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Foundation Giving and the Nonprofit Sector: Turning the Economic Downturn into Opportunity

Opportunity: Fund innovative interventions and advocacy.

Foundations, including those that fund in the field of aging, are facing challenging times as a result of the economic downturn. This article discusses recent factors affecting foundations, examines their responses to the recession, and highlights foundation efforts to address aging issues in three areas: (1) research that identifies salient financial problems, (2) programs that help older Americans address or prevent financial vulnerability, and (3) advocacy that addresses such problems.

The Impact of the Economic Crisis on Foundations

Foundations face unprecedented levels of demand from nonprofits that are struggling as a result of the economic downturn. Since the beginning of the recession, funding for nonprofits has been reduced from all sources, including government, corporations, and wealthy individuals. The recession has caused budget shortfalls in forty-four states and the District of Columbia for the 2009 fiscal year, with similar shortfalls projected for fiscal year 2010 and beyond (Reed and Bridgeland, 2009). As a consequence, programs for older adults and disabled individuals will be cut as state govern-

ment budget reductions reduce revenues for human-service nonprofits. In turn, these organizations seek large contributions from foundations to fill in where government has cut back funding so that they can provide the seed funds for new projects, expand existing projects, or venture into new program areas.

Many foundations find themselves with depleted resources as a result of losses sustained in the stock market and from the fall in the value of real estate and other investments. Community foundations (which, like all public charities, depend on contributions from individual donors) are also experiencing significant declines in overall giving. Over the past year, three in four foundations experienced a decrease in their endowments of 25 percent or more (Council on Foundations, 2009). In 2009, two in five foundations expect to dip into their endowment principal to fund their grants budget (Lawrence, 2009). About two-thirds (63 percent) expect to reduce the number or size of grants they will award, or both, although most foundations plan to maintain existing programs and to maintain general commitments to geographic areas they currently serve (Lawrence, 2009). A substantial number of foundations (44 percent) anticipate reducing the

number of multiyear grants they will award. Overall giving by individuals, which constitutes three-quarters of all giving, has also declined \$6.4 billion, a 2-percent drop, which is the largest recorded (Hrywna, 2009).

Historically, foundation funding for the field of aging has never been particularly strong. Beginning in the early 1990s, when the Council on Foundations (2009) first reported on funding to projects identified as “in the field of aging,” the percentage has never risen above 2.5 percent. Grantmakers In Aging, the affinity group for funders in the field of aging, recently reported (author, personal conversation with Carol Farquhar, August 5, 2009) that there seems to have been little change in that percentage since 2004, although some additional funding may be hidden in other categories.

There is a ray of sunshine in this picture. About one-third of foundations will maintain or increase the value of their grantmaking in the field of aging, with support for basic and emergency needs (food, shelter, employment, and medical assistance) being given priority (Council on Foundations, 2009). And there are other signs of hope as well. Grantmakers In Aging reports that its membership has increased markedly since 2004, from 88 to 128 members, its largest membership level ever.

Foundation Responses to the Recession

Despite the financial pressures they face, foundations are responding to the impact of the economic downturn on organizations providing health and human services, which are a crucial safety net for vulnerable populations. A Foundation Center (2009) study of 1,229 foundations found that 14 percent (168 respondents) were launching special initiatives or making other direct responses to the economic downturn. Community foundations, which have long experience in establishing emergency-response funds, have been particularly vigorous in responding, with more than one-third engaged in special initiatives to address community needs

(Lawrence, 2009). Crisis-related grants have nearly tripled since January 2009, with housing and shelter needs receiving the most funding (51 percent) followed by emergency assistance, including food (35 percent).

Following are some foundation responses to the downturn.

Maintaining support

One in three foundations are increasing or maintaining the level of their grants budget, in some instances reaching into the corpus of their endowments, a highly unusual move in a notably risk-averse field.

Engaging stakeholders

In a trend that began during the 1990s, particularly among funders in aging, many foundations are functioning as conveners, connectors, and collaborators. In a recent study, two-thirds of foundations said they would engage in more collaborations and partnerships, and about one-third planned to initiate more conferences and other meetings (Lawrence, 2009). One in five foundations are providing more technical assistance, engaging in more advocacy, and are offering activities led by foundations to help nonprofits build fundraising capacity, and providing consulting, all to help nonprofits survive these lean times.

Flexible funding

All nonprofits, like all businesses, need a cushion during lean times. The reality is that 54 percent of nonprofits have on hand operating reserves to last only three months or less. Some foundations have increased general operating support or offered access to alternative funding sources such as credit, cash-flow loans, or bridge loans and other types of emergency financing.

Doing more with less

Many foundations are finding other ways to cut costs, including trimming staff and making changes in their own operations, instituting

hiring freezes and reductions in benefits and travel budgets. The Robert Wood Johnson Foundation offered a voluntary buyout plan to 42 percent of its 250 employees, and the California Endowment cut forty-four jobs with buyouts and layoffs this past year. The Ford Foundation offered buyouts to one-third of its 550 employees and closed offices in Vietnam and Russia. Similarly, the W. K. Kellogg Foundations closed offices in Brazil, South Africa, and Mississippi, resulting in a reduction of more than a dozen jobs (Strom, 2009).

Reexamination of grant processes

Some foundations have also begun to examine their own grantmaking processes to determine which grants are essential to their core mission. Foundations like the Harry and Jeanette Weinberg Foundation have asked their program staff to develop specific strategic plans with both project priorities and the principles upon which all of their funding is based. This practice has led to a tightening of guidelines and more focused grantmaking. In turn, foundations that have previously accepted proposals throughout the year have gone to a grant cycle calendar that allows for more informed grantmaking. This practice has cut grant rosters, allowing foundations to better control cash outflow.

New Opportunities to Benefit Elders: An Example

As noted, in the midst of the many negative effects of the downturn on older adults, they in some instances stand to benefit from new funding opportunities that have emerged. The issue of elder abuse provides an example.

Many social issues that traditionally have received little attention are surfacing during this economic downturn, just as the change in the economy is also providing incentives (and opportunities) for foundations to go beyond their traditional funding strategies. Elder abuse is one long-neglected issue that is now emerging from the shadows. Although recent high-profile cases

of investment fraud and financial abuse have brought attention to abuse in general, attention to elder abuse specifically is expected to increase as the current economic stress puts additional financial burden on all economic strata.

One of the first elder-abuse shelters in the United States was funded by the Harry and Jeanette Weinberg Foundation at the Hebrew Home for the Aged at Riverdale, New York, the Harry and Jeanette Weinberg Center for Elder Abuse Prevention. By building upon the foundation of the Home's full continuum of care and staff expertise, its community network and collaborative affiliations, the Center has created a coordinated system of crisis intervention, residential and community-based services as well as training and community awareness

Despite the financial pressures they face, foundations are responding.

programs to ensure the availability of the necessary range of services for victims of elder abuse and neglect. At the outset, it was thought that the largest number of victims would surface with physical abuse and neglect, and indeed a large number of the victims did. But, surprisingly, the most prevalent form of abuse reported by victims was financial, accounting for 69 percent of 117 cases (Hebrew Home for the Aged, 2008).

In 2008, the MetLife Mature Market Institute contracted with the National Committee for the Prevention of Elder Abuse (NCPEA) and the Center for Gerontology at Virginia Polytechnic Institute and State University to conduct a study of elder abuse. The purpose was to shed light on the magnitude of the problem and the complex issues contributing to it and to provide recommendations for prevention and intervention. The study documented the extent of this under-reported form of abuse and conservatively estimated the personal costs to victims at over \$2.6 billion annually, as well as tens of millions of dollars in societal costs for associated health-care, legal, and social services (MetLife Mature

Market Institute, 2009). The study also estimated that only about one of every five instances of financial elder abuse is actually reported. An added problem, the study found, is that often the victims are reluctant to even report this abuse much less carry through on prosecution of the perpetrators, because of the close familial relationship or other ties of trust that often exist in these cases.

The study concluded that elder financial abuse is a growing and pervasive problem, with no easy solutions. At present, elder financial abuse accounts for 30 percent to 50 percent of all forms of elder abuse. What is more, the study found, financial abuse often occurs along with other forms of abuse.

And, the study said, the current recession is likely to exacerbate an already burgeoning problem by stimulating an increase in fraud, scams, identity theft, Internet “phishing,” and other forms of elder financial abuse. According to Pamela Teaster, president of NCPEA, “elder financial abuse is a crime growing in intensity and, especially now, with the plummeting economy, elders will be unable to recover from such losses” (MetLife Mature Market Institute, 2009, p. 16).

The standard social and protective services and law-enforcement programs have been challenged to effectively address this issue in good economic times. Now, with depressed state and local tax bases as an unfortunate reality, these services can only shrink even more from a relatively insufficient starting point, just as the recession is reducing the amount of grant funding for programs to address long-standing but growing social problems such as elder financial abuse. The study described is an example of a creative cooperative effort by both private and public sectors to address an underserved area of need by leveraging available resources.

The study offers an opportunity for foundations to not only focus on their traditional areas

of interest, but also to actively engage in efforts to address newly revealed social challenges. Elder abuse is among those that seem to be emerging into the spotlight in these economic times. The Archstone Foundation has been a longtime funder in this area.

In fact, as new scams in elder financial abuse are emerging as a result of the financial downturn, a number of foundations are offering remedies. For example, Cleveland and Seattle are among a number of cities that are working with their local foundations to create both immediate response mechanisms for those older adults who have lost or are in danger of losing their homes in the face of unscrupulous practices. At the same time, the city-foundation partnerships have created special funds to help deal with the costs associated with these scams.

A Range of Foundation Efforts

In some instances, the real “fix” for older adults put at a disadvantage by the economic downturn comes in helping the older adult identify and take advantage of available benefits. One such mechanism for doing so is the Benefits-CheckUp program developed by the National Council on Aging (NCOA), long a staple of well-run service delivery programs for older adults. To help expand the reach of Benefits-CheckUp, particularly during this economic

A new way of supporting elder abuse prevention services is an example.

downturn, the Weinberg Foundation has funded NCOA to increase its efforts at expanding its capacity to offer direct online application for those benefits to eligible older adults (see Firman, Nathan, and Alwin, this issue).

In another effort, NCOA, again with funding from the Weinberg Foundation, is now developing a companion program, with pilots being conducted at ten sites, to provide “financial wellness” care management to help older adults cope successfully with economic losses. This program will allow older adults to gain access to

a broader array of supports such as tax breaks for older homeowners or energy audits, which might yield significant savings and which enhance the basic assessment of eligibility for an array of benefits. To make this program even more powerful, NCOA will train Title 5 workers to act as the financial-wellness care managers.

Through other innovative approaches, foundations are seeking to help older job-seekers reenter the workforce or to expand civic engagement opportunities for older adults. For example, the AARP Foundation established the WorkSearch website that provides individualized worker assessments that match the worker with job openings. The WorkSearch Assessment System has reached 75,247 enrollments, indicating the high level of interest in and need for aid to older workers in these tough economic times. In some parts of the country, coalitions funded by the Atlantic Philanthropies have been formed to educate state and local policy makers about the implications of measures of economic insufficiency, building upon an earlier project

of the Retirement Research Foundation and Atlantic to develop such a measure.

Conclusion

With older people increasingly vulnerable and federal and state budgets on precarious footing, foundations too have been negatively affected by the current economic situation. In this situation, they have shown that they can respond creatively to support the aging network and to develop innovative initiatives, including public–private partnerships, to meet new needs, and to address longtime and emerging gaps in services and care. 

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