

Introduction

What is the outlook for grantmaking in Minnesota for 2009? In November 2008, the Minnesota Council on Foundations (MCF) surveyed its members, as well as nonmember foundations and giving programs that are among the top 100 grantmakers in the state, to determine how economic changes may affect grantmaking activity in the coming year.

Our survey results point toward some dramatic shifts in anticipated grantmaking for 2009. Assets are declining and are expected to decline further in 2009. Accordingly, grantmakers are expecting giving to decline as much as 4 percent next year. While grantmaking is decreasing at a somewhat lower rate than that of assets because payouts are typically based on one- to three-year rolling averages, this same factor may negatively affect grant levels in 2010 and beyond. To ease the impact on nonprofits, all types of foundations and corporate giving programs are exploring other opportunities for support, including increasing in-kind giving and offering other non-monetary assistance.

This report creates one snapshot of how giving may be affected by current and anticipated economic conditions. While we identify some of the key factors that may influence giving behaviors in 2009 and beyond, many others – from changing economic indicators to government actions – will also have an obvious impact on the overall outlook for our state's nonprofit community.

Key Findings

- **Foundation giving is expected to drop slightly.** Overall, grantmakers anticipate giving will drop about four percent in 2009¹, as compared to 2008. For grantmakers in the sample who give \$10 million or more annually, giving is expected to decrease only 1 to 2 percent.
- **Many individual grantmakers anticipate their 2009 giving will remain flat.** While 40 percent of the grantmakers surveyed stated they anticipate a decrease in giving, 41 percent expect their giving to remain about the same.
- **A small percentage of grantmakers hope to increase 2009 giving.** Only 15 percent of the surveyed group anticipate increased grantmaking in 2009. A majority (56%) of the expected increases in giving are in the 1- to 4-percent range.
- **Anticipated grantmaking declines are due to loss of assets.** Most (84%) of the expected decreases in giving are attributed to a change in the value of foundation assets.
- **Further asset declines are expected.** More than half (52%) of the survey respondents believe their assets are likely to decrease in 2009, while only 13 percent predict their assets will grow in the next year. Most increases are expected to be in the 1- to 9-percent range, while most decreases are expected to range from 15 to more than 30 percent.
- **The number of grants awarded will most likely decrease.** More than four times as many (36%) grantmakers expect to decrease the number of grants given in the next year than expect to increase grants given (8%). A fairly large number (17%) don't yet know their grantmaking plans for 2009.
- **Grantmakers expect to maintain current priorities, adjusting somewhat for shifting community needs.** About one in three grantmakers plan to continue with their current giving priorities, and another third plan to continue with their current priorities but also think about ways to respond to specific community issues related to the current economic climate.
- **Nonmonetary and in-kind assistance may increase.** About one-third of the surveyed foundations and giving programs said they will respond to changing conditions by offering nonmonetary or in-kind assistance to the organizations they support.

¹ Figure calculated using median percentage changes for ranges shown.



Sample Description

This report summarizes survey responses from a wide range of types and sizes of grantmakers. Included are 44 private foundations, 39 corporate foundations and giving programs, and 24 community or public foundations for a total base of 107 grantmaking organizations.

The respondents represent 70 percent of all grant dollars paid in 2006 (the latest year for which complete data are available). Of those grantmakers in the sample with assets, the majority (66%) stated they have between \$1 million and \$50 million in assets. Nine percent of the respondents have foundation assets under \$1 million, and the remaining 24 percent have assets greater than \$50 million. Nine of the top 10 grantmakers in Minnesota completed the survey.

Anticipated Changes in Giving Levels

Foundations and corporate giving programs in Minnesota are being affected by the current economic climate, just as are most other organizations. In contrast to the actual and projected growth in grantmaking that our state has experienced since 2004, our surveyed grantmakers are expecting to keep steady or reduce grants paid in 2009. As illustrated in Figure A, 40 percent anticipate declines, while only 15 percent forecast some increases.



Further, expected increases will be modest, while decreases will be somewhat larger. Over 3 of every 4 grantmakers who anticipate increases say higher giving will be mainly in the 1- to 9-percent range (see Figure B). Of the expected decreases, 28 percent are in the 1- to 4-percent range, and more than 70 percent range from 5 percent to over 30 percent.

Figure A: Anticipated Grantmaking Changes in 2009 vs. 2008

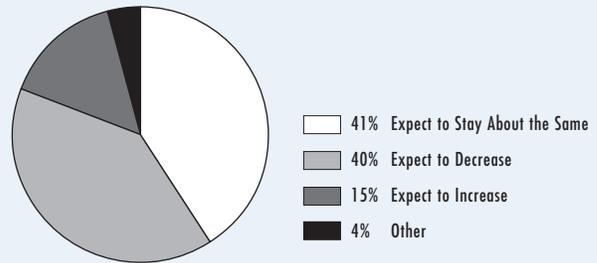


Figure B: Anticipated Grantmaking Changes in 2009 vs. 2008

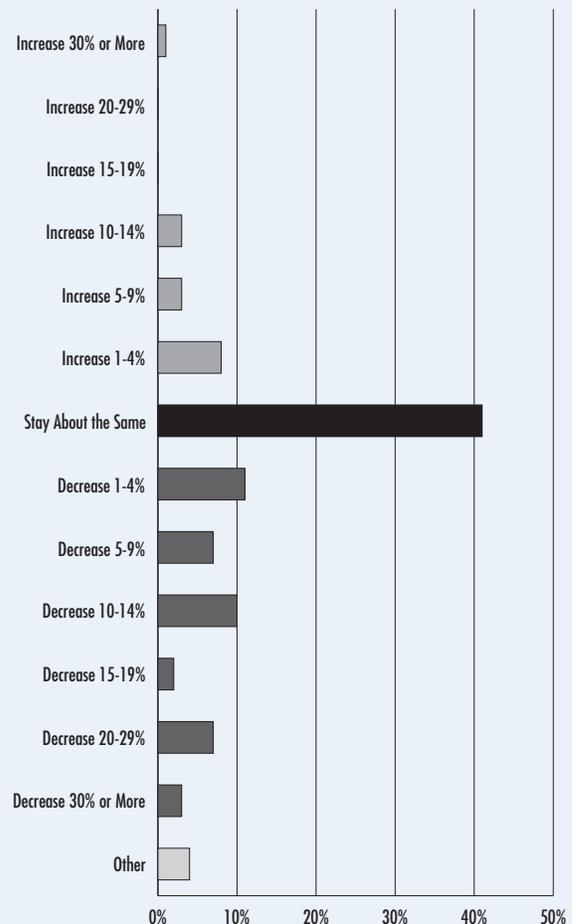


Table 1: Anticipated Changes in Giving for 2009 by Largest Grantmakers*

Anticipated Grantmaking Changes	Percent**
Stay the same	43%
Increase 1 to 4 percent	5%
Increase 10 to 14 percent	10%
Decrease 1 to 4 percent	24%
Decrease 5 to 9 percent	5%
Decrease 10 to 14 percent	10%
Other	5%

* Responses from grantmakers giving more than \$10 million annually.
 ** Due to rounding, figures do not add up to 100%.

Overall, the data from this study show that grant-making is expected to decrease about 4 percent in 2009¹, as compared to 2008. For grantmakers in the sample who grant \$10 million or more annually, giving is expected to decrease only 1 to 2 percent (Table 1).

The anticipated declines clearly show the impact that economic conditions are having on Minnesota philanthropy.

Forecast By Foundation Type

- Corporate grantmakers are anticipating the least amount of change in their giving levels. Almost 60 percent of corporate grantmakers expect no changes in grants paid (see Figure C).
- Private grantmaking organizations appear more volatile. Only about one in four expect no changes in 2009, and over half expect to decrease their amount of grantmaking.
- Anticipated changes in giving by community and public foundations show that 42 percent expect no changes and nearly 40 percent expect decreases.

Expected Changes By Foundation Size

- The largest foundations (those granting more than \$5 million annually) are most likely to anticipate no changes, with over 50 percent saying their grantmaking will stay about the same in 2009 as it was in 2008. One in ten of these organizations anticipates increases, and three in ten expect decreases (see Figure D).
- Foundations granting less than \$1 million annually are the most likely to expect increased giving in 2009, with 28 percent saying they plan increases. Still, nearly 40 percent of the grantmakers in this group expect decreases.
- Foundations granting between \$1 million and \$5 million are the most likely to think their giving will decrease. Fifty percent of these foundations expect decreases in grantmaking, and only 7 percent expect increases.

Figure C: Anticipated Grantmaking in 2009 vs. 2008 by Grantmaker Type

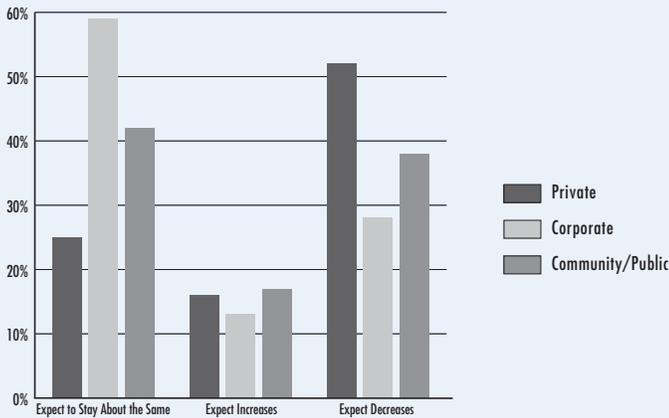
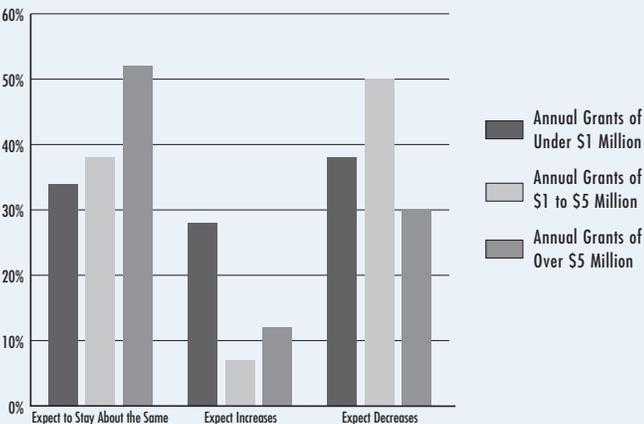


Figure D: Anticipated Grantmaking in 2009 vs. 2008 by Grantmaker Size



Effect of Asset Declines

By far, the single most important factor behind anticipated grantmaking changes is a change in the value of foundation assets. This one factor was noted by 70 percent of those expecting a change in level of grantmaking in 2009. Other factors noted were a change in the profits experienced by a company (13%) and a change in gifts received by the foundation (10%).

As respondents look ahead, only 13 percent expect assets to increase in 2009 (see Figure E). What's more, 52 percent anticipate further asset declines in 2009. Some anticipate large decreases, with 33 percent saying they expect assets to drop from 10 percent to 29 percent (see Figure F). Several grantmakers are unsure of what the future holds for the state of their assets. One responded, "Who knows? We have no crystal ball."

One positive note from these numbers is that grantmaking is not anticipated to decline as steeply as the decrease in assets in 2009. While 52 percent of respondents think their asset bases will decrease (Figure E), only 40 percent (Figure A) think their 2009 grantmaking will decrease. This is due, in part, to foundations basing their grant levels on an average of past asset performance (typically for the past one to three years). Therefore, it may take several years for asset declines to be fully reflected in grant payouts.



Figure E: Anticipated Changes in Grantmaker Assets in 2009 vs. 2008

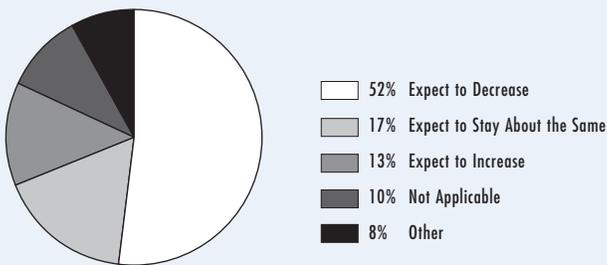
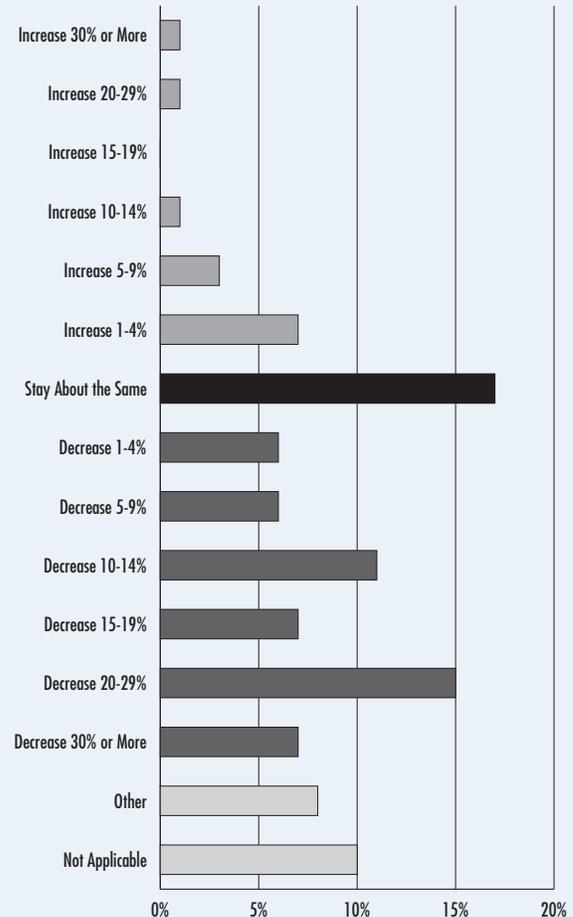


Figure F: Anticipated Changes in Grantmaker Assets in 2009 vs. 2008



Reasons for Lower Assets

More than 60 percent of the survey respondents cite a change in the return on their investments as the reason for decreasing assets. This reason was far more important than other reasons given. Less than 10 percent noted a change in grant payouts, and even fewer selected a change in investment strategy as the reason.

Some foundations and corporate grantmakers noted that they will dip into assets or receive an extra contribution from their company to maintain giving in 2009. This issue of changes in return on investment was equally significant for foundations and giving programs of all sizes.

Anticipated Changes in Number, Size of Grants

How will grantmaking change as foundations and corporate giving programs adjust to anticipated decreases in overall giving and assets? While 31 percent of grantmakers said they will make no changes in the number of grants they give, 8 percent said they plan to increase the number of grants given, and 36 percent said they will decrease the number of grants. Table 2 details these results and also shows expected changes in grant sizes for 2009.

In addition, some respondents will limit acceptance of new proposals or exclude organizations they have not funded in the past. Other grantmakers are uncertain because they are continuing to evaluate their grantmaking as the economic climate changes.

Table 2: Specific Grantmaking Changes Anticipated for 2009

Anticipated Grantmaking Changes	Percent*
No change, same number of grants, same amount per grant	22%
Make same number of grants, increase amount per grant	3%
Make same number of grants, decrease amount per grant	6%
Increase number of grants, same amount per grant	4%
Increase number of grants, increase amount per grant	3%
Increase number of grants, decrease amount per grant	1%
Decrease number of grants, same amount per grant	11%
Decrease number of grants, increase amount per grant	10%
Decrease number of grants, decrease amount per grant	15%
Not sure	17%

* Due to other responses, figures do not add up to 100%.



Anticipated Changes in Grantmaking Priorities and Programs

The grantmakers who plan to make priority or program changes in response to economic conditions believe their adjustments will be temporary. Only 2 percent of the survey respondents said they will make permanent changes (see Table 3). While grantmakers are changing either the number of grants they give or the amounts of these grants, they do not plan to change the focus of their efforts. Some will, however, consider ways to respond to specific community changes while continuing with their existing programs and priorities. A few respondents commented that they are creating emergency funds or shifting to support specific sectors in need. One grantmaker noted an increased focus on program-related investments and loans.



Table 3: Grantmaking Program Changes Anticipated for 2009

Anticipated Grantmaking Program Changes	Percent*
Continue with current giving priorities and programs with no changes	31%
Continue with current priorities or programs but think about ways to respond to some specific community changes related to the economic climate	30%
Make temporary changes to priorities or programs to respond to the impact of the economic climate	12%
Make permanent changes to priorities or programs to address long-term problems related to the economic climate	2%
The economy will have no effect on our grantmaking program	5%
Don't know	11%

* Due to other responses, figures do not add up to 100%.

Other Changes and Grantmaker Concerns

Respondents were also asked if they are considering any other changes (beyond those noted in Tables 2 and 3) to help them manage through the economic climate of 2009. Their responses included:

- No other changes are being considered (36%)
- Offer non-monetary assistance (23%)
- Change our asset management strategy (14%)
- Increase in-kind support (8%)
- Don't know (31%)

In addition, about 10 percent of the foundations said they will try to find ways to cut administrative costs. Several respondents noted that they are reducing administrative overhead through staffing cuts, streamlining processes, or cutting non-essential expenses.

The foundations and giving programs surveyed also expressed a variety of concerns and ideas about the impact of the economy on the philanthropic and nonprofit sectors and the overall community. They specifically noted concern for future grantmaking, fear of decreased government funding for nonprofits while demand for services increase, and uncertainty about how to help nonprofits manage through the cycle. Some also stated that current challenges may bring opportunities to discover innovative ways to increase long-term impact.



Photos courtesy of Blue Cross and Blue Shield of Minnesota Foundation (photographer Scott Streble) and The Saint Paul Foundation.



MINNESOTA COUNCIL
ON FOUNDATIONS

100 Portland Avenue South, Suite 225
Minneapolis, Minnesota 55401-2575

t 612.338.1989
f 612.337.5089

info@mcf.org
mcf.org

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