

**FOUNDATION NEWS QUARTERLY**  
**University Foundation Relations**  
**Stanford University**  
[www.stanford.edu/dept/foundationrelations](http://www.stanford.edu/dept/foundationrelations)

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Cora Woo, Editor

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***Stanford FY08 Foundation Results and the Outlook for FY09***

The past fiscal year was a solid one for foundation and association<sup>1</sup> giving to Stanford, though that statement requires some qualification: FY08 followed six “outlier” years boosted by eight-figure payments on the William and Flora Hewlett Foundation’s historic \$400M commitment to undergraduate education and H&S, and a \$52.6M gift in FY07 from the Ludwig Fund for a new cancer stem cell center. Consequently, as expected, total FY08 foundation and association dollars were down considerably. When eight-figure gifts are set aside, however, F&A giving for FY08 was robust, up by \$13.6M (or 14%) from FY07, with an increase in association giving and in the number of \$1M+ F&A donors, and a steady state in the number of \$1M+ awards. This was good news, as both FY07 and FY08 F&A dollars showed considerable growth from FY06, a year of significant decline after steady growth following the dot-com crash in FY02. Highlights of FY08 included:

- \$32.5M from the David and Lucile Packard Foundation for the Environmental Initiative (Center for Ocean Solutions, Hopkins Marine Station Marine Life Observatory, Y2E2 building, and Leopold Leadership program).
- \$5.7M cash total from the Bill and Melinda Gates Foundation, across the Schools of Engineering and Medicine, and Freeman Spogli Institute for International Studies, including a first payment on a \$3.7M Food Security and the Environment grant.
- \$4.8M in new commitments from the Gordon and Betty Moore Foundation (to build out Beam Line-12 at SLAC for biosciences X-ray crystallography, and a renewal grant to Barbara Block of Hopkins Marine Station for “Mapping Hot Spots in the California Current and Advancing Archival Tag Technology”).

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<sup>1</sup> “Foundation” numbers at Stanford include professional foundation gifts and grants, but not family foundation giving, which is counted as giving from individuals. “Associations” include non-foundation, non-profit entities ranging from the American Cancer Society to HHMI to foreign universities.

- \$3.9M in new commitments from the W. M. Keck Foundation across Medicine, Engineering, and Humanities and Sciences. (Two grants to fund bioengineering-neuroscience projects, one led by Mark Schnitzer [applied physics and biological sciences], the other by Karl Deisseroth [bioengineering and psychiatry and behavioral sciences]; and a Distinguished Young Scholar in Medical Research award to Joanna Wysocka [chemical and systems biology, developmental biology].)
- \$3M award from the Ford Foundation for the Center for Advanced Study in the Behavioral Sciences endowment.

Looking toward FY09, no one knows what to expect. Foundation fundraising had already grown increasingly challenging in recent years, as many foundations have been moving away from supporting higher education and basic research. At the same time, foundation program areas have become ever more strategically focused, making alignment with university objectives more challenging. While Stanford's F&A totals are more than double what they were ten years ago, they have not grown at the rate of individual giving and are likely one indicator of how sponsored research support, as the provost reported in his recent remarks about the university's financial picture, has remained flat.

Now we face the most difficult economic landscape in recent memory. As early as this past spring, foundations had begun telling us they were planning for having less grant money to award in the coming year. Since the September stockmarket meltdown, more and more foundations have joined that chorus each week, as the financial crisis takes its toll on foundation assets along with everyone else's. One major foundation told me off the record that they were looking to cut their operating budget by up to 10 percent to help them meet their grant commitments. The Starr Foundation, previously the 16th largest foundation in the country, has been particularly hard hit, as it was heavily invested in AIG stock (Starr was established by AIG's founder). Starr's president announced in early October that the foundation would honor existing commitments but would have to postpone new grants and initiatives. Two weeks ago, the Dreyfus Foundation announced that it was putting several award programs on hold. Last week, the Hewlett Foundation announced that despite cutting administrative costs and increasing its endowment payout rate, 2009 grant-making will likely be reduced by approximately five to seven percent compared to 2008. However, it stressed that it will remain focused on the foundation's long-range goals and commitments.

The emerging consensus is that most foundations, like Hewlett, will honor existing commitments before making new ones, so current multi-year pledges to Stanford should not be impacted. Obtaining new grants, however, will likely be more competitive than ever, and new initiatives may be delayed. Some

foundations may feel more compelled to support less well-endowed institutions than Stanford, especially state universities, which are being hit harder by the economic downturn. Others may feel even more pressure to help local social service-oriented organizations in a time of great economic hardship. Anticipated declines in giving from individuals and corporations will also put more pressure on foundations to fill the gap. Thus, it will likely be more difficult to pursue larger proposals for institutional priorities or projects that fall outside standard foundation programs, as pots of unrestricted, discretionary monies are likely to decline. (For more on the impact of the economic crisis on philanthropy, see the articles at the end of this newsletter.)

But that said, recent Foundation Center research (see page 15) reports that U.S. foundation giving historically has *not* declined during recessionary periods; in fact, when measured in inflation-adjusted dollars, overall foundation giving has increased slightly, in part because of the ongoing creation of new foundations. The actual story will vary widely foundation by foundation, but most will stay the course, not shifting dramatically from their missions and core program objectives, and most existing fellowship and research programs will continue. Many foundations, like Hewlett, will increase their payout rate to meet their commitments, and some may even dip into principal.

The excellence of Stanford researchers will continue to give university proposals an edge with most funders. Thus, to a great degree, FY09 will likely be business as usual in Foundation Relations, responding to RFPs and looking for new opportunities to bring projects and programs to foundation funders. But we will need to adjust our expectations, as outcomes in many cases may be less certain. Winning foundation support has never been a quick and easy process, and that's never been truer than now.

Kathy Veit  
Director  
University Corporate and Foundation Relations

### ***Funding Opportunities***

Several current funding opportunities are featured on the Foundation Relations' website, in the Request for Proposals section. You can review these funding opportunities at: [www.stanford.edu/dept/foundationrelations/requests](http://www.stanford.edu/dept/foundationrelations/requests).

In addition, the Medical School's Research Management Group's website also lists upcoming funding opportunities. You can review these at: <http://med.stanford.edu/rmg/funding/>

❧ AT STANFORD ❧

***Foundation Relations Units Consolidated, New Staff Join Team***

The offices of Faculty Foundation Relations and University Foundation Relations were consolidated into one central unit as of September 1. Faculty Foundation Relations moves from reporting to the Provost's Office to report to the Office of Development, under the direction of Kathy Veit, director of University Corporate and Foundation Relations. The unit will be known as University Foundation Relations and will continue to provide the same resources and services to faculty and senior staff in seeking funding from professional foundations. Joining the staff November 17 as associate director will be Suzy Beemer, who succeeds Martha Coleman. At the same time, Brooke Groves-Anderson, previously assistant director of University Corporate Relations and Multidisciplinary Initiatives, will pick up some foundation responsibilities and the new title of assistant director of University Corporate and Foundation Relations. Sarah Foster also joins Kathy and Brooke as their new development assistant, succeeding Sarah Monroy. Suzy, along with Cora Woo and Rita Wang, will be located in Bldg. 310, 2<sup>nd</sup> Floor, the past home of Faculty Foundation Relations. Due to space constraints, Kathy, Brooke, and Sarah will remain in the Arrillaga Alumni Center. For a complete list of CFR staff and contact information, visit our web site: <http://www.stanford.edu/dept/foundationrelations/index.html>.

***Summer - Fall Foundation Awards to Stanford***

**Two Keck Awards to Support Young Faculty**

In July, the W. M. Keck Foundation awarded two grants to Stanford. The first is a \$1.5M medical research grant to Karl Deisseroth, assistant professor of bioengineering and psychiatry and behavioral sciences, who is leading a team advancing optogenetic technologies to control electrically excitable cells across a range of neurological, cardiac, and neuro-muscular disease models. The second grant is a \$1M Distinguished Young Scholar Award to Joanna Wysocka, assistant professor of chemical and systems biology, and developmental biology, who is studying the epigenetic mechanisms of cell fate regulation, which may lead to breakthroughs in regenerative medicine and understanding the epigenetic origins of human disease, including cancer.

**Gates Foundation Funds Tuberculosis Research**

The Bill and Melinda Gates Foundation awarded \$980,025 to the department of infectious diseases for research on "TB Expression: A Comprehensive Program to Obtain M. Tuberculosis Expression Profiles from Tissues," the second Gates Global Health grant to support work by Dr. Gary Schoolnik focusing on one of the foundation's core diseases.

### **Burroughs Wellcome Support to Faculty in Medicine and Chemistry**

The Burroughs Wellcome Fund (BWF) granted \$750,000 to Professors Jonathan Pollack and James Brooks in pathology under BWF's Clinical Scientist Award in Translational Research program. Professors Pollack and Brooks will use this award to conduct research on the "Pathogenesis and Diagnosis of Clinically-Indolent Prostate Cancer." In addition, two medical faculty members were selected among the 2009 class of BWF Career Awards for Medical Scientists. Dr. David Pride, infectious diseases, and Dr. Ravindra Majeti, hematology, will each receive \$700,000 for their research efforts. Professor Lynnette Cegelski in chemistry is a recipient of a \$420,000 Career Award at the Scientific Interface from BWF.

### **Robert Wood Johnson Funds Physician Faculty Scholars and Medical Research**

The Robert Wood Johnson Foundation (RWJF) awarded \$714,545 in continued support of the RWJF Physician Faculty Scholars Program. This national program is under the direction of Professor Iris Litt in pediatrics. RWJF also awarded \$299,998 to Professor Allison Kurian, oncology, for her research on "Breast Cancer Risk Reduction Strategies."

### **Spencer Grants to Education Projects and Conference**

The Spencer Foundation awarded \$641,250 to the School of Education for research on "Multi-District Collaboration for Evidence-Based Reform," under the direction of Professors Linda Darling-Hammond and Susanna Loeb. The foundation awarded \$439,275 for Professor Edward Haertel for "Performance-based Assessment of Literacy Coaching." In addition, Professor Arnetha Ball received \$63,312 from Spencer for her research on "Studying Diversity in Teacher Education: Toward a Theory of Generative Change in Culturally and Linguistically Complex Classrooms and Communities" and Professor Eamonn Callan received \$49,000 for the "Justice and Educational Distribution Conference."

### **Hewlett Foundation Support to Two Centers**

The Hewlett Foundation awarded \$800,000 in continued support of the Center on Democracy, Development, and the Rule of Law, directed by Professor Michael McFaul, at the Freeman Spogli Institute for International Studies. The Hewlett Foundation also awarded \$500,000 to the Stanford Center for Research on Philanthropy and Civil Society, which is under the Institute for Research in the Social Sciences in the School of Humanities and Sciences. The center is under the direction of Professors Debra Meyerson and Woody Powell.

**Ford Foundation Grant to Education**

Professor Linda Darling-Hammond in education received \$400,000 from the Ford Foundation for the research project "Investigating Teaching Policy around the World."

**Joyce Foundation Support to Education Research**

The Joyce Foundation granted \$399,413 to Professor Linda Darling-Hammond in education for "Using Data and Analysis to Support and Guide Urban District Reform."

**Gates Foundation Funds Environment Project**

Professor Jennifer Davis, civil and environmental engineering, received \$387,330 from the Bill & Melinda Gates Foundation for her research project "Evaluation of Approaches to Achieve Sustainability in Rural Water Supply in Mozambique."

**HHMI Early Career Award to Oncology Faculty**

The Howard Hughes Medical Institute awarded Dr. Hanlee Ji in oncology a HHMI Early Career Physician-Scientist award. Dr. Ji will receive \$375,000 for his research on "Prognostic Genetics of Colon Cancer Metastasis."

**Templeton Foundation Support to Anthropology**

Professor Tanya Luhrmann, anthropology, received \$262,042 in continued support from the Templeton Foundation for research on "Spiritual Disciplines and Their Sensory Consequences."

**Packard Foundation Continues Support of GSB Sloan Program**

The Packard Foundation awarded \$214,500 in continued support of the Sloan Program Fellows at the Graduate School of Business.

**Surdna Foundation Support to Education Project**

The Surdna Foundation granted \$211,465 to Professor Milbrey McLaughlin in education for her research on "A Community-Wide Continuum of Youth Civic Engagement."

**Dana Foundation Support of Neurology Research**

The Dana Foundation awarded \$200,000 to Professor Michael Greicius in neurology for his research project "Resting-state fMRI: A Novel Approach to Understanding Brain Dysfunction in Major Depression."

**Three Medical Faculty Receive Gates Foundation Grand Challenges Grants**

The Bill and Melinda Gates Foundation announced the recipients of the first round of Grand Challenges awards under its Global Health program. The Stanford faculty who received awards are: Mark Davis, immunology and

microbiology (“Multiplexed Tetramer Analysis of Vaccine Responses”); Andrew Fire, pathology (“Identification of Small RNA Molecules Capable of Eliciting Cellular Immunity During RNA Virus Infection”); and Christina Smolke, bioengineering (“Genetically Encoded Technologies that Support the Design of Molecular Sensing Regulatory Systems for Targeted Disease Treatment Strategies”). The Grand Challenges award provides recipients \$100,000 in support. A second RFP was issued earlier this fall.

**Ewing Marion Kauffman Foundation Awards to Engineering**

The Ewing Marion Kauffman Foundation granted \$100,000 for the “Accel Roundtables on Entrepreneurship Education,” and \$100,000 for the “Educators Corner Website,” both under the direction of Professor Tom Byers, management science and engineering, and director of the Stanford Technology Ventures Program.

**Francis Families Foundation Funds Oncology Research Project**

The Francis Families Foundation awarded \$150,000 to Professor Phuoc Tran, radiation oncology, for research on “Lung Tumor Model System.”

**Mary Kay Ash Foundation Grant to Dermatology**

The Mary Kay Ash Foundation awarded \$100,000 to Professor Matt Marinkovich in dermatology for his research on “Tumor Specific Laminin Precursor Domains in Carcinoma.”

**California Healthcare Funds Medical Pilot Project**

The California Healthcare Foundation awarded \$99,842 to Dr. Kate Lorig, immunology and rheumatology, for the project “Web-Based Self-Management Support” pilot.

**Silicon Valley Community Foundation Support to Haas Center and Education**

The Silicon Valley Community Foundation granted \$75,000 to the Haas Center for the “Stanford College Prep Program,” under the direction of Haas director Gabriel Garcia. Professor Milbrey McLaughlin in education received \$45,000 for the “San Mateo County Youth Data Archives.”

**Klingenstein Third Generation Foundation Funds Psychiatry Project**

The Klingenstein Third Generation Foundation awarded \$60,000 to Professor Manpreet Singh in psychiatry for the project “Emotion Dysregulation in Adolescents with Bipolar Disorder.”

### **US - Japan Foundation Support to FSI Research**

The Freeman Spogli Institute for International Studies received \$52,798 from the US - Japan Foundation for "Divided Memories and Advancing Reconciliation in NE Asia, Year Two," under the direction of Professor Gi-Wook Shin.

### **Carnegie Funds Stanford Center for Innovations in Learning Project**

The Stanford Center for Innovations in Learning received \$49,800 from the Carnegie Corporation for "Stanford English Language Learner Online Video Resources: Exploring Future Functions and Formats." The project is conducted by Professors Guadalupe Valdes and Kenji Hakuta in education.

### **Packard Funds Project at Hopkins Marine Station**

The Packard Foundation awarded \$57,500 to support the "Biomass Estimates of Jumbo Squid in the Gulf of California and Incorporation into a Squid Fishery Management Plan" project at the Hopkins Marine Station, under the direction of William Gilly, professor of biological sciences.

## FOUNDATION PROGRAM NEWS

### ***Kresge Adds Two New Program Areas***

The Kresge Foundation launched two new program areas for funding in health and the environment, to better address society's pressing issues. Both new programs are still in the development stage but will address health and environment-related social issues, particularly those that affect minority, low-income, and other underserved communities. David Fukuzawa, senior program officer at Kresge, will direct the health program and Lois DeBacker will serve as program director for the environment.

### ***MacArthur Announces New Program to Train Sustainable Development Leaders***

The MacArthur Foundation announced the creation of a global Master's in Development Practice program to build a new host of generalist practitioners able to diagnose and address factors impacting sustainable development. The program will provide rigorous professional training for future leaders in the field of sustainable development, with an emphasis on practical, cross-disciplinary knowledge from the health, natural and social sciences. Courses will cover topics such as agronomy, climate change, and tropical diseases. MacArthur will issue a request for proposals this month to universities to participate in the first round of the new degree program.

### ***Rockefeller Foundation Announces New Initiative for U.S. Workers***

The Rockefeller Foundation announced a new \$70 million initiative, the Campaign for American Workers, to work towards restoring the health and retirement security of American workers. The new initiative addresses the U.S. economic implications of outsourcing and offshoring. Rockefeller has begun to make grants under the initiative, targeting affordable health coverage for workers under 35 and increasing retirement savings among African Americans.

## ↻ FOUNDATION STAFF ON THE MOVE ↻

### **Psychologist Claude Steele Joins MacArthur Board**

Claude Steele, the Lucie Stern Professor in the Social Sciences at Stanford and director of the Center of Advanced Study in Behavioral Sciences, has been named to serve on the board of directors of the John T. and Catherine D. MacArthur Foundation. "Claude Steele's scholarship explores the connections among individual growth, fairness, opportunity, and healthy communities, which are central to MacArthur's domestic grantmaking," said foundation president Jonathan Fanton. "He fits well in the long tradition of MacArthur trustees who are deeply engaged in the substance of the Foundation's work. I am delighted to welcome Claude to the board."

### **Gates Foundation New CEO Jeffrey Raikes**

Jeffrey Raikes began as the new CEO of the Bill & Melinda Gates Foundation in September. Raikes brings more than 27 years of experience in the private sector and served as president of the Microsoft Business Division until his retirement in January 2008. Raikes has a deep personal involvement in philanthropy in the Pacific Northwest, focusing on education and children's issues. He holds an undergraduate degree from Stanford.

### **HHMI Announces Next President and New Science Education Director**

The Howard Hughes Medical Institute named Robert Tjian as its next president, succeeding Thomas Cech who has served as HHMI's president since 2000. Tjian is a professor of biochemistry and molecular biology at UC Berkeley and has been an HHMI investigator since 1987. He will assume the post on April 1, 2009. HHMI named David Asai as director of the undergraduate science education program. Asai served as an HHMI program director at Purdue University and at Harvey Mudd College and is a cell biologist.

### **MacArthur President Announces Retirement in 2009**

Jonathan Fanton, president of the MacArthur Foundation since 1999, announced he will step down in September 2009. The MacArthur board has begun a search for Fanton's successor.

### **Hewlett Names New Directors for Education and Environment**

The Hewlett Foundation announced Barbara Chow as the new director of its education program, replacing Marshall Smith who will step down on December 31. Ms. Chow is a domestic policy expert currently serving as policy director for the Budget Committee of the U.S. House of Representatives. Tom Steinbach was named director for the environment program, where he served as a program officer, and Michael Scott joins the foundation as program officer for the environment. Hewlett also appointed Susan Bell, vice president of Hewlett since 2000, as a senior fellow for the foundation's energy and climate grantmaking.

### **Moore Foundation Announces New Chief Program Officer for Environment Conservation Programs**

The Gordon and Betty Moore Foundation appointed Daniel Nepstad as the new chief program officer for its environmental conservation programs. Nepstad, a tropical forest ecologist, joins the foundation after serving as a senior scientist at the Woods Hole Research Center.

### **Ford Foundation Names VP for Peace and Social Justice**

The Ford Foundation announced the appointment of Maya Harris as vice president of its peace and social justice program. Ms. Harris formerly was executive director of the American Civil Liberties Union.

### **Carnegie Announces Program Director for Higher Education in Africa**

The Carnegie Corporation of New York named Omotade Aina as program director for higher education in Africa. Aina joins Carnegie from the Ford Foundation, where he served as director of Ford's Nairobi office. He is well known for efforts in highlighting the challenges in Africa of urban poverty, governance, and development.

### **Henry Luce Foundation Announces Staff Changes**

The Henry Luce Foundation appointed Helena Kolenda as program director for Asia. Ms. Kolenda has been with the foundation since 1998 and previously worked in the area of Chinese law. The foundation also announced the retirement of Terrill Lautz. Lautz, who holds a graduate degree from Stanford, had been with the Luce Foundation since 1984, most recently as vice president and secretary.

### **Mott Foundation Appoints New Staff**

The Charles Stewart Mott Foundation announced several promotions of staff. Samuel Passmore was promoted to director of its environment program and Shannon Lawder was named director of the civil society program. In addition, Amy Shannon joins Mott as a program officer in international finance for

sustainability. Ms. Shannon previously was a consultant to the Ford and MacArthur Foundations.

### **Rockefeller Brothers Fund Names Staff for Democratic Practices**

The Rockefeller Brothers Fund appointed Tom Kruse as program officer for the global governance area of its democratic practice program. Kruse was an advisor to the Bolivian government on trade and macroeconomic policy.

## ↻ FEATURED FOUNDATION ↻

This month we feature the **Gordon and Betty Moore Foundation**, which was one of the top five foundation donors to Stanford in FY08. The foundation was established in 2000 by Gordon Moore, co-founder of Intel Corporation, and his wife, Betty, to seek improvements to the quality of life for future generations. The Moore Foundation currently ranks as the 10<sup>th</sup> largest U.S. foundation, with assets of approximately \$6.4 billion as of December 2007.

The Gordon and Betty Moore Foundation has three broad program areas and focuses its grantmaking through several initiatives and commitments that fall within one of the three areas:

- Environmental Conservation
  - [Andes-Amazon Initiative](#)
  - [Marine Conservation Initiative](#)
  - [Wild Salmon Ecosystems Initiative](#)
  - Conservation International Commitment
  - Special Projects
- Science
  - Caltech Commitment
  - [Marine Microbiology Initiative](#)
  - 30-Meter Telescope Commitment
  - Special Projects
- San Francisco Bay Area
  - [Betty Irene Moore Nursing Initiative](#)
  - Betty Irene Moore School of Nursing Commitment
  - Land Protection
  - Science and Technology Museums

The current president of the Moore Foundation is Steven McCormick, who joined the foundation in January 2008 after serving as president and CEO of The Nature Conservancy for seven years.

At Stanford, the Moore Foundation has supported the large-scale “Tagging of Pacific Pelagics” project of Professor Barbara Block of the Hopkins Marine Station, and also funded a summer marine microbiology course at Hopkins. In partnership with Caltech and Stanford, the Moore Foundation funded the construction of a new beam line at the SLAC National Accelerator Center, dedicated in March 2007. Beam Line-12 is dedicated to X-ray crystallography research that promises to advance the frontiers of structural molecular biology.

While the initial construction grant came through Moore’s Caltech commitment, the foundation made two grants in FY08 directly to Stanford for the purchase of additional instrumentation and computer infrastructure to build out the capacity of BL-12.

In October, we received word that the foundation will be making a grant to the Natural Capital Project, a collaborative effort among Stanford’s Woods Institute, The Nature Conservancy, and the World Wildlife Fund. “NatCap,” led by Stanford biologist Gretchen Daily, aims to develop new scientific methods, financial instruments, and governmental policies to provide maps of nature’s services, assess their values in economic and other terms, and - for the first time on any significant scale - incorporate those values into resource decisions. The Moore Foundation grant will help NatCap develop their marine InVEST tool. This grant builds on several grants that the smaller Moore Family Foundation has made to Professors Daily and Paul Ehrlich to support their research in ecosystem services and biodiversity.

The Moore Foundation has also funded projects through other entities in which Stanford faculty and students have participated. Along with the Packard Foundation, Moore has provided core support to the Partnership for Interdisciplinary Studies of Coastal Oceans (PISCO), a research consortium led by scientists from several west coast universities, including Stanford. The Moore Foundation has also recently made two grants to the Resources Legacy Fund to support studies on the legal aspects of marine protected areas in which Stanford Law School’s Buzz Thompson and Meg Caldwell have played lead roles.

Additional information on the Gordon and Betty Moore Foundation can be found on their website, [www.moore.org](http://www.moore.org). If you are interested in exploring potential funding opportunities from the Moore Foundation, you may contact Kathy Veit, director of University Corporate and Foundation Relations, at [kathy.veit@stanford.edu](mailto:kathy.veit@stanford.edu).

❧ FEATURED ARTICLE ❧

This month we are featuring an excerpt from a recent *Chronicle of Philanthropy* article on how the current economic turmoil affects giving by foundations.

**Foundations and Charities Harmed by Economic Turmoil**

*The Chronicle of Philanthropy,*

October 3, 2008

By Ben Gose

The crisis in the nation's financial markets has yet to officially spill over into a full-blown recession, but the sharp downturn is already affecting foundations and charities in myriad ways.

Initially, the market's woes primarily affected investment returns at the nation's biggest endowments. Now the troubled economy is having much broader impacts: Hundreds of colleges are facing a liquidity issue at an account managed by Wachovia Bank that basically served as place to store cash. . .

Some foundations, meanwhile, are responding to investment losses by cutting back on grant making, although others say they plan to maintain or increase their giving to help struggling charities weather the crisis.

The William & Flora Hewlett Foundation, which has \$9.3-billion in assets, is cutting grant making by 3 to 5 percent this year. Eric Brown, a spokesman, says the foundation will achieve most of the reductions by slowing its awarding of new grants.

"Our core grantees are really not affected," he says. "We might be slightly more careful about bringing in new organizations."

A spokesman for the Robert Wood Johnson Foundation, with \$10.1-billion in assets, says the foundation has no immediate plans to reduce the grant-making budget, but he says that budget is expected to be a key topic at a board meeting this month.

Foundations are often prodded to do more during times of crisis—when the needs of charities and individuals are higher—even though their own endowments are also suffering.

The John D. and Catherine T. MacArthur Foundation, with assets of \$6.2-billion, has suffered endowment losses like nearly everyone else, but it is not pulling in its horns.

"We are increasing our grant making in 2008 compared to 2007," Jonathan Fanton, the foundation's president, said in a statement. "And we expect to maintain or increase our grant making in 2009, despite the performance of the market."

**Small Foundations**

At an Association of Small Foundations meeting held in Denver last month, roughly two-thirds of the nearly 200 staff and board members surveyed said they intend to hold steady or increase grant making in 2009. But nearly a quarter said they would be reducing grant making throughout rest of this year, and more than half of those said they would eliminate support to some charities in order to be able to fully support the rest of their grantees.

The difficult markets have led investment committees on some charity and foundation boards to hold special meetings to evaluate the holdings in their endowments. Most endowments will report losses for their 2008 fiscal years—and for some, a single-digit loss will be viewed as a relative success. . .

### **Cash Crunch**

But the seize-up in the nation's credit markets is having other effects on nonprofit organizations—and the troubles at Wachovia Bank have put some colleges in a liquidity crunch.

Wachovia bank froze accounts of nearly 1,000 colleges on Monday, leaving those institutions unable to access billions of dollars in a fund that they viewed as a cash equivalent and depended on for salaries, campus construction, and debt payments.

The limitations on withdrawals from the Wachovia fund, which colleges invest in through Commonfund, led Commonfund to fear that colleges would make a run on the only other fund Commonfund has that allows daily withdrawals. On Wednesday, Commonfund limited withdrawals from its Intermediate Term Fund to no more than 30 percent of an investor's balance. The Wachovia fund was open only to colleges and universities and private high schools; it was not immediately clear whether the limitations on the Intermediate Term Fund would affect charities besides colleges and schools.

Meanwhile, the University of Washington sued Northern Trust last month for not responding to the university's request that it remove funds from a failing lending program. Northern Trust loaned \$750-million of the university's \$3-billion endowment under a securities lending agreement that began in April. The university maintains that it instructed Northern Bank to terminate the arrangement after it learned of a \$750,000

loss, but that the loss had ballooned to \$7.5-million before action was taken. . .

### **Giving by Individuals**

The downturn in the stock market also appears to be having a chilling effect on giving by individual donors. At the Shriners Hospitals for Children, based in Tampa with 22 pediatric hospitals around the country, some donors contemplating major gifts are delaying their decisions until the volatility on Wall Street plays out, according to Edgar McGonigal, director of development.

In September, he says, "we started to see a few donors who were saying let me hold off for a few weeks to see what happens."

At the American Museum of Natural History, in New York, donations are holding up for now, according to Charles McLean, a museum spokesman. But New York City's financial woes, caused in large part by the problems on Wall Street, have led to budget cuts, including a \$2.4-million reduction in the city's support for the museum in 2008. That reduction has forced the museum to cut back on some educational programs, and cancel a monthly jazz concert that brought young people to the museum.

"To the extent that New York City is facing challenges, all of the big cultural institutions in New York are also facing challenges," Mr. McLean says. "A lot depends on New York's ability to keep its head above water."

Some donor-advised funds are also seeing declining interest. Contributions to donor-advised funds are especially influenced by tax incentives, and one of the most tax-effective ways to open an account is by donating appreciated stock. The Vanguard Charitable Endowment Program, in Malvern, Pa., had 20 new donors set up funds in September, down more than half from the 41 who established funds in September 2007. The program, which has grown rapidly since it was founded in 1998,

is preparing for the sort of slackening interest it witnessed amid the bear market that followed the technology boom.

that price is long gone now,” says Benjamin Pierce, the program’s executive director. “People are holding to wait and see what the depth of this recession is going to be.”

“Some donors are not going to give a stock until they get the price they want—well,

## PAST ECONOMIC DOWNTURNS AND THE OUTLOOK FOR FOUNDATION GIVING

### Foundation Center Research Advisory October 2008

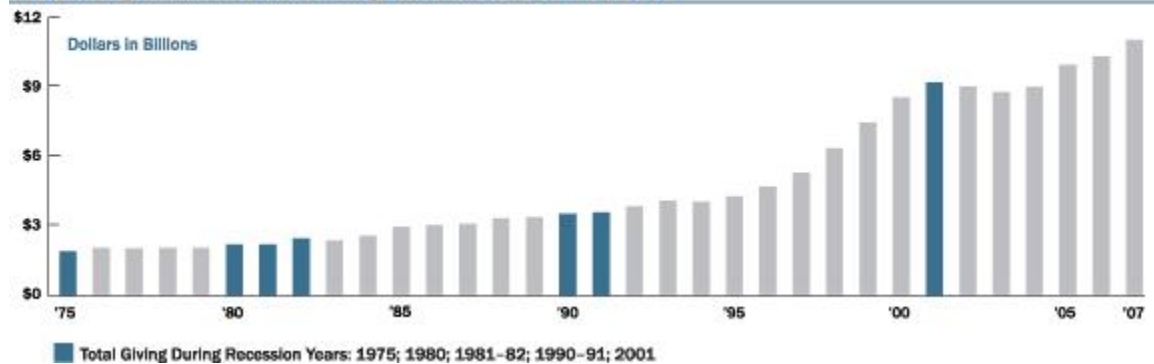
by Steven Lawrence, Senior Director of Research

Since the current economic crisis began in the latter half of 2007, we at the Foundation Center have been fielding questions about the possible impact of a downturn on foundation giving. Each new bank buyout or failure, stock market drop, or prediction of a long and deep recession has led to renewed concerns about the health of the nonprofit sector and of the foundations that serve as one of their sources of support.

The scale of the current financial market meltdown and the reach of its impact throughout the United States and globally feels, in many ways, unprecedented. With no clear bottom yet in sight, it can be tempting to conclude that the work of many institutions will be imperiled or, at a minimum, substantially compromised. But short of a complete economic collapse, the behavior of institutions during prior economic downturns does provide some perspective on how they may weather today’s challenges. This certainly seems true for foundations.

Since the Foundation Center began collecting data on all grantmaking private and community foundations in 1975, the country has weathered several recessions. During each of these recessionary periods — 1980, 1981-82, 1990-91, and 2001 — U.S. foundation giving in inflation-adjusted dollars did not decline and, in fact, increased slightly.

#### Total Giving by Foundations During Recessions, 1975 to 2007



Source: The Foundation Center, *Foundation Yearbook*, 2008. Figure estimated for 2007. Constant 1975 dollars based on annual average Consumer Price Index, all urban consumers, as reported by the U.S. Department of Labor, Bureau of Labor Statistics, as of April 2008.

Nonetheless, just after the most recent recession, foundation giving did decline from \$30.5 billion in 2001 to \$30.4 billion in 2002 to \$30.3 billion in 2003 — the first consecutive years of decreased foundation giving tracked by the Center. Yet this marginal 0.6 percent reduction (4.4 percent after

inflation) was quite modest compared to the inflation-adjusted 16 percent drop in foundation assets we recorded between 2000 and 2002.

### Foundation Giving, 1997 to 2007



Source: The Foundation Center, *Foundation Yearbook*, 2008. Figures estimated for 2007.

<sup>1</sup>Constant 1997 dollars based on annual average Consumer Price Index, all urban consumers, as reported by the U.S. Department of Labor, Bureau of Labor Statistics, as of April 2008.

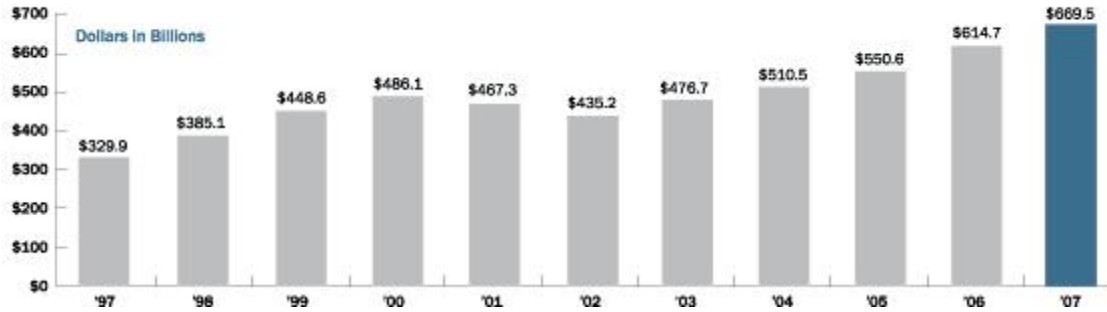
A number of factors helped to moderate the impact of reduced assets on overall foundation giving during the last economic downturn and will likely play a similar role during the current crisis. First, donors continued to establish new foundations — 3,000 grantmaking foundations were established in 2002 and more than 1,500 in 2003. Second, donors continued to direct substantial gifts and bequests into the endowments of existing foundations. Third, foundations that determine their grants budgets each year based on a rolling average of their asset values over the prior two-to-five years — including a number of the largest foundations<sup>1</sup> — helped to ensure more stable levels of giving by foundations overall.

In addition to these factors, during the last downturn a number of foundations indicated a willingness to reach into their corpus to ensure that multi-year commitments made during the late 1990s economic boom were met. Some even increased their payout rate to provide needed resources to the communities and organizations they had long supported.<sup>2</sup>

Although the economic outlook has worsened over the course of 2008, these and other factors, along with a survey of the country's largest independent, corporate, and community foundations, led us to predict in [Foundation Growth and Giving Estimates](#) (released in May) that foundation giving will grow ahead of inflation this year.

Foundation assets grew faster than inflation between 2003 and 2007, which enabled grantmakers to replenish their endowments after the downturn of the early 2000s. For foundations that determine their annual grants budgets based on a rolling average of their asset values, this growth should help to mediate the impact of possible asset losses in 2008 on their giving in 2009. Some foundations will also benefit from new gifts and bequests, and the sector as a whole will benefit from the continued establishment of new and sometimes quite large foundations.

Foundation Assets, 1997 to 2007



Source: The Foundation Center, *Foundation Growth and Giving Estimates*, 2008. All figures based on unadjusted dollars. Figure estimated for 2007.

What does this mean for 2009? Should the stock market recover some of its losses by year's end, the various factors cited above may help overall foundation giving to remain roughly unchanged next year. This would be the best-case scenario. However, if the market fails to rebound from its current low or sinks further, the asset losses may be so pronounced and touch so many foundations that an overall decrease in funding becomes inevitable.

While these scenarios may still be less pessimistic than one might expect given the current economic turmoil, it is important to note that the experiences of the more than 72,000 grantmaking U.S. foundations and the organizations they support will vary markedly. The aggregate figures for the early 2000s downturn obscure the fact that some foundations had to make deep reductions in their funding. Nonprofit organizations that may be facing lower levels of grants support should remember that the Foundation Center can be of assistance in helping to weather the current crisis.

<sup>1</sup> According to the Foundation Center's 2003 "Foundation Giving Forecast Survey," of the 497 respondents indicating that they based their grant appropriations budgets on the value of their endowments, over one-third averaged the value of their endowments over two or more years. (Close to half of respondents based their grant appropriations budgets on their prior year's endowment.) However, among larger respondents (those reporting giving of \$10 million or more in 2002), more than two-fifths reported basing their grant appropriations budgets on the value of their endowments over two or more years.

<sup>2</sup> See Renz, L., *Assessing the Post-9/11 Funding Environment: Grantmakers' Perspectives*, New York: Foundation Center, 2002.