

Funders urged to keep giving

By Ret Booney

Nonprofits across the U.S. are being forced to do more with less, and although foundation assets down as much as 30 percent over the past 18 months, funders are being urged to dig deep and keep giving.

"Nonprofits were vulnerable prior to this economic crisis," says Kathleen Enright, president and CEO of Granmakers for Effective Organizations.\

"The circumstances we now find ourselves in are exacerbating the cracks in the foundation," she says, "Now is the time foundations need to make the hard choices."

New recommendations from the 350-member organization encourage funders to hold grantmaking steady, provide more unrestricted funding, cut their own costs where possible and get creative in the assistance they provide.

Nonprofits do not have the "financial cushion" foundations enjoy, so grantmakers need to hold funding steady as nonprofits struggle to weather the crisis, says the briefing, "Smarter Grantmaking in Challenging Economic Times."

Some foundations are heeding the call, Enright says.

"We've been hearing of dozens and dozens of folks who are saying now is the time to give counter-cyclically," she says.

Among those holding grantmaking dollars this year at 2008 levels are the Robert Wood Johnson Foundation, Kresge Foundation and MacArthur Foundation, says Enright, while the Bill & Melinda Gates Foundation and the Omidyar Network aim to give more this year than last.

By paying out more than the federally-mandated five percent of assets, funders are showing support for the nonprofit sector.

Foundations also should reach out to their grantees to better understand the challenges they face, and create new programs and strategies to assist with those challenges.

That could include making multi-year commitments or encouraging collaboration between grantees, funders and the public sector.

As nonprofits work to stretch their scarce dollars, funding flexibility from foundations is important.

That could mean providing more unrestricted money, releasing restrictions on existing grants, or providing cash-flow loans or access to credit.

And just as nonprofits across the U.S. are slashing their budgets to make ends meet, foundations should look for ways to trim administrative expenses without harming effectiveness.

Enright calls it "unconscionable" that foundations would make deep cuts in grantmaking without first working hard to cut their own administrative costs.

She praises the Evelyn and Walter Haas Jr. Fund for cutting costs to help keep grantmaking up this year and beyond.

"The first thing they did was turn the mirror on themselves and try to pull every dollar possible out of their administrative structure," says Enright.

The foundation expects to pay out eight percent to nine percent of its assets for the next three years.

"The hope is that groups like ours can help speed the pace of adoption of some of those innovations by making the learnings more broadly available," says Enright