the assistance to unemployed workers and those facing emergency financial difficulties, the philanthropic sector is also a source of support to populations in need. However, many foundations often do not have the flexibility to quickly respond to sudden changes in needs. With the increase in the populations seeking assistance, and the potential for a tightening of philanthropic dollars due to the stock market decline, how the philanthropic sector has responded is an important question.

This document is the first installment of a new research series initiated by the Council on Foundations looking at the interaction between philanthropy and the economy. In April 2008, the Council surveyed its members to determine how they have responded to both the current economic downturn and the subprime mortgage crisis. In addition, the Council asked members what effect the downturn and the mortgage crisis could have on their grantmaking over the next year.

¹Bureau of Labor Statistics.

²RealtyTrac US Foreclosure Market Report, March 2008. The states with the highest foreclosure rates are: Nevada, California, Florida, Arizona, Colorado, Georgia, Ohio, Michigan, Massachusetts and Maryland.

³Based on analysis of the S&P 500 index.

Key Findings

About 86 percent of foundations said that their grantmaking either directly or indirectly aids families, provides human services, assists lower income populations or supports economic development. Nearly a third of these foundations (31 percent) said that in the most recent year they had increased the value of their grantmaking in this area. About 5 percent of foundations said that this was a new area added to their grantmaking this year. In addition, 37 percent said that they would be increasing their grantmaking for such assistance next year. Furthermore, 15 percent of foundations are supporting activities related to the subprime mortgage crisis. These findings are based on survey responses from 320 members of the Council on Foundations. Responses came from all types of foundations—community, corporate, family, independent and other; as well as all sizes of foundations, from those with less than \$100,000 in annual grantmaking to those with grantmaking of \$10 million or more.

Foundation help for populations affected by the current downturn in the economy is similar to the range of activities that they traditionally support.⁴ According to the Foundation Center, in 2006, 60 percent of foundation giving supported education, health and human services. Half or more of the foundations responding to our survey said that they supported education and basic skills training, food assistance, health care, emergency shelter or homeless assistance and job training and employment assistance. Homeownership education and housing assistance was supported by 44 percent of the

foundations, credit counseling by 16 percent, and 6 percent provided help with meeting mortgage payments.

Further, 15 percent of the foundations told us that they are supporting activities specifically related to the subprime mortgage crisis, and 9 percent said that they anticipated adding or providing more support next year. Activities that foundations were supporting related to the subprime mortgage crisis include, foreclosure prevention, credit counseling, financial assistance with mortgage payments, and purchasing already foreclosed properties to turn them into low income rental housing to both provide housing and to help stabilize areas that have been affected by foreclosures.

Examples of Foundation Activity Related to the Subprime Mortgage Crisis

A sampling of the activities that foundations reported to us include a \$40,000 grant to hire a foreclosure intervention specialist in Virginia, to a multi-year plan in the Chicago area with \$8 million in grants and support for up to \$60 million for program related investments (PRIs). For example, the Kalamazoo Community Foundation in Michigan is supporting mortgage and foreclosure counseling. The McGregor Fund, together with the Community Foundation for Southeastern Michigan and several other foundations in the Detroit area is creating an Office of Foreclosure Intervention and Response to coordinate local efforts to aid families facing foreclosure and to assist neighborhoods to secure vacant properties where there have been foreclosures. The Mizuho USA Foundation in New York City recently gave

⁴See Highlights of Foundation Giving Trends, 2008 edition. Foundation Center.

\$100,000 to help fund the Center for NYC Neighborhoods to address the foreclosure and subprime crisis there. The Community Foundation Serving Richmond and Central Virginia is funding a foreclosure intervention specialist at a local housing organization. The John D. & Catherine T. MacArthur Foundation is helping to address the crisis in Chicago with their Foreclosure Prevention and Mitigation Project to address both “front-end” issues, such as avoiding foreclosure, as well as “back-end” issues by getting defaulted properties back into productive use as quickly as possible. The Hyams Foundation in Boston is exploring the feasibility of a PRI to purchase already foreclosed properties as rental housing for low income families and to preserve neighborhoods by eliminating vacant properties.

To what extent have different types and sizes of foundations responded differently?

Grantmaking that either directly or indirectly aids families, provides human services, assists lower income populations, or supports economic development was provided by all types of foundations, but community foundations and corporate foundations led with about 90 percent, as compared with family foundations (85 percent) and independent foundations (81 percent). All foundation types increased their support for activities in this area, ranging from 29 percent for family foundations to 33 percent for community foundations. Thirty seven percent of foundations said they anticipated increasing grantmaking in this area next year, and 43 percent of community foundations said that they would be increasing grantmaking in this area next year. (See table below.)

Extent That Foundations Provide Grantmaking that Aids Families and Address the Subprime Mortgage Crisis

Percent that...	All Foundations	Community Foundations	Corporate Foundations	Family Foundations	Independent Foundations
Provide grantmaking to aid families, etc.	86	90	87	85	81
Increased grantmaking in this area this year	31	33	32	29	30
Anticipate increasing support next year for this area	37	43	35	24	38
Support subprime crisis activities	15	16	20	11	17
Expect to provide more subprime support next year	9	12	10	3	10

Community, corporate and independent foundations were more likely than the other types of foundations to support activities related to the subprime mortgage crisis (16-20 percent versus 11 percent for family foundations). In addition, while 9 percent of foundations overall said that they expect to provide additional support directed at those affected by the subprime mortgage crisis, a higher proportion of community foundations (12 percent), and independent and corporate foundations (10 percent) said they expected to increase their grantmaking in this area.

Anticipated Changes to Grantmaking Levels

Fifty-five percent of foundations told us that the decline in the stock market would have no effect on their level of grantmaking next year, with

corporate and independent foundations (about two-thirds) projecting no effect. A majority (52 percent) of community foundations said that they would have a lower level of grantmaking next year and only 46 percent felt that they would be able to maintain this year's level of grantmaking. In addition, 59 percent of foundations who anticipate increasing their support to aid families, provide human services assist lower income populations or support economic development say that the decline in the stock market will have no effect on their grantmaking. It is likely that the 40 percent of foundations who expect a lower level of grantmaking overall, but increase aid to families, will need to make adjustments to the areas that they support.

Corporate and Independent Foundations Less Affected by the Stock Market Declines

Percent that...	All Foundations	Community Foundation	Corporate Foundations	Family Foundations	Independent Foundations
Expect no effect of stock market decline on next year's grantmaking level	55	46	65	58	67
Expect lower level of grantmaking	43	52	35	41	31

Larger Foundations Have a Greater Focus on the Effects of the Subprime Mortgage Crisis, and Less likely to Reduce Grantmaking as a Result of Stock Market Declines

Larger foundations, those with \$10 million or more in annual grantmaking, are most likely to be supporting activities related to the subprime mortgage crisis (37 percent for larger foundations versus 10 percent for smaller foundations), and also more likely to say they will be

increasing their assistance next year (20 percent for large foundations versus 6 percent for smaller foundations).

Larger foundations (those with \$10 million or more in annual grantmaking) are also more likely to say that the downturn in the stock market will have no effect on next year's grantmaking (80 percent of larger foundations versus 50 percent for smaller foundations).

Larger Foundations More Likely to Address Subprime Mortgage Crisis

Percent that ...	All Foundations	Smaller Foundations (less than \$10 million in annual grantmaking)	Larger Foundations (more than \$10 million in annual grantmaking)
Provide grantmaking that aids families, etc.	86	85	88
Has increased grantmaking that aids families, etc.	31	31	33
Will increase grantmaking that aids families, etc.	37	35	42
Provides grantmaking that assists those affected by the subprime mortgage crisis	15	10	37
Will increase grantmaking that assists those affected by the subprime mortgage crisis	9	6	20

Implications and Conclusions

As the economy has declined, foundations have responded by raising their level of support for those affected, including those who have suffered as a result of the subprime mortgage crisis. In addition, foundations anticipate that they will increase their grantmaking next year. The Foundation Center found that in 2006, grantmaking by foundations hit about \$41 billion, the highest level ever, both in nominal and inflation adjusted dollars, and they project that 2007 will be even higher.⁵ However, past trends indicate that the effects of downturns in the economy create some immediate demands for increased assistance and these demands often continue for several years. At the same time, the impact on foundations' grantmaking is usually not fully felt for a year or two. So, while the majority of foundations say that the downturn in the economy will have no effect on their ability to maintain their grantmaking, this situation

bears watching. In addition, the impact of the subprime mortgage crisis are not fully known. What is clear is that the areas most deeply affected are concentrated, requiring actions in specific areas, which may drain grantmaking from other activities. Further, while events like Katrina focused activity in a specific area, a broad downturn in the economy is often felt across the U.S. Sustaining both a focus on the issues facing those impacted by the economic downturn, and maintaining grantmaking as the stock market also declines will likely be a struggle for many foundations. Our findings suggest that foundations are likely to face some difficult decisions in the not too distant future. Meeting the demands for grantmaking to aid families may require a shift away from other activities, or alternatively it may require reducing grantmaking across the board to maintain support for the full range of areas on which they have traditionally focused.

⁵Foundation Growth and Giving Estimates: Current Outlook, 2007 Edition, Foundation Center.

ABOUT THE SURVEY

The Council on Foundations administered a web-based survey to 1,841 of its members who had email addresses and agreed to be contacted. A total of 320 responses were received from a broad cross-section of Council members. The table below shows that members of all types of foundations responded, with a higher representation from community foundations and a lower representation from corporate foundations and public and other.

Foundation Type	Percent of Council Members	Percent of Survey Respondents	Number of Respondents
Community Foundation	27	41	132
Corporate Foundation	12	7	23
Family Foundation	32	28	91
Independent Foundation	17	18	58
Public and Other	12	5	16
Total	100	100	320

Similarly, foundations with a lower level of grantmaking were less likely to respond to our survey, while foundations with higher levels of grantmaking, particularly those with over \$1 million in grantmaking responded.

Annual Grantmaking	Percent of Council Members	Percent of Survey Respondents	Number of Respondents
Under \$100,000	14	7	21
\$100,000 to \$1 million	38	31	100
\$1 million to \$10 million	35	46	147
\$10 million or more	12	16	52
Total	100	100	320

For more information contact Sigurd R. Nilsen, Ph.D., Director, Policy Research, Council on Foundations at 703-879-0696 or sigurd.nilsen@cof.org.

This document is also available for download at www.cof.org/files/images/Summit/ecdwntrn.pdf.