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As donations drop, nonprofits forced to get creative

By Kristi Heim, *Seattle Times* business reporter

Philanthropic organizations in the Northwest have become increasingly ambitious about solving global problems such as disease and poverty, but the economic downturn is putting the squeeze on their pocketbooks.

“When people’s portfolio net worth drops by 30 percent, things get tighter,” said Rick Beckett, chief executive of Global Partnerships, a Seattle-based nonprofit.

Many organizations are facing the turmoil on two fronts: volatile food and energy prices and tightening credit have hurt the poorest people they serve, while shrinking assets in the affluent world are making it tougher to find donors.

The economic crisis is forcing some groups to scale back or find creative ways to overcome shortfalls. “It’s a time for questioning what’s the best approach, and how does the nonprofit sector organize to do the work with limited resources,” said Molly Stearns, senior vice president of the Seattle Foundation. The organization, which supports other groups under its umbrella, has seen donations drop by 20 percent this year.

While many foundations have promised to honor their grant commitments, they’re reluctant to enter into new ones, said Beckett, “so it makes it a much tougher environment in which to do new things.”

The current financial meltdown hit at the start of the busiest fundraising season for many nonprofits, but it’s still too early to tell the full impact.

“My sense is it’s not that people quit giving, but if you used to give \$10, you give \$5,” said Mercy Corps Chief Executive Neal Keny-Guyer.

Not far from Wall Street, Mercy Corps opened an interactive education center last month focused on ending world hunger. The Portland-based charity won a bid to design and operate the space for the Battery Park City Authority.

The Action Center to End World Hunger aims to create “a physical experience that rocks and sings and can energize young people,” with a wall-sized interactive map of the world, tools to get involved and a video narrated by comedian Tina Fey, Keny-Guyer said.

Located so close to Wall Street, Mercy Corps hoped the financial industry would be a primary supporter. But the global financial crisis hit in the homestretch of a two-year capital campaign.

Mercy Corps has raised \$6.5 million, about one-quarter of its goal. Despite initial interest from Goldman Sachs and others, a commitment from an investment bank has yet to materialize. “I would not say we’ve abandoned hope,” said Communications Director Joy Portella. “We’re just waiting to see how it shakes out.”

To support its project, Mercy Corps turned to Best Buy, the New York City government, and a private donor who is passionate about the cause.

United Way giving

Closer to home, the United Way of King County is at the halfway point of its biggest fundraising season, which draws support largely from workplace-giving campaigns.

“Obviously it’s a tight economy. Every time there’s an announcement of layoffs, whether it’s in our state

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or not, people have a sense of insecurity,” said United Way spokesman Jared Erlandson.

United Way estimates it will raise about \$110 million this year, down from \$117 million last year.

Washington Mutual was one of United Way’s largest contributors before the thrift collapsed, giving \$2.1 million last year through employee donations and matching gifts.

Employees of JPMorgan Chase, WaMu’s new owner, are considering their own drive for United Way, and other companies have decided to give more this year. PCL Construction, for example, has nearly doubled its employee giving, and Esterline increased its corporate gift 50 percent.

It’s unlikely the organization will have to reduce grants to programs this year, and “that is our No. 1 one goal going into next year,” Erlandson said. The money is critical because more local people need help with basic services, he said.

“Food, housing and utilities — those are the things that people who haven’t needed help are starting to need help with,” he said. “People last year who were donating to food banks, this year may have to make a trip to a food bank to get by.”

Rethink operations

The economic crisis is forcing nonprofits to rethink the way they do business, said Stearns of the Seattle Foundation.

Local nonprofits will have to consider consolidating resources, sharing administrative services and even merging if their missions are too similar. Showing the effectiveness of programs will be key.

For World Vision, 40 percent of its cash revenue comes in between Oct. 1 and Dec. 31, said spokeswoman Karen Kartes.

The Christian relief organization, based in Federal Way, is cutting back spending in its U.S. operations and delaying non-urgent travel. Realizing some companies are not in a position to donate cash, World Vision is urging them to increase in-kind donations,

such as excess inventory, instead.

Prices increase

The credit crunch has also had a broad impact on those receiving the financial assistance. In the field of microfinance — providing tiny loans to help poor people build businesses — there’s less money to spread around while economic pressures increase.

Food and energy costs spiked in the spring, with rice prices soaring 117 percent. Grain prices will likely increase further as poor people eat more of it in place of meat, experts say.

Rising costs have pushed people living on less than \$2 a day closer to the edge.

“They have to decide between food and paying back loans,” said James Dailey, director of Micro Energy Credits, a Seattle company working to expand clean energy to microfinance clients.

Banks that provide capital are demanding more assurances from borrowers. Redmond-based Unitus was asked to double the amount of loan guarantees it provides to help microfinance institutions secure loans, said Unitus Vice President Kate Cochran.

The nonprofit also relies on donations to support its operations, but donations have fallen about 20 percent so far this year. Even so, Unitus is getting a grant from a new source this month, Boeing, to expand microfinance into East Africa.

Stable returns

Investments in microfinance, meanwhile, have actually performed better this year than most stocks.

Global Partnerships has several investment funds and attracts money from large institutions, offering modest but stable returns of about 5 percent. So far the nonprofit has not suffered any losses or defaults from its borrowers.

“Investors in our funds are still getting their checks with the expectation their capital is still in good shape,” Beckett said.

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And people in Seattle are still giving. Global Partnerships raised \$560,000 through its annual Business of Hope luncheon in October, just \$50,000 less than it received last year. The organization also expects this year's total to rise as gifts flow in over the next month.

Historically, recessions usually don't lead to a drop in giving, according to Steven Lawrence, senior director of research at the Foundation Center, which tracks philanthropy.

In each recessionary period since 1975, the year the center began collecting data on all U.S. private and community foundations, the amount of giving in inflation-adjusted dollars showed a slight increase.

Giving by foundations did decline by 4.4 percent immediately after the most recent recession in 2001, but not as much as the 16 percent drop those foundations saw in the value of their assets between 2000 and 2002.

Attitudes have shifted, and more people see beyond their own interests, Beckett said.

"A growing number of people are really looking for socially responsible and socially motivated investments," he said. The economic slump "doesn't change the fact that people are getting more and more compassionate. There's less capital, but not less interest."

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